THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately, if you are in the United Kingdom, or from another appropriately authorised independent professional adviser if you are taking advice in a territory outside the United Kingdom.

If you sell, transfer, have sold or otherwise have transferred all of your Shares, please send this document, together with the accompanying documents (except the personalised Form of Proxy), at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded, distributed or transmitted, in whole or in part, in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you sell, transfer, have sold or otherwise have transferred part only of your holding of Shares, please retain this document and the accompanying documents and contact immediately the bank, stockbroker or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and any accompanying documents (in whole or in part) in, into or from jurisdictions other than the United Kingdom, and the allotment and issue of the Consideration Shares in jurisdictions other than the United Kingdom, may be restricted by the laws of those jurisdictions and therefore persons outside the United Kingdom into whose possession this document and/or any accompanying document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Bovis Homes

Bovis Homes Group PLC

(a public limited company incorporated in England and Wales with registered number 00306718)

Proposed acquisition of the Linden Homes and Partnerships & Regeneration businesses of Galliford Try plc

Bonus Issue of Shares

New remuneration policy and share plan

Circular to Shareholders and Notice of General Meeting

A prospectus relating to Bovis Homes, the Acquisition and Admission, prepared in accordance with the Prospectus Regulation Rules, has been made available on the Company's website at www.bovishomesgroup.co.uk. Alternatively, Shareholders may, subject to applicable securities law, request a copy of the Prospectus by contacting the Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays), on 0370 889 3236 from within the UK or on +44(0) 370 889 3236 if calling from outside the UK, with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes).

This document (including all information incorporated into this document by reference to another source) should be read as a whole and in conjunction with the Form of Proxy. Neither this document nor any of the accompanying documents constitute or are intended to constitute or form part of any offer, invitation or solicitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue any securities, or the solicitation of any vote or approval in connection with the Acquisition or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document is not a prospectus.

Your attention is drawn to the letter from the Chairman of Bovis Homes Group PLC in Part I – "*Letter from the Chair*" which contains the unanimous recommendation of the Board that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Please read the whole of this document and, in particular, the risks and other factors that should be taken into account when considering what action you should take in connection with the General Meeting, as set out in Part II – "*Risk Factors*" of this document. You should not rely solely on the information included or summarised in this document.

Notice of a General Meeting of Bovis Homes to be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ at 11.00 a.m. on 2 December 2019 (or any adjournment thereof) is set out at the end of this document. Whether or not you intend to attend the General Meeting in person, you are asked to complete, sign and return the Form of Proxy that accompanies this document (or appoint a proxy electronically, as referred to in this document) in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Registrar not later than 11.00 a.m. on 28 November 2019 (or, if the General Meeting is adjourned, not later than 48 hours before the time appointed for the adjourned meeting). If you hold Shares in CREST, you may appoint a proxy through the CREST electronic proxy appointment service. Details of the CREST electronic appointment method are found in Notes 9 to 12 of the Notice of General Meeting set out at the end of this document. The return of a completed Form of Proxy or the appointment of a proxy electronically or through CREST will not preclude you from attending, speaking and voting at the General Meeting in person if you are entitled and wish to do so.

Certain terms used in this document are defined in Part IX – "*Definitions and Glossary*" of this document.

If you have any questions about this document or the General Meeting, or are in any doubt how to complete the Form of Proxy, please call Computershare between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0370 889 3236 from within the UK or on +44(0) 370 889 3236 if calling from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Different charges may apply to calls from mobile telephones. Please note that calls may be monitored or recorded and Computershare cannot provide legal, tax or financial advice or advice on the merits of the Acquisition.

Application will be made by the Company to the FCA for the Consideration Shares to be admitted to the premium-listing segment of the Official List and to the London Stock Exchange for the Consideration Shares to be admitted to trading on its Main Market for listed securities. Following Completion, the Consideration Shares will be issued as fully paid and will rank *pari passu* in all respects with the Shares in issue at the time the Consideration Shares are issued pursuant to the Acquisition, save that holders of the Consideration Shares will not be entitled to receive any dividend or distribution announced, declared, made or paid by the Company prior to the issuance of the Consideration Shares, including for the avoidance of doubt, the Bonus Issue and the Second Interim Dividend. No application has been made or is currently intended to be made by the Company for the Consideration Shares to be admitted to listing or trading on any other exchange.

Shareholders should only rely on the information contained in this document and the Prospectus. No person has been authorised to give any information or make any representations other than those contained in, or incorporated into, this document or the Prospectus and, if given or made, such information or representations must not be relied upon as having been so authorised by the Company, the Directors, the Banks or any other person involved in the Acquisition. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and Prospectus Rule 3.4, or a supplementary circular pursuant to Listing Rule 10.5.4R, neither the delivery of this document nor the holding of the General Meeting, nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group or the Target Businesses since the date of this document or that the information in, or incorporated into, this document is correct as at any time after its date.

GENERAL

The contents of this document are not to be construed as legal, business or tax advice. Recipients of this document should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice, as appropriate. Furthermore, the Company, the Directors, Lazard & Co., Limited ("**Lazard**") and Numis Securities Limited ("**Numis**") accept no responsibility for the accuracy or completeness of any information reported by the press or other media, or the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media, regarding the Acquisition, Admission, the Group or the Target Businesses. The Company, the Directors, Lazard and Numis make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

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Lazard is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Numis is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Lazard and Numis are acting exclusively for the Company and are acting for no one else in connection with the Acquisition. They will not regard any other person as a client in relation to the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice in connection with the Acquisition or any other matter, transaction or arrangement referred to in this document.

Lazard, Numis and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company and its affiliates, for which they received customary fees. Lazard, Numis and their respective affiliates may provide such services to Bovis Homes and its affiliates in the future.

Shareholders and prospective investors in the Shares (including the Consideration Shares) will be deemed to have acknowledged that they have not relied on Lazard, Numis or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document for their investment decision.

Apart from the responsibilities and liabilities, if any, which may be imposed on Lazard and Numis by the FSMA or the regulatory regime established thereunder, neither Lazard nor Numis, nor any of their respective affiliates, accepts any responsibility or liability whatsoever for 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, in connection with the Group, the Enlarged Group, the Acquisition, Admission or the Consideration Shares, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether or not to the past or future. Lazard, Numis and their respective affiliates accordingly disclaim all and any duty, liability or responsibility whatsoever (whether direct or indirect and whether arising in tort, contract, under statute or otherwise (save as referred to above)) which they might otherwise have in respect of this document or any such statement.

This document has been published solely in connection with the Acquisition. Those considering Admission, including the risks relevant to Admission, the Shares and the Enlarged Group, should rely only on the information in the Prospectus.

ADDITIONAL INFORMATION FOR US SHAREHOLDERS

The Shares (including the Consideration Shares) have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Consideration Shares to be issued to New Topco Shareholders pursuant to the Acquisition are expected to be issued in reliance upon an exemption from the registration requirements of the US Securities Act afforded by section 3(a)(10) thereof and exemptions from registration and qualification under applicable state securities laws. New Topco

Shareholders who will be affiliates (within the meaning of the US Securities Act) of Galliford Try or Bovis Homes before, or of Bovis Homes after, the Scheme Effective Date will be subject to certain US transfer restrictions relating to the Consideration Shares received in connection with the Scheme.

The Shares (including the Consideration Shares) have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

OVERSEAS SHAREHOLDERS

The Consideration Shares have not been, and will not be, registered under the applicable securities laws of any jurisdiction outside the United Kingdom. Accordingly, the Consideration Shares may not be offered, sold, delivered or otherwise transferred, directly or indirectly, in, into or from any such jurisdiction, or to, or for, the account or benefit of citizens or residents of any such jurisdiction, except pursuant to an applicable exemption from, or in a transaction not subject to, applicable securities laws of those jurisdictions or as otherwise permitted under the applicable securities laws of those jurisdictions. Shareholders outside the United Kingdom are required by the Company to inform themselves about and observe any restrictions on the offer, sale or transfer of the Consideration Shares.

No action has been taken by the Company or the Banks to obtain any approval, authorisation or exemption to permit the allotment or issue of the Consideration Shares or the possession or distribution of this document (or any other publicity material relating to the Consideration Shares) in any jurisdiction other than the United Kingdom.

Unless otherwise determined by the Company or required by and permitted by applicable law and regulation, the Acquisition will not be implemented and documentation relating to the Acquisition shall not be made available, directly or indirectly, in, into or from an excluded territory where to do so would violate the laws of that jurisdiction (an "**Excluded Territory**") and no person may vote their Shares with respect to the Acquisition at the General Meeting, or execute and deliver Forms of Proxy appointing another to vote at the General Meeting on their behalf, by any use, means, instrumentality or form within an Excluded Territory or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Excluded Territory and persons with access to this document and any other documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from any Excluded Territory. Persons who are not resident in the United Kingdom or who are subject to the laws and/or regulations of another jurisdiction should inform themselves of, and should observe, any applicable requirements.

It is the responsibility of each person into whose possession this document comes to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the distribution of this document, the issuance of the Consideration Shares and the implementation of the Acquisition and to obtain any governmental, exchange control or other consents which may be required, to comply with other formalities which are required to be observed and to pay any issue, transfer or other taxes due in such jurisdiction. To the fullest extent permitted by applicable law, the Company, the Board, the proposed members of the Board for the Enlarged Group, the Banks and all other persons involved in the Acquisition disclaim any responsibility or liability for the failure to satisfy any such laws, regulations or requirements by any person.

This document is dated 7 November 2019.

TABLE OF CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Acquisition are indicative only and are based on the Company's current expectations and are subject to change. If any dates and/or times in this expected timetable change, the revised dates and/or times will be notified to Shareholders by announcement through a Regulatory Information Service. All times shown are London times unless otherwise stated.

EVENT	TIME AND/OR DATE
Announcement of the Acquisition and the Placing	7.00 a.m. on 7 November 2019
Publication of the Prospectus and posting of the Circular	**7 November 2019**
Admission and commencement of dealings in the Placing Shares on the premium segment of the Official List and the Main Market of the London Stock Exchange	by 8.00 a.m. on 11 November 2019
Latest time and date for lodging Forms of Proxy (or appointing a proxy electronically or submitting a proxy via CREST) for the General Meeting	**11.00 a.m. on 28 November 2019**
Voting Record Time(1)	8.00 p.m. on 28 November 2019
Galliford Try Court Meeting	10.00 a.m. on 29 November 2019
Galliford Try General Meeting	10.15 a.m. on 29 November 2019
General Meeting	**11.00 a.m. on 2 December 2019**
Ex dividend date for the Second Interim Dividend	8.00 a.m. on 24 December 2019
Second Interim Dividend Record Time	6.00 p.m. on 27 December 2019
Scheme Effective Date	**2 January 2020**
Consideration Share Record Time	6.00 p.m. on 2 January 2020
Bonus Issue Record Time	6.00 p.m. on 2 January 2020
Ex dividend date for the Bonus Issue Shares	8.00 a.m. on 3 January 2020
Expected Completion Date	3 January 2020
Admission and commencement of dealings in the Consideration Shares and Bonus Shares on the premium segment of the Official List and the Main Market of the London Stock Exchange	**by 8.00 a.m. on 3 January 2020**
CREST accounts of Galliford Try Shareholders holding in uncertificated form credited with Consideration Shares	on or soon after 8.00 a.m. on 3 January 2020
CREST accounts of Shareholders holding in uncertificated form credited with Bonus Issue Shares	on or soon after 8.00 a.m. on 3 January 2020
Despatch of share certificates: (a) for Consideration Shares to Galliford Try Shareholders holding in certificated form and (b) for Bonus Issue Shares	on or soon after 8.00 a.m. on 3 January 2020

CREST accounts credited with any cash due in relation to the sale of fractional entitlements	within 14 days after Completion
Despatch of cheques for any cash in relation to the sale of fractional entitlements for those Galliford Try Shareholders who do not hold their Galliford Try Shares in CREST	within 14 days after Completion
Second Interim Dividend paid to Shareholders	May 2020

Note:

(1) To be entitled to attend, speak and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered on the register of members of the Company at 8.00 p.m. on 28 November 2019 (or, in the event of any adjournment, at 8.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

INDICATIVE STATISTICS

Number of Shares in issue at Latest Practicable Date[(1)]	134,860,771
Number of Placing Shares[(2)]	13,472,591
Number of Shares in issue immediately following completion of the Placing[(3)]	148,333,362
Number of Consideration Shares to be issued as part consideration for the Acquisition[(4)]	63,739,385
Number of Bonus Issue Shares to be issued[(5)]	5,665,723
Number of Shares in issue immediately following Completion (the "**Enlarged Issued Share Capital**")[(6)]	217,738,470
Estimated expenses of the Acquisition (including the Placing)	£22 million
Consideration Shares as a percentage of the Enlarged Issued Share Capital immediately following Completion[(6),(7)]	29.3 per cent.

Notes:

(1) Number of Shares in issue as at 6 November 2019, being the latest practicable date prior to the publication of this Circular (the "**Latest Practicable Date**"). Bovis Homes does not hold any Shares in treasury as at the date of this Circular.

(2) Maximum number of Shares to be issued pursuant to the Placing announced by Bovis Homes on 7 November 2019 ("**Placing Shares**"), being approximately 9.99 per cent. of the Company's existing issued ordinary share capital in issue as at the Latest Practicable Date.

(3) Assuming that the maximum number of Placing Shares is issued.

(4) Number of Shares to be issued to Galliford Try Shareholders in respect of their Shareholding in New Topco in part consideration for the Acquisition ("**Consideration Shares**").

(5) Number of Bonus Issue Shares to be issued to Shareholders (excluding recipients of Consideration Shares) based on a return of capital amount of £60 million at a share price of £10.59 calculated as at 9 September 2019.

(6) Maximum number of Shares assuming the maximum number of Placing Shares is issued and assuming that no new Shares are issued as a result of the exercise of any options between the Latest Practicable Date and Completion.

(7) Based on the number of Shares in issue as at the Latest Practicable Date, the issue of a maximum number of 13,472,591 Placing Shares, the issue of 63,739,385 Consideration Shares as part consideration for the Acquisition and the issue of 5,665,723 Bonus Issue Shares.

PART I

LETTER FROM THE CHAIRMAN

Bovis Homes

(incorporated in England and Wales with registered number 00306718)

Directors:	***Registered office:***
Ian Tyler	11 Tower View
Ralph Findlay	Kings Hill
Chris Browne	West Malling, Kent
Nigel Keen	United Kingdom
Katherine Innes Ker	ME19 4UY
Mike Stansfield	
Greg Fitzgerald	
Earl Sibley	

7 November 2019

Dear Shareholder,

Proposed acquisition by Bovis Homes Group PLC of the
Linden Homes and Partnerships & Regeneration businesses of Galliford Try plc

Bonus issue of Shares

New remuneration policy and share plan

1. Introduction

Bovis Homes Group PLC ("**Bovis Homes**" or the "**Company**") today announced that it had entered into an agreement with Galliford Try plc ("**Galliford Try**") regarding a combination of Bovis Homes and Galliford Try's Linden Homes and Partnerships & Regeneration businesses (the "**Target Businesses**") for a consideration of £1.075[(1)] billion (subject to certain customary completion adjustments linked to Linden Homes's and Partnerships & Regeneration's asset value). Linden Homes was valued as a multiple of TGAV[(2)] and Partnerships & Regeneration was valued as a multiple of earnings.[(3)]

The consideration will consist of:

(i) the issue to Galliford Try Shareholders in respect of their shareholding in New Topco of 63,739,385 new ordinary shares of £0.50 each in the capital of the Company ("**Shares**") (valued at £675 million based on Bovis Homes' closing share price on 9 September 2019) (the "**Consideration Shares**"); plus

(ii) the payment of £300 million in cash (the "**Cash Consideration**") to Galliford Try; and

(iii) the novation from Galliford Try to Bovis Homes of Galliford Try's £100 million 4.03 per cent. senior unsecured notes due February 2027 (the "**Private Placement Bond**").

At Completion, Bovis Homes will also assume Galliford Try's rights and obligations under two of Galliford Try's pension schemes.

(1) Calculated using the Company's closing share price of £10.59 as at 9 September 2019.

(2) Based on Linden Homes' TGAV as at June 2019 of £728.1 million – the difference between this and Linden Homes' last reported TGAV of £759.2 million is a £31.1 million intercompany balance between Linden Homes and Galliford Try plc (which sits in Linden Homes' working capital/receivable balances) and will be settled prior to Completion. This is why it has been excluded in the TGAV calculation.

(3) Based on Partnerships & Regeneration's EBIT as at June 2019 of £34.8 million.

As a result, the Galliford Try Shareholders are expected to hold in aggregate 29.3 per cent. of the Enlarged Group at Completion (after implementation of the Placing and the Bonus Issue described below). Further details regarding the terms of the Acquisition are set out in paragraph 9 of this letter and in Part IV – "*Summary of the Acquisition Agreements*" of this document.

Bovis Homes also today announced a non pre-emptive placing of up to 13,472,591 new Shares representing approximately 9.99 per cent. of Bovis Homes' existing issued share capital (the "**Placing**"), which is expected to raise gross proceeds of up to £157 million. Bovis Homes proposes to use the net proceeds of the Placing and funds to be drawn down at Completion from the new debt financing (details of which are set out in paragraph 10 of this letter) to fund the Cash Consideration.

The Acquisition, because of its size in relation to the Company, is a Class 1 transaction for the Company under the Listing Rules and will therefore require the approval of Shareholders. A General Meeting has been convened for 11.00 a.m. on 2 December 2019 (or any adjournment thereof) at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ for Shareholders to consider and, if thought fit, approve the Resolutions. An explanation of the Resolutions is set out in paragraph 16 of this letter and the notice convening the General Meeting is set out at the end of this document.

I am writing to you to: (i) explain the background to and reasons for the Acquisition; (ii) provide you with information about the Target Businesses; (iii) explain why the Board unanimously considers the Acquisition to be in the best interests of the Shareholders as a whole; (iv) explain the related Bonus Issue and new remuneration policy and share plan; and (v) recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

Details of the actions Shareholders should take, and the recommendation of the Board, are set out in paragraphs 17 and 20, respectively, of this letter.

The Acquisition relates solely to a combination of Bovis Homes and the Target Businesses and does not relate to a merger with Galliford Try. The Acquisition envisages Galliford Try remaining a UK-listed construction-focused group owned entirely by the Galliford Try Shareholders.

2. Background to and reasons for the Acquisition

The Acquisition presents an excellent and unique opportunity for Bovis Homes to acquire both (i) a top UK housebuilder, Linden Homes, and (ii) a leading partnerships business, Partnerships & Regeneration. The Enlarged Group will be firmly positioned as one of the UK's top housebuilders (across both private and affordable housing), and more importantly the Acquisition will establish the Enlarged Group as one of the leaders in the highly attractive, high growth partnerships business.

Over the last two and a half years, Bovis Homes has delivered an impressive turnaround, including a dramatic improvement in build quality and customer satisfaction, the successful launch of a new housing range and investment in and upgrade of people, systems and infrastructure. As a standalone business, Bovis Homes is approaching its target capacity of delivering 4,000 units per year from its existing housebuilding operating structure. It is from this position of strength, both operationally and financially, that the Group has decided to undertake this Acquisition as it believes it has the required people and capabilities to successfully integrate the Target Businesses.

The Acquisition is expected to deliver the following key benefits for Bovis Homes:

Creates a top five national housebuilder

The combination of the Group and the Target Businesses will create one of the leading UK national housebuilders with the capacity to deliver more than 12,000 new units per year over the medium term. The Enlarged Group will have an enhanced national customer proposition and coverage, enabling it to compete more effectively against the major players in the UK private and affordable housebuilding sector. Combined, the Enlarged Group will have a total consented land bank of over 33,000 owned plots and a valuable pipeline of strategic land totalling c.33,000 plots.

Accelerates Bovis Homes' move into the high-growth partnerships and regeneration sector

The Acquisition will significantly accelerate the Group's move into partnerships housing. The Group announced the launch of its own partnerships business in early 2019, identifying partnerships housing as a key sustainable growth area less connected to the housing cycle with more resilient earnings across the cycle. In particular, the Group's diversification into partnerships housing reduces risk.

Galliford Try Partnerships is one of the leading and most established national brands in this area and, with a very strong track record of growth, is a partner of choice for housing associations, local authorities and government agencies. There remains a fundamental housing shortage in the UK, and government support to increase housing supply is strong, with a significant increase in investment from housing associations in particular.

Galliford Try Partnerships has a hybrid business model with revenues and profits generated from a mix of contracting and development. Bovis Homes sees real opportunity to significantly grow the combined partnerships business, specifically increasing the proportion of revenue from higher margin land-led development. The strength of the Enlarged Group's balance sheet is expected to support new land investment for the partnerships business, including a strong pipeline of strategic land pull-though. This is consistent with the strategic direction of Bovis Homes' nascent partnerships business, which, since launch, has established seven land-led developments in partnership with housing associations where the gross margin is at a similar level to the Bovis Homes housing business's gross margin. The Directors believe that there is the potential to grow Galliford Try Partnerships to a business generating revenue over £1 billion and an operating margin in excess of 10 per cent.

Enhanced geographic footprint with growth potential

The Acquisition provides the opportunity for growth nationally. The geographic reach of the Target Businesses is highly complementary to Bovis Homes' geographic footprint such that the Acquisition is expected to both strengthen core areas for Bovis Homes, such as the South Coast, and provide the opportunity to expand into attractive regions, such as Yorkshire.

In addition, synergy opportunities are expected to be realised from the significant geographic overlap between Bovis Homes and the Target Businesses. For housebuilding, Bovis Homes expects the optimal structure to be 12 to 14 housebuilding operating regions as compared to the 17 regions which will exist at Completion. Each housebuilding operating region will have an optimum size of c. 550 to 625 units completed p.a., providing opportunity for the combined housebuilding business to grow and deliver more than 8,000 units p.a. This compares to pro forma completions of 7,055 for the 12 months ended 30 June 2019.

Galliford Try Partnerships is well served by its existing operating structure of ten operating regions working alongside housebuilding. Following Completion, Bovis Homes' nascent partnerships business will be fully integrated with Galliford Try Partnerships and the Board believes that the Enlarged Group's partnerships business presents a significant opportunity to shift the business mix to more land-led, higher margin developments supported by the strength of the Enlarged Group's balance sheet.

Two leading housebuilding brands

Bovis Homes and Linden Homes bring together two high quality, well-recognised housebuilding brands. In order to leverage these brands, the Enlarged Group will look to maximise the opportunities from dual branding, where each brand will be repositioned to ensure that it has the greatest appeal to its specific and differentiated target market. This model is successfully implemented by other larger UK housebuilders and Bovis Homes and Linden Homes are already successfully selling alongside each other on six developments, with the immediate opportunity to dual-brand a further c.15 developments.

When acquiring land, the Enlarged Group will be able to select the best-positioned brand for the new housing development which meets customers' needs and will maximise demand. On larger sites, particularly those pulled through from the strategic land bank, the Enlarged Group will be able to promote both brands on a single development site in order to increase overall production, demand and sales rates and drive higher returns on capital employed.

The Enlarged Group's partnerships business will also leverage the Linden Homes and Bovis Homes brands for its mixed tenure developments, alongside the Drew Smith brand, which is the regional branch of Galliford Try Partnerships for the South of England.

High quality combined land bank

The Enlarged Group is expected to have a high quality total consented land bank of more than 33,000 owned plots and c.33,000 plots of strategic land.

The Enlarged Group is expected to capitalise on future land opportunities through its ability to compete more competitively in the land sector. With a dual branded housebuilding business and a focus on significantly increasing partnership revenues from land-led development, the Enlarged Group is expected to be much better positioned to acquire larger sites and, in particular, higher margin strategic opportunities.

Strengthens the senior management team

Greg Fitzgerald, CEO of the Group, is uniquely positioned to successfully integrate Bovis Homes and the Target Businesses, having formerly been CEO and then Executive Chairman of Galliford Try plc over a period of 11 years until 2016. Greg has been in housebuilding for 35 years and knows the Target Businesses well, having overseen the acquisition of Linden Homes by Galliford Try in 2007 and the launch of Galliford Try Partnerships in 2012.

There is strong leadership across the Target Businesses with the Acquisition bringing the best from each business into the Enlarged Group. In addition to the strength of the business leadership, the continuity of management across the Enlarged Group following the Acquisition will help mitigate risks arising through the integration process.

Enhances shareholder value with attractive financial returns

The Directors believe that the Acquisition will enhance shareholder value. It is anticipated that the Acquisition will be low double digit EPS enhancing in the first full financial year post-Completion with further significant EPS enhancement in the second full financial year post-Completion. The Directors expect the Acquisition to result in estimated recurring run-rate pre-tax cost synergies of at least £35 million per annum by the end of the second full financial year following Completion of which the in-year EBIT impact in the first full financial year following Completion is estimated to be c.£12 million. The Directors believe that the Acquisition represents a significant opportunity to deliver potential cost synergies across the following areas:

- streamlining the regional and divisional operating models of the combined business (approximately 55 per cent. of the estimated recurring run-rate pre-tax cost synergies); and
- procurement-related synergies (approximately 45 per cent. of the estimated recurring run-rate pre-tax cost synergies).

The Directors expect that the realisation of these cost synergies will require one-off implementation costs of approximately £35 million. These are expected to be phased across a two-year period following Completion. Detailed integration planning will take place after Completion, at which time restructuring and redundancy proposals will be subject to engagement with relevant stakeholders (including consultation with employee representative bodies where required by law).

The Directors believe that synergies will accrue from overhead savings, procurement savings and geographic overlap. The Directors have considered dis-synergies as a result of the transaction and do not believe that there are any material dis-synergies.

Basis of belief

In developing the synergy benefits, the Board has undertaken a rigorous process covering the following steps:

- the Board has worked to evaluate and assess the potential synergies available from the Acquisition;

- the assessment and quantification of the potential synergies has been informed by the Board's extensive industry experience, knowledge of Bovis Homes and the Target Businesses, as well as information gathered during the due diligence process in respect of the Target Businesses;
- the cost synergies have been assessed relative to the pre-Acquisition cost base of the carved out Target Businesses for the year ended 30 June 2019 (FY19) and of the Group for the LTM period ended 30 June 2019. The Directors have sought to normalise costs to reflect a more typical cost position, including adjusting overhead costs to reflect current forecast unit volumes and normalised staff costs; and
- key assumptions have been discussed with the Target Businesses' operational management team.

The cost synergies indicated above are contingent on Completion and could not be achieved independently of the Acquisition. The Directors confirm that the cost synergies reflect both beneficial elements and relevant costs associated with achieving these cost synergies.

Nothing in this document, including any statement of estimated costs savings or synergies, is intended as a profit forecast.

3. Integration

In the period leading up to Completion, Bovis Homes and Galliford Try will work together to develop a detailed integration plan.

It is expected that the Enlarged Group will assume a new corporate name – see paragraph 15 of this letter for more details. This corporate name will be used for both the Enlarged Group's housebuilding and partnerships businesses.

The Enlarged Group's housebuilding business will operate with both the Bovis Homes and Linden Homes brands, maximising the opportunities from dual-branding. Each of the housebuilding operating regions will develop both Bovis Homes and Linden Homes units. The Enlarged Group's partnerships business will use the Bovis Homes and Linden Homes brands, alongside its own Drew Smith brand in the South of England, for its mixed tenure development.

During 2020, the intention is to steady state both Bovis Homes and Linden Homes revenues as the Group focuses on a successful integration of the two businesses.

4. Information on Bovis Homes

Bovis Homes is a top 10 UK housebuilder operating across the south of England, excluding London, developing high-quality private and affordable housing. The Group purchases land in targeted prime locations, typically on the edge of towns or villages, with over 90 per cent. on greenfield sites. It has specialist buyers in each of its operating regions who work with land vendors including local authorities to identify high quality land opportunities that at least meet its minimum hurdle rates and enable it to create sustainable places for its customers to live. The Group uses its own well-designed, contemporary standard housing range on the majority of its developments and employs local suppliers and sub-contractors. A key priority of the Group is to deliver high levels of customer satisfaction throughout the customers' entire Bovis Homes journey delivered by it its own team of trained customer service and sales advisors.

Bovis Homes has two divisions: the West and East, which comprise seven operating regions, each with a regional head office well-located for its developments. These include Kings Hill in Kent, which is also Bovis Homes's headquarters, Basingstoke, Exeter, Bishops Cleeve near Cheltenham, Stafford, Coleshill near Birmingham and Milton Keynes. It directly employs c.1,300 employees.

Bovis Homes announced the launch of its partnerships business in early 2019, identifying partnerships housing as a key sustainable growth area less connected to the housing market cycle with more resilient earnings across the cycle.

For the financial year ending 31 December 2018, Bovis Homes completed 3,759 units, of which 2,567 were private housing and 1,192 were affordable housing, with an average selling price of £273,200. At 30 June 2019, Bovis Homes had a land bank of 16,215 plots, representing around 3.7 years' supply, with an average gross margin of 24.9 per cent., and a strategic land portfolio comprising 19,745 plots.

As at 30 June 2019, the gross assets of Bovis Homes were £1,565.3 million. Bovis Homes's operating profit for the year ended 31 December 2018 was £174.2 million.

The table below summarises the results of Bovis Homes for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018.

	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	**Year ended 31 Dec 2018**
	(£m)	*(£m)*	*(£m)*
Group revenue	1,054.8	1,028.2	1,061.4
Profit from operations before exceptional items	160.0	128.0	174.2

5. Information on the Target Businesses

5.1 *Linden Homes*

Linden Homes develops high quality private and affordable housing in prime locations with a commitment to providing excellent customer service, primarily for first-time buyers and families. It has 10 divisions, with a strong presence in the South and East of England and a growing presence in other regions of the UK. Linden Homes acquires prime sites with good transport links and local amenities, where it can create communities that people aspire to live in.

For the financial year ended 30 June 2019, Linden Homes completed 3,229 units, of which 2,227 were private housing and 1,002 were affordable housing, with an average selling price of £284,000. At September 2019, Linden Homes had a land bank of 12,600 plots, representing around 3.5 years' supply, with an average gross margin of 24.4 per cent., and a strategic land portfolio comprising 2,850 acres, sufficient to generate 13,240 plots.

Linden Homes' operating profit (including share of joint ventures, profit before interest and tax, but excluding amortisation) for the year ended 30 June 2019 was £160.5 million.

The table below summarises the results of Linden Homes for the three years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	Year ended 30 June 2017	**Year ended 30 June 2018**	**Year ended 30 June 2019**
	(£m)	*(£m)*	*(£m)*
Group revenue and share of joint ventures' revenue excluding part exchange revenue	937.4	947.3	820.4
Profit from operations including share of joint ventures' profit	170.3	184.4	160.5

5.2 *Partnerships & Regeneration*

Partnerships & Regeneration is Galliford Try's specialist affordable housing and regeneration business. Partnerships & Regeneration delivers mixed-tenure solutions working with housing association, local authority and private sector partners, combining contracting, land-led contracting and mixed-tenure development with a proven track record of delivery and quality. During the financial year ended 30 June 2019, Partnerships & Regeneration completed 1,178 units at an average selling price of £217,000. Notable recent project wins include partnerships with:

- Homes England to deliver 885 homes across the UK under the delivery partner panel;
- Enfield Council to build the first 725 homes at the £6.0 billion Meridian Water development in the Lea Valley; and

• Ealing Council to create a new mixed-use scheme, including 470 homes.

Partnerships & Regeneration's operating profit (including share of joint ventures, profit before interest and tax, but excluding amortisation) for the year ended 30 June 2019 was £34.8 million.

The table below summarises the results of Partnerships & Regeneration for the three years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	Year ended 30 June 2017	**Year ended 30 June 2018**	**Year ended 30 June 2019**
	(£m)	*(£m)*	*(£m)*
Group revenue and share of joint ventures' revenue excluding part exchange revenue	330.2	475.2	623.2
Profit from operations including share of joint ventures' profit	14.9	23.6	34.8

As at 30 June 2019, the combined gross assets of Linden Homes and Partnerships & Regeneration were £1,633.0 million.

A detailed summary of the trading results of the Target Businesses (comprising Linden Homes and Partnerships & Regeneration) for the three financial years ended 30 June 2017, 2018 and 2019, together with a net asset statement of the Target Businesses as at 30 June 2019, are set out in Part V – "*Financial Information on the Target Businesses*" of this document.

The financial information in paragraphs 5.1 and 5.2 has been extracted without material adjustment from the financial information contained in Part V – "*Financial Information on the Target Businesses*" of this document. Shareholders should read the whole of this document and not just rely on the summarised financial information set out in this Part I.

5.3 ***Partnerships & Regeneration's previous acquisitions***

Drew Smith

On 12 May 2017, Partnerships & Regeneration acquired the Drew Smith business from its owners for a final price of £30.5 million (after applying the earn-out provisions and additional payments). The acquisition was of the entire share capital of Drew Smith Limited and Drew Smith Homes Limited.

Drew Smith is a mixed-tenure developer which has relationships with the registered provider and regeneration sector. It has operations in Hampshire, Dorset, Surrey, Sussex and Berkshire, with strong contracting, housebuilding and land acquisition capabilities. The business has a strong contracting order book and a number of land assets in planning as well as approximately 84 employees. The acquisition of Drew Smith was consistent with Galliford Try's stated strategy of national footprint growth through expansion into new geographies and margin improvement through leveraging mixed-tenure expertise. The transaction accelerated Partnerships & Regeneration's growth in the southern region where mixed-tenure housing demand is generally high.

The goodwill of £24.8 million arising from the acquisition is attributable to the acquired workforce of Drew Smith. None of the goodwill recognised is expected to be deductible for income tax purposes.

Strategic Team Group

On 1 July 2019, Partnerships & Regeneration acquired the entire share capital and control of Strategic Team Group Limited ("**STG**") and its trading subsidiary Strategic Team Maintenance Co. Limited for approximately £11.0 million (of which £2.0 million is deferred, £1.0 million for 12 months and £1.0 million for 24 months) (the "**STG Transaction**"), delivering a mature operating platform in Yorkshire and expanding Partnerships & Regeneration's presence in Cheshire. STG is a well-established regional business with 120 employees and a revenue in its last full year of c. £60 million.

Pursuant to the acquisition documentation of the STG Transaction, there is an obligation on Partnerships & Regeneration to pay any outstanding deferred consideration within 20 Business Days of a change of control event occurring. Change of control is defined specifically by reference to Partnerships & Regeneration ceasing to be part of the Galliford Try Group. Assuming no waiver is obtained on or before the Acquisition, Bovis Homes will have to pay just over £1.8 million in deferred consideration to the sellers of STG within 20 Business Days of Completion.

STG operates a new homes contracting business and a maintenance and minor works business. The profile and geographical split of its order book provides an excellent strategic fit with a client base known to Galliford Try Partnerships. STG is on the Homes England delivery partner panel.

6. Current trading and prospects

6.1 *The Group*

The Group has traded well during the second half of 2019 to date, maintaining an average sales rate per outlet per week of 0.6. The Group is fully sold for its targeted FY 2019 completions and expects to deliver another controlled and disciplined period end in December.

Uncertainty surrounding Brexit in recent weeks has resulted in some increased pressure on pricing and for the second half to date the Group has seen a c. 1-2 per cent. reduction in underlying sales prices. This has been offset by a reduction in build cost inflation and the Group's own build cost saving and margin initiatives.

Customer satisfaction remains a top priority and the Group is delighted that its customer satisfaction score continues to reflect this, trending at a 5-star HBF customer satisfaction rating (above 90 per cent.) for the year from 1 October 2018.

The Group has made further progress with its partnerships business, entering into two land led partnerships with LiveWest in the second half of 2019. The 50:50 JV arrangements are for developments at Exeter (Alphington) and Taunton (Comeytrowe).

Looking to 2020, the Group has all the land it requires, has already secured more than 20 per cent. of private sales, a higher proportion than in previous years, and all of its affordable units.

6.2 *Galliford Try Group*

On 11 September 2019, Galliford Try announced its annual results for the year ended 30 June 2019.

Since 11 September 2019, there has continued to be political and macroeconomic uncertainty affecting the markets in which Galliford Try's businesses operate, particularly Linden Homes and Construction.

The Galliford Try Board remains confident in achieving the Galliford Try group's full year expectations, but anticipates that the result will be more weighted to the second half of the year than in previous years.

Galliford Try is continuing its negotiations with Transport Scotland in relation to the Aberdeen Western Peripheral Route claim, and separately its £54 million claim for three contracts with a single client remains ongoing.

7. Board and management of the Enlarged Group

It is proposed that, upon Completion:

- Greg Fitzgerald and Earl Sibley, currently the Chief Executive Officer and Group Finance Director of the Company, respectively, will retain their positions in the Enlarged Group;
- Graham Prothero, who is currently the Chief Executive Officer of Galliford Try, will become the Chief Operating Officer of the Enlarged Group.
- the six non-executive Directors of the Company (including Ian Tyler in his role as independent Chairman) will retain their independent positions in the Enlarged Group.

The current Senior Managers of the Company are Martin Palmer, James Watson, Darrell White and Keith Carnegie.

Following Completion, it is proposed that Stephen Teagle will be appointed as the Chief Executive of Partnerships of the Enlarged Group.

8. Bonus Issue, dividends and dividend policy

The Group dividend policy strategy has been, and will continue to be, to maintain a robust and efficient balance sheet and to deliver sustainable dividends to Shareholders.

In September 2017, the Group announced its intention that surplus capital resulting from its balance sheet optimisation initiatives totalling £180 million, would be returned to Shareholders in the three years to 2020. The first £60 million was paid as a special dividend to Shareholders in November 2018.

The Company's intention was to pay a further £60 million to Shareholders by way of special dividend in November 2019. As included in the announcement dated 10 September 2019, the Company has agreed that, conditional upon Completion, rather than pay the expected special dividend of £60 million, it will return value to Shareholders by way of a bonus issue (the "**Bonus Issue**") settled at Completion through the issue of 5,665,723 Shares (the "**Bonus Issue Shares**") to Shareholders on the Company's register of members as at 6.00 p.m. on 2 January 2020, being the last date on which transfers will be accepted for registration to participate in the Bonus Issue (which, for the avoidance of doubt, shall include holders of the Placing Shares but exclude recipients of the Consideration Shares) (the "**Bonus Issue Record Time**").

The Company is expected to capitalise a sum of £2,832,861.50 from its retained profits to pay up in full 5,665,723 Shares. If calculated as at the Latest Practicable Date and assuming that the maximum number of Placing Shares is issued, Shareholders are expected to receive:

for every 1 Share held at the Bonus Issue Record Time, 0.03819 Bonus Issue Shares(1)

As at the Latest Practicable Date, the Bonus Issue was expected to be for an amount up to £66 million (calculated using a Share price of £11.63, being the closing Share price on the Latest Practicable Date) through the issuance of 5,665,723 Shares payable as at Completion.

Combining the Bonus Issue with the £60 million paid as a special dividend in November 2018, the Company expects to pay £126 million of the initially proposed £180 million by way of capital return. Reflecting the Group's new strategy driven by the Acquisition, the Company does not expect to pay any further special dividend payments in relation to the £180 million capital return initiative as set out in September 2017. Details of the proposed dividend policy for the Enlarged Group are set out below.

Instead of paying the Bovis Homes 2019 final dividend, the Company expects to pay a cash dividend of up to 41 pence per Share in May 2020 to Shareholders on the Company's register of members as at 6.00 p.m. on 27 December 2019 (the "**Second Interim Dividend**"), whereby the relevant Shareholders (which, for the avoidance of doubt, shall include holders of the Placing Shares but exclude recipients of Consideration Shares and Bonus Issue Shares) shall be entitled to receive their pro rata entitlements to the Second Interim Dividend. The payment date of the Second Interim Dividend is in line with the normal final dividend payment timetable.

Dividend policy for the Enlarged Group

For 2020, the Enlarged Group's focus will be on the successful integration of Bovis Homes and the Target Businesses and best positioning the Enlarged Group for the future, with the reduction of indebtedness being a key priority.

Going forwards, the Enlarged Group expects to maximise sustainable dividends to Shareholders through ordinary dividend cover of 2 times, moving towards a cover of 1.75 times following a period of integration and deleveraging. The Group will also consider the prevailing strength of the balance sheet and general economic circumstances, with particular regard to the cyclicality of the industry.

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(1) The proportional entitlement of Shareholders to Bonus Issue Shares will be adjusted so as to reflect any new Shares issued after the Latest Practicable Date and prior to the Bonus Issue Record Date.

The "Dividend Reinvestment Plan" is intended to continue following Completion, giving Shareholders the opportunity to reinvest their dividends to buy Shares through a special dealing arrangement.

9. Summary of the key terms of the Acquisition

The Acquisition relates solely to the acquisition by Bovis Homes of the Target Businesses (consisting of Galliford Try's Linden Homes and Partnerships & Regeneration businesses) and does not entail a merger with Galliford Try. It is envisaged that New Galliford Try, a newly incorporated public limited company which will be the holding company of the Galliford Try Continuing Group, will remain a UK-listed construction-focused group owned entirely by the Galliford Try Shareholders.

Galliford Try will undertake a corporate restructuring (the "**Restructuring**") so that all Galliford Try Shareholders can receive the benefit of the Acquisition whilst simultaneously ensuring that Galliford Try receives the relevant cash proceeds to support the Galliford Try Continuing Group after Completion.

9.1 *Sale and Purchase Agreement (the "SPA")*

On 7 November 2019, the Company, Galliford Try and New Topco, a newly-incorporated Jersey-registered company which will be inserted as the holding company of Galliford Try pursuant to the Scheme, entered into a SPA in connection with the Acquisition.

Pursuant to the terms of the SPA, the consideration will be settled through:

- the issue by the Company to Galliford Try Shareholders of the Consideration Shares in consideration for the acquisition of New Topco Shares held by them following the Restructuring;
- the novation of the Private Placement Bond from Galliford Try to Bovis Homes in part consideration for the acquisition of the Partnerships & Regeneration Shares; and
- the payment of the Cash Consideration to Galliford Try in part consideration for the acquisition of the Partnerships & Regeneration Shares.

The consideration payable by Bovis Homes for the Target Businesses is subject to customary completion adjustment mechanisms linked to the TGAV of the Target Businesses on the date of Completion.

The novation of the Private Placement Bond entails the effective transfer of all rights and obligations under the Private Placement Bond from Galliford Try to Bovis Homes upon Completion. At Completion, Galliford Try will automatically be relieved of its debt obligations under the Private Placement Bond and Bovis Homes will immediately and automatically assume all such obligations.

In addition, it is agreed that at Completion Bovis Homes will assume Galliford Try's rights and obligations under two of Galliford Try's pension schemes, being the Galliford Try Final Salary Pension Scheme and the Galliford Try (Holdings) Limited Pension & Assurance Scheme ("**Transferring Pension Schemes**"). The Transferring Pension Schemes have a combined membership of approximately 2,059 individuals and have combined assets of approximately £244.8 million. The remaining pension scheme, being the Galliford Try Special Scheme will remain with Galliford Try. The Galliford Try Special Scheme, currently only has five members and is in the process of being wound up. Further details are set out at paragraph 13 of this letter.

The Acquisition is conditional upon satisfaction (or waiver in accordance with the terms of the SPA) of the following conditions, or their satisfaction subject only to Completion:

- the Restructuring having been effected in accordance with the Restructuring Plan, including the completion of the Reorganisation, the Scheme becoming effective in accordance with its terms, the Reduction of Capital being confirmed by the Jersey Financial Services Commission and the Demerger having been completed;

- the passing of the Galliford Try Resolutions at the Galliford Try General Meeting by the requisite majorities;
- the passing of the Resolutions at the Bovis Homes General Meeting by the requisite majorities;
- the Company having received net proceeds of not less than £140 million pursuant to the Placing (the "**Equity Raise Condition**");
- subject only to Completion having occurred, the Admission of the Consideration Shares becoming effective; and
- the Deed of Novation having become wholly unconditional in accordance with its terms.

The Acquisition will not proceed, and the SPA will be terminated, if the conditions have not been satisfied or waived on or before 7.00 p.m. on 3 January 2020 or in the case of the Equity Raise Condition, 7.00 p.m. on 7 November 2019 (or such other time and date as may be agreed between the Company and Galliford Try).

The Acquisition is not conditional on CMA clearance and Bovis Homes and Galliford Try will jointly submit a briefing paper to the CMA explaining why the Acquisition does not raise any competition concerns.

Further details of the terms of the SPA and the Restructuring (and certain related documents) are set out in Part IV – "*Summary of the Acquisition Agreements*" of this document.

9.2 ***Restructuring***

It is intended that the Restructuring will be implemented by way of the process summarised below.

9.2.1 *Scheme*

Galliford Try will implement a scheme of arrangement pursuant to which New Topco, a new Jersey-registered company, will be inserted as the new holding company of Galliford Try (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 becoming effective, Galliford Try will transfer the Linden Homes business to New Topco by way of a distribution *in specie* such that Linden Homes becomes a subsidiary of New Topco and a sister company of Galliford Try. Galliford Try will retain the Linden Homes Special Share, which has been newly issued by Linden Homes, in order to facilitate the payment of the Linden Homes TGAV Adjustment Amount.

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, as described in paragraph 9.2.2. 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 Galliford Try Continuing Group and to Partnerships & Regeneration.

9.2.2 *Reduction of Capital and Demerger*

Upon the Scheme becoming effective, New Topco will undertake a reduction of capital (the "**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 Partnerships & Regeneration and Construction) to New Galliford Try. New Galliford Try is a company which has been incorporated for the purposes of holding the Galliford Try Continuing Group after Completion and which will be owned entirely by Galliford Try Shareholders. In exchange for the shares in Galliford Try, New Galliford Try will issue New Galliford Try Shares to Galliford Try Shareholders on the basis of one New Galliford Try Share for every New Topco B Share held by that Galliford Try Shareholder (the "**Demerger**"). Application will be made for the entire issued share capital of New Galliford Try to be admitted to listing on the premium segment of the official List and to the London Stock Exchange's Main Market for listed securities with effect from 8.00 a.m. on 3 January 2020.

Following completion of the Reduction of Capital and the Demerger, New Galliford Try will be the sole beneficial owner of Galliford Try (including the Partnerships & Regeneration business).

New Topco will remain the sole beneficial owner of the Linden Homes business.

9.3 ***Acquisition of the Linden Homes business***

Immediately following the Reduction of Capital and Demerger becoming effective, the entire issued share capital of New Topco (being the New Topco A Shares following cancellation of the New Topco B Shares), which will then be held by the Galliford Try Shareholders, will be transferred to the Company pursuant to the mandatory transfer provisions in the articles of association of New Topco (the "**New Topco Articles**"), in consideration for the issue of the Consideration Shares to the Galliford Try Shareholders in accordance with the terms of the SPA. As a result, Bovis Homes will own the Linden Homes business indirectly through holding the entire issued share capital of its sole parent company, New Topco.

The transfer will be effected by means of a form of transfer or other instrument or instruction of transfer, or by means of CREST, and, to give effect to such transfer, any person may be appointed by the Company as agent and attorney for each shareholder of New Topco to transfer their shares in New Topco.

9.4 ***Acquisition of the Partnerships & Regeneration business***

Simultaneously with completion of the acquisition of the Linden Homes business (by way of acquiring New Topco pursuant to the mandatory transfer provisions in the New Topco Articles), the Company will acquire the Partnerships & Regeneration business from Galliford Try by way of share sale in consideration for the payment of the Cash Consideration to Galliford Try and the novation, from Galliford Try to Bovis Homes, of the Private Placement Bond.

9.5 ***Timing***

Subject to the satisfaction or waiver of the conditions under the SPA, the Company anticipates that each of the steps of the Restructuring (including the Scheme) will be implemented and become effective after the close of trading on the London Stock Exchange on 2 January 2020. Completion and Admission of the Consideration Shares is expected to occur not later than 8.00 a.m. on 3 January 2020. Following Completion, the Target Businesses will be wholly-owned subsidiaries of the Company.

10. Financing the Acquisition

The Acquisition will be funded through a combination of (i) the Placing, (ii) the Term Loan, (iii) existing cash on the Group's balance sheet and (iv) the issuance of the Consideration Shares.

10.1 ***Cash Consideration***

The Company proposes to finance the Cash Consideration payable by Bovis Homes for the Target Businesses of £300 million using:

- up to £157 million from the expected gross proceeds of the Placing (the "**Placing**");
- approximately £100 million to be drawn down at Completion from the Term Loan; and

- Bovis Homes' existing balance sheet resources, which includes an additional amount of cash (approximately £60 million) available as a result of paying the expected special dividend to Shareholders by way of a Bonus Issue instead.

Placing

Bovis Homes has announced today a Placing to institutional investors on a non pre-emptive basis of up to 13,472,591 new ordinary shares of £0.50 each in the capital of the Company (the "**Placing Shares**"), which represents approximately 9.99 per cent. of the Company's existing issued ordinary share capital (excluding any treasury shares in existence).

The issue of the Placing Shares is to be effected by way of a cash box placing. The Company will allot and issue the Placing Shares on a non pre-emptive basis to the placees in consideration for Numis transferring its holdings of ordinary shares and redeemable preference shares in Project Finch Finance (Jersey) Limited to the Company ("**Finch Jersey Limited**"). Accordingly, instead of receiving cash as consideration for the issue of Placing Shares, at the conclusion of the Placing the Company will own the entire issued share capital of Finch Jersey Limited, whose only asset will be its cash reserves, which will represent an amount approximately equal to the net proceeds of the Placing.

The Placing Shares will be issued pursuant to the allotment authority that Shareholders granted to the Company at its annual general meeting on 22 May 2019.

The Placing is being conducted, subject to the satisfaction of certain conditions, through an accelerated bookbuild that was launched immediately following the announcement of the Placing on 7 November 2019. Ahead of the Placing, the Company consulted with a number of its leading Shareholders to gauge their feedback as to the Acquisition. Feedback from this consultation was supportive overall and as a result the Board chose to proceed with the Placing to part finance the Acquisition. The Placing has been structured as an accelerated bookbuild to minimise execution and market risk.

The Placing is expected to raise gross proceeds of up to £157 million. The net proceeds of the Placing will be placed on deposit pending Completion. If Completion does not occur, the Acquisition will not proceed but Bovis Homes will be in receipt of the net proceeds of the Placing. In such circumstances, Bovis Homes will consider how best to return the Placing proceeds to its Shareholders.

New Facilities Agreement

Barclays Bank PLC, National Westminster Bank plc, HSBC UK Bank plc and Lloyds Bank PLC, each in their capacities as original lenders, have provided debt financing commitments in respect of:

- a £100 million term loan facility (the "**Term Loan**"); and
- a £375 million revolving credit facility (the "**New RCF**") split into two tranches of (i) £355 million (the "**New RCF Tranche 1**") and (ii) £20 million (the "**New RCF Tranche 2**"), with an accordion option for an additional £25 million in respect of the New RCF Tranche 1,

pursuant to a new £475 million term loan and revolving credit facilities agreement to be put in place at the time of signing the Acquisition Agreements (the "**New Facilities Agreement**").

The Term Loan will be used to part-fund the Cash Consideration. The New RCF is intended to first refinance the existing Bovis Homes Limited revolving credit facility, and thereafter to be available for general corporate and working capital purposes.

Further details on the debt financing related to the Acquisition are set out in Part IV – "*Summary of the Acquisition Agreements*" of this document.

10.2 ***Consideration Shares***

Pursuant to the terms of the SPA, 63,739,385 Consideration Shares will be issued in connection with the Acquisition. Bovis Homes will publish today a prospectus in relation to the Admission of the

Consideration Shares (the "**Prospectus**") which will be filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

Applications will be made to the FCA and to the London Stock Exchange for Admission of the Consideration Shares. It is currently expected that Admission of the Consideration Shares will become effective at 8.00 a.m. on 3 January 2020.

The Consideration Shares will be issued and credited as fully paid up and will rank *pari passu* in all respects with the Shares then in issue, including, as further outlined below, the right to receive and retain in full all dividends or other distributions made, paid or declared in respect of the Shares by reference to a record date falling after the date of issue of the Consideration Shares. The Consideration Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form. Irrespective of the date on which the Consideration Shares are issued, Galliford Try Shareholders who receive Consideration Shares in respect of their shareholding in New Topco shall not be entitled to receive any dividend declared, made or paid by the Company by reference to a record date falling prior to the date of issue of the Consideration Shares, which, for the avoidance of doubt, shall include the Second Interim Dividend and the Bonus Issue.

11. Fractional entitlements

11.1 *Consideration Shares*

The fractional entitlements of Galliford Try Shareholders (in respect of their shareholding in New Topco) at Completion to Consideration Shares shall be aggregated and Bovis Homes shall procure that the maximum whole number of Consideration Shares resulting therefrom shall be allotted and issued to a person appointed by Bovis Homes to hold such Consideration Shares on behalf of the relevant Galliford Try Shareholders. Bovis Homes shall procure that such Consideration Shares are sold in the market as soon as practicable after Completion and that the net proceeds of sale (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) shall be paid in due proportion to the relevant Galliford Try Shareholders (rounded down to the nearest penny), by way of cheque or credit to the relevant CREST account. However, fractional entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of £5.00 or less shall not be paid to the relevant Galliford Try Shareholders who would otherwise be entitled to them under the Acquisition due to the administrative costs incurred in doing so, but shall be retained for the benefit of the Company.

11.2 *Bonus Issue Shares*

The fractional entitlements of Shareholders at Completion to Bonus Issue Shares shall be aggregated and Bovis Homes shall procure that the maximum whole number of Bonus Issue Shares resulting therefrom shall be allotted and issued to a person appointed by Bovis Homes to hold such Bonus Issue Shares on behalf of the relevant Shareholders. Bovis Homes shall procure that such Bonus Issue Shares are sold in the market as soon as practicable after Completion and that the net proceeds of sale (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) shall be paid in due proportion to the relevant Shareholders (rounded down to the nearest penny), by way of cheque or credit to the relevant CREST account. However, fractional entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of £5.00 or less shall not be paid to the relevant Shareholders who would otherwise be entitled to them under the Bonus Issue due to the administrative costs incurred in doing so, but shall be retained for the benefit of the Company.

12. Dilution

Bovis Homes proposes to issue up to 13,472,591 Shares in connection with the Placing, 63,739,385 Consideration Shares in connection with the Acquisition and 5,665,723 Shares in connection with the Bonus Issue. Subject to Completion, the Company's issued ordinary share capital will increase by up to 61.5 per cent., relative to the number of Shares in issue as at the Latest Practicable Date.

Immediately following Completion, assuming that (i) a maximum number of up to 13,472,591 Placing Shares are issued, (ii) 63,739,385 Consideration Shares are issued and (iii) 5,665,723 Bonus Issue Shares are issued in connection with the Acquisition, existing Shareholders at the Latest Practicable Date will, together, own up to approximately 70.7 per cent. of the ordinary share capital of the Enlarged Group and the Galliford Try Shareholders will hold in aggregate up to 29.3 per cent. of the ordinary share capital of the Enlarged Group.

13. Pensions

Bovis Homes will assume Galliford Try's rights and obligations in relation to the Transferring Pension Schemes and will become the sole statutory employer and principal employer of the Transferring Pension Schemes. Galliford Try will be discharged from all future obligations in relation to the Transferring Pension Schemes and will cease participation in the Transferring Pension Schemes on or around Completion.

The transfer of all of Galliford Try's current and future obligations in relation to the Transferring Pension Schemes will be effected by means of two flexible apportionment agreements in respect of each Transferring Pension Scheme, each entered into before Completion between the trustee of the applicable Transferring Pension Scheme, Galliford Try and Bovis Homes and each taking effect as at the date of Completion, with the actual apportionment of liabilities occurring within three days after Completion (following other technical steps). Further, on Completion, the current guarantee from Galliford Try plc in favour of the Galliford Try Final Salary Pension Scheme guaranteeing the full liabilities of the scheme will be released and replaced with a materially similar guarantee from Bovis Homes.

Certain employees of the Galliford Try Continuing Group who will not transfer to Bovis Homes as part of the Acquisition currently have enhanced benefits by virtue of being "active" members at the date the Galliford Try Final Salary Pension Scheme Closed to accrual. These benefits will not automatically continue post Completion, but Bovis Homes, Galliford Try and the trustee of that scheme will enter into an agreement effective Completion, that such individuals will have their benefits in the scheme augmented at leaving Service or retirement, as applicable, to the level that would have been payable but Galliford Try Employment Limited ceasing, but such augmentation is subject to Galliford Try agreement to pay, in each individual case, an amount equal to the value of such augmentation.

The Galliford Try Special Scheme is currently in the process of winding up and will remain within the Galliford Try Group.

Updated valuations under International Accounting Standard ("**IAS**") 19 for the Transferring Pension Schemes as at 30 June 2019 value the schemes' assets at £244.8 million and liabilities at £238.7 million. This leaves a gross surplus in the schemes of £6.1 million which, when subjected to related deferred tax at 19 per cent., results in a net pension asset under IAS 19 of £4.9 million. The value of this surplus, which under IAS 19 is recognised in Galliford Try's balance sheet is dependent on some critical assumptions including mortality rates, and investment returns and is likely to vary from year to year. Triennial actuarial valuations of Galliford Try's defined benefit pension schemes are carried out.

14. New remuneration policy and share plan

In anticipation of the Acquisition, the Remuneration Committee of the Board has considered the impact on the Company's current Directors' remuneration policy given the increased company size and market positioning that would result, and has proposed that a new Directors' remuneration policy which is reflective of the increased responsibility and scope that the executive Director roles will entail should be put to Shareholders at the General Meeting.

Further details of the new remuneration policy (the "**New Policy**") are set out in Part VII — "*New Remuneration Policy and Share Plan*" of this document.

It is also proposed that Bovis Homes will adopt the New Bovis Homes LTIP to complement the New Policy. This incentive plan will be a replacement of the Bovis Homes Long Term Incentive Plan 2010 and will be used to incentivise, attract and retain employees. The principal terms of the New Bovis Homes LTIP are set out in Part VII – "*New Remuneration Policy and Share Plan*" of this document.

15. Change of name of Bovis Homes

Bovis Homes has agreed that the name of the Company will be changed following Completion as part of the integration process of the Target Businesses. It is intended that the new corporate name will be decided by the employees of the Enlarged Group by way of a competition, to be organised prior to Completion. The change of name will not impact upon Bovis Homes' and the Target Businesses' housebuilding brands, Bovis Homes and Linden Homes which will continue to be used following Completion.

As such, the following resolutions have been proposed at the General Meeting:

- firstly, to amend the Company's Articles of Association (the "**Amended Articles**") such that a change of name of the Company may be effected by the Directors by way of a board resolution, if so authorised to do so by a special resolution of the Shareholders; and
- subsequently, to authorise the Directors to change the name of the Company once within six-months from Completion in accordance with the Amended Articles.

16. General Meeting

Completion is conditional upon, amongst other things, Shareholders' approval being obtained at the General Meeting. The Resolutions to be proposed at the General Meeting authorise:

- the approval of the Acquisition as a "Class 1 transaction" under the Listing Rules;
- the Directors to allot the Consideration Shares up to an aggregate nominal amount of £31,869,693;
- the Directors to return capital by way of a Bonus Issue;
- the Directors to allot the Bonus Issue Shares up to an aggregate nominal amount of £2,832,862;
- the approval of the New Bovis Homes LTIP;
- the approval of the New Policy;
- the amendment of the Articles of Association; and
- the Directors to change the name of the Company once within six-months of Completion.

Accordingly, you will find set out at the end of this document at pages 129 to 133 a notice convening a General Meeting to be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ at 11.00 a.m. on 2 December 2019 (or any adjournment thereof) and the full text of the Resolutions and other matters. The purpose of the General Meeting is to seek Shareholders' approval for the Resolutions.

Shareholders should be aware that it is possible that the Acquisition fails to complete. This possibility is discussed further in paragraph 9 of this letter, paragraph 1.1 of Part II – "*Risk Factors*" and Part IV — "*Summary of the Acquisition Agreements*" of this document.

17. Action to be taken

Bovis Homes is seeking approval of the Acquisition and the Resolutions at the General Meeting. Your support is important to us. Please vote on the Resolutions. Please read the notes to the Notice of General Meeting attached at pages 129 to 133 of this document for an explanation of how to attend and vote at the General Meeting, including how to appoint a proxy to attend and vote on your behalf.

You will find enclosed a Form of Proxy for the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 11.00 a.m. on 28 November 2019 (or, if the General Meeting is adjourned, not later than 48 hours before the time appointed for the adjourned meeting).

Alternatively, you may wish to register your proxy vote online; to do so, visit www.investorcentre.co.uk/eproxy where details of the procedure are shown. The Control Number, Shareholder Reference Number and PIN shown on the Form of Proxy will be required to complete the procedure. Details of the process for registering online are also set out in the Form of Proxy. The deadline for receipt of electronic proxies is 11.00 a.m. on 28 November 2019.

If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction form so that it is received by Computershare (under CREST participant ID 3RA50) by no later than 11.00 a.m. on 28 November 2019. The time of receipt will be taken to be the time from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The completion and return of a Form of Proxy, registration of an online proxy appointment or completion and transmission of a CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

If you have any questions about this document or the General Meeting, or are in any doubt as to how to complete the Form of Proxy, please call Computershare between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0370 889 3236 from within the UK or on +44(0) 370 889 3236 if calling from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Different charges may apply to calls from mobile telephones. Please note that calls may be monitored or recorded and Computershare cannot provide legal, tax or financial advice or advice on the merits of the Acquisition.

18. Further information

Your attention is drawn to the further information contained in Parts II – "*Risk Factors*" to VIII – "*Additional Information*" of this document. Shareholders should read the whole of this document and not rely solely on information summarised in this letter.

19. Financial advice

The Board has received financial advice from Lazard and Numis in relation to the Acquisition. In providing its financial advice to the Board, each of Lazard and Numis has relied upon the Board's commercial assessment of the Acquisition.

20. Recommendation

The Acquisition constitutes a Class 1 transaction for Bovis Homes under the Listing Rules. Accordingly, the Acquisition will also be conditional on the approval of the Shareholders at the General Meeting.

The Board believes the Acquisition, the Bonus Issue and the new remuneration policy and share plan to be in the best interests of the Company and the Shareholders as a whole and recommends unanimously that Shareholders vote in favour of the Resolutions at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of 405,665 Shares, representing approximately 0.30 per cent. of the Company's existing ordinary share capital at the Latest Practicable Date.

Yours faithfully

Ian Tyler
Chairman

PART II

RISK FACTORS

Before making any decision to vote in favour of the Resolutions at the General Meeting, Shareholders should consider the factors and the risks associated with the Acquisition and, in the case of the Enlarged Group, the business and the industry in which it will operate, together with all other information contained in this document, including, in particular, the risk factors described below. The risks disclosed are those that: (i) are material risks in relation to the Acquisition; (ii) will be material new risks to the Enlarged Group as a result of the Acquisition; and/or (iii) are existing material risks for the Group that will be affected by the Acquisition. Because a significant part of the Group's and the Target Businesses' operations are similar in nature, some of the risks set out below (not including those specific to the Acquisition) will not be new risks that arise only on Completion, but will be existing risks whose potential effect may be increased as a result of the Acquisition.

There are other risks relating to the Group and the Shares that are not within the scope of risk categories outlined above, and such risks can be found in the Prospectus. The following is not an exhaustive list or explanation of all the risks that may affect the Shares, the Group and the Enlarged Group and should be used as guidance only. Additional risks and uncertainties relating to the Shares, the Group and the Enlarged Group that are not currently known to the Directors, or that the Directors currently deem immaterial, may, individually or cumulatively, also have a material adverse effect on the business, results of operations, financial condition and/or prospects of the Group and the Enlarged Group, and, if any such risk should materialise, the price of the Shares may decline and investors could lose all or part of their investment.

If any of the following risks actually materialise, the Enlarged Group's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected and the value of the Shares could decline.

The information included herein is based on information available as at the date of this document and, except as requested by the FCA or required by the Listing Rules, MAR, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under the heading "Forward-Looking Statements" in Part III — "Presentation of Information".

Shareholders should consider carefully the risks and uncertainties described below, together with all other information contained in this document (including any information incorporated into this document by reference) before deciding whether or how to vote in respect of the Resolutions at the General Meeting.

References in this Part II to the Enlarged Group shall be construed as Bovis Homes and the Target Businesses together if the Acquisition is completed, or Bovis Homes if the Acquisition is not completed, as applicable.

1. MATERIAL RISKS RELATED TO THE ACQUISITION AND MATERIAL RISKS TO THE GROUP, THE TARGET BUSINESSES OR THE ENLARGED GROUP AS A RESULT OF THE ACQUISITION

1.1 ***Completion is subject to a number of conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in Completion being delayed or the Acquisition not completing***

Completion under the SPA is subject to, and can only occur upon satisfaction or waiver of, conditions including: (i) completion of the Restructuring; (ii) the passing of the Galliford Try Resolutions at the Galliford Try General Meeting by the requisite majorities; (iii) the passing of the Resolutions by the Shareholders at the General Meeting by the requisite majorities; (iv) Bovis Homes having received net proceeds of not less than £140 million pursuant to the Placing; (v) subject only to Completion having occurred, the Admission of the Consideration Shares becoming effective; and (vi) the Deed of Novation having become effective in accordance with its terms. Although the parties to the SPA have obligations in relation to the satisfaction of the conditions to the Acquisition, these conditions may not be fulfilled (or waived, where capable of being waived) and the Acquisition may not complete. Completion will occur on Admission and the SPA will become unconditional and incapable of termination following such time. The Acquisition is not conditional on CMA clearance and the parties will jointly submit a briefing paper to the CMA explaining why the Acquisition does not raise any competition concerns. If, contrary to expectation, there is a regulatory investigation, this could delay the speed at which Bovis Homes can integrate the Target Businesses and realise the synergies arising from the Acquisition.

In addition, the SPA may be terminated: (i) 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 (or if the condition relating to the Placing is not satisfied or waived by 7.00 p.m. on 7 November 2019); (ii) by Bovis Homes or Galliford Try, if the Galliford Try Board adjourns the Galliford Try General Meeting otherwise than in accordance with the SPA or withdraws, suspends, qualifies or adversely modifies or amends the Galliford Try Recommendation; (iii) by Bovis Homes or Galliford Try, if the 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 (iv) 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 of Linden Homes at Completion is greater than £125,000,000 or the estimated TGAV of Partnerships & Regeneration at Completion is greater than £140,00,000.

1.2 ***The Acquisition subjects Bovis Homes, the Target Businesses and the Enlarged Group and their investors to potential significant risks as a result of the integration process and unanticipated liabilities which may result in a material adverse effect on the business, results of operations, financial condition and prospects of Bovis Homes, the Target Businesses and the Enlarged Group and the market price of the Shares***

Bovis Homes, the Target Businesses and the Enlarged Group face specific risks in connection with the Acquisition, as described further below.

Bovis Homes', the Target Businesses' and the Enlarged Group's future prospects will, in part, be dependent upon Bovis Homes', the Target Businesses' and the Enlarged Group's ability to integrate the Target Businesses and Bovis Homes successfully and completely, without disruption to their existing businesses. Bovis Homes and the Target Businesses currently operate, and until Completion, will continue to operate, as separate and independent businesses. The Acquisition will lead to the combination of these businesses and the success of the Enlarged Group will depend, in part, on the ability of the Enlarged Group to realise anticipated benefits and cost savings. While Bovis Homes and Galliford Try believe that the synergies of the Acquisition have been reasonably estimated, unanticipated events, liabilities, tax impacts or unknown pre-existing issues may arise or become apparent which could result in the costs of integration being higher than the realisable benefits and/or the synergies being lower than expected, resulting in a material adverse effect on the business, results of operations, financial condition and/or prospects of Bovis Homes, the Target Businesses and the Enlarged Group and the market price of the Shares. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits, including that of implementing a more centralised operating model, within the assumed timeframe. Additionally, some of the potential challenges in combining the businesses into the Enlarged Group may not become known until after Completion.

It is also possible that the process of integrating Bovis Homes' existing business with that of the Target Businesses may take longer or be more costly than anticipated, or could result in the disruption of the Enlarged Group's businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of the Enlarged Group to maintain relationships with suppliers, contractors, sub-contractors, housing associations, local authorities, government agencies and customers and to maintain quality standards. The Acquisition could also potentially lead to difficulties in connection with employees, including difficulties in retaining key members of staff as well as difficulties in integrating employees from each of the separate businesses together into the Enlarged Group and harmonising work practices across the Enlarged Group.

Bovis Homes believes that the Acquisition will provide it with an enhanced housebuilding platform to compete more effectively in the UK housebuilding sector, accelerate its move into the higher growth partnerships and regeneration sector and provide it with a complementary geographical footprint and strategic land bank. However, these expected benefits may not develop, and other assumptions upon which Bovis Homes determined the consideration payable for the Target Businesses may prove to be incorrect. These assumptions are based, at least in part, on external factors over which Bovis Homes does not have control (including, for example, the impact of Brexit on the Target Businesses and the industry more generally).

The due diligence conducted by Bovis Homes on the Target Businesses in connection with the Acquisition may not have revealed all relevant considerations, liabilities or regulatory issues in relation to each other, including the existence of facts that may otherwise have impacted the determination of the consideration per Share or the formulation of a business strategy for Bovis Homes, the Target Businesses or the Enlarged Group subsequent to the Acquisition. In addition, information provided during the due diligence process may have been incomplete, inadequate or inaccurate.

The materialisation of the risk described above could have a material adverse effect on Bovis Homes, the Target Businesses and the Enlarged Group's businesses, results of operations, financial condition, prospects, cash flows and results of operations and the market price of the Shares.

1.3 ***There may be pre-closing changes to the Target Businesses***

During the period from signing of the SPA to Completion, events or developments may occur,including changes in trading, operations or outlook of the Group or the Target Businesses, or external market factors, which could make the terms of the SPA less attractive for Bovis Homes. Bovis Homes would be obliged to complete the Acquisition notwithstanding such events or developments. This may have an adverse effect on the Group's business, financial condition and results of operations.

1.4 ***The Enlarged Group may fail to realise, or it may take longer than expected to realise, the expected benefits of the Acquisition***

The Enlarged Group may not realise the anticipated benefits and cost synergies that the Directors expect will arise as a result of the Acquisition, or may encounter difficulties, higher costs or delays in achieving those anticipated benefits and synergies. For example, due diligence investigations prior to the Acquisition may not have identified material liabilities or risks within the Target Businesses or may not have been sufficient to adequately assess the value of the Target Businesses' portfolio. Additionally, the assumptions upon which Bovis Homes determined the consideration payable for the Acquisition or the cost synergies that can be achieved may prove to be incorrect.

Bovis Homes may also encounter difficulties in achieving the anticipated scale benefits at a regional and property level or the streamlining of current central overhead costs in accordance with anticipated timeframes, or such additional value and cost synergies may not materialise in part or at all. In addition, competitors may react defensively to the Enlarged Group (for example, by reducing their prices).

Any failure to realise the anticipated benefits and cost synergies that Bovis Homes expects to arise as a result of the Acquisition, or any delay in achieving such anticipated benefits and synergies, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows and prospects.

1.5 ***The value of the Target Businesses may be less than the consideration paid***

Pursuant to the Acquisition Agreements, Bovis Homes will only be entitled to terminate the Acquisition Agreements and not implement the Acquisition in certain circumstances. In the event that there is an adverse event affecting the value of the Target Businesses or the value of the Target Businesses' business declines prior to Completion, Bovis Homes may not be able to terminate the Acquisition and, subject to the customary post-Completion adjustments contained in the SPA, the value of the Target Businesses acquired by Bovis Homes may be less than the consideration agreed to be paid. Accordingly, the net assets of Bovis Homes could be reduced, which could have an adverse impact on the business and financial condition of the Enlarged Group and the price of the Shares.

1.6 ***Following Completion, the indebtedness and financial leverage of the Enlarged Group will increase***

In connection with the Acquisition, Bovis Homes intends to draw approximately £100 million under the Term Loan to fund part of the Cash Consideration for the Acquisition.

As a result, the Acquisition will increase the overall indebtedness and financial leverage of the Enlarged Group as compared to Bovis Homes' leverage immediately prior to Completion, which will result in increased repayment commitments and borrowing costs. This could limit the Enlarged Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put to the potential detriment of its business.

1.7 ***The risks of executing the Acquisition could cause the market price of the Shares to decline***

The market price of Shares may decline as a result of the Acquisition if, among other factors, the integration of the Target Businesses into Bovis Homes is delayed or unsuccessful, the expected benefits and synergies of the Acquisition are delayed or do not materialise at all or to the extent expected, the impact of the Acquisition on Bovis Homes' or the Target Businesses' financial results is not consistent with Shareholders' expectations or Shareholders sell a significant number of Shares in the open market following Completion.

1.8 ***Change of control provisions in the Target Businesses' agreements may be triggered upon Completion and may lead to adverse consequences***

The Acquisition may constitute a change of control event under certain of the Target Businesses' agreements, which may give the respective counterparties to those agreements the right to terminate those agreements or impose other obligations on the Target Businesses. If a counterparty to an agreement exercises its right to terminate that agreement or seeks to renegotiate its contracts, this could have a material adverse effect on the business, results of operations and financial condition of the Target Businesses and the Enlarged Group.

1.9 ***There may be an adverse impact on Bovis Homes' reputation if the Acquisition does not complete***

If the Acquisition does not complete, there may be an adverse impact on the reputation of Bovis Homes as a result of media scrutiny arising in connection with the attempted Acquisition. Any such reputational risks could adversely affect the Group's business, financial condition and results of operations.

1.10 ***Acquisition-related costs may exceed Bovis Homes's expectations***

Bovis Homes expects to incur costs in relation to the Acquisition, including integration and post-Completion costs, in order to implement the Acquisition successfully and deliver anticipated costs savings. The actual costs may exceed those estimated and there may be additional and unforeseen expenses incurred in connection with the Acquisition. In addition, Bovis Homes has incurred, and will incur, legal, accounting and transaction fees and other costs relating to the Acquisition, a material part of which are payable whether or not the Acquisition completes. Such costs could materially and adversely affect Bovis Homes's or the Enlarged Group's results of operations.

1.11 ***Bovis Homes and the Target Businesses rely, and the Enlarged Group is expected to rely, 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 Bovis Homes', the Target Businesses and, following Completion, the Enlarged Group's business depends on recruiting, retaining and developing highly skilled, competent people at all levels of the organisation. Bovis Homes and the Target Businesses experience, and the Enlarged Group is expected to experience, a degree of regular employee turnover, which could increase and could place strain on Bovis Homes', the Target Businesses and the Enlarged Group's business during periods of high activity. Bovis Homes', the Target Businesses and the Enlarged Group's success may make their employees attractive hiring targets for competitors. To retain key employees, Bovis Homes, the Target Businesses and the Enlarged Group may be required to keep pace with increases in salaries due to competitive pressures. In addition, Bovis Homes and the Target Businesses rely on their respective project managers and skilled personnel (e.g. designers) for the day-to-day execution of their respective projects, and qualified personnel for these key positions are in high demand and short supply.

In particular, each of Bovis Homes and the Target Businesses has a strong senior management team who have significant experience in the housebuilding and regeneration industries and have developed strong reputations and relationships among those with whom Bovis Homes and the Target Businesses do business including, in particular, local authorities and Homes England. The Enlarged Group's future success depends in large part upon the continued service of a strong senior management team, who are critical to the overall management of the Enlarged Group as well as the development of its business, culture and strategic direction. Neither Bovis Homes nor the Target Businesses maintain key man insurance, and, if the Enlarged Group is not able to attract and retain key personnel or develop a succession plan for senior management, the Enlarged Group may not be able to maintain its standards of service or continue to grow as anticipated.

1.12 ***Bovis Homes, the Target Businesses and the Enlarged Group may not be able to access debt financing on favourable terms and/or restrictions in the terms of Bovis Homes' or the Target Businesses' borrowings may restrict Bovis Homes', the Target Businesses' or, following Completion, the Enlarged Group's activities or business plans and adversely affect Bovis Homes', the Target Businesses' or the Enlarged Group's ability to finance ongoing operations, strategic acquisitions and investments***

Each of Bovis Homes and the Target Businesses has historically financed and currently finance, and the Enlarged Group is expected to finance, their operations in part from borrowings under available credit facilities. Upon the expiration of their respective existing credit facilities, there is a risk that they will be unable to secure sufficient further funding for their business operations on equivalent terms or at all. Bovis Homes, the Target Businesses and, following Completion, the Enlarged Group may also in the future seek additional 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 additional financing at the relevant time or, if available, whether it would be on acceptable terms. If, in the longer term, Bovis Homes, the Target Businesses or the Enlarged Group do not successfully obtain further financing (should they be required to fund their future investments), this may constrain Bovis Homes', the Target Businesses' and the Enlarged Group's ability to grow, which could have a material adverse impact on Bovis Homes', the Target Businesses' and the Enlarged Group's business, prospects, financial condition and/or results of operations.

Additionally, Bovis Homes' and the Target Businesses' credit facilities and other borrowings impose certain restrictions on Bovis Homes and the Target Businesses, which could limit Bovis Homes', the Target Businesses' or, following Completion, the Enlarged Group's ability to operate freely and to take actions which their respective Boards consider desirable. These include restrictions on Bovis Homes' or the Target Businesses' 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 their business as presently conducted; sell, transfer, lease or otherwise dispose of all or a substantial part of their 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 Bovis Homes or the Target Businesses were to seek to vary or waive any of these restrictions (for example, in the aftermath of material adverse movements in the valuation of their assets) and the relevant lenders did not agree to such variation or amendment, the restrictions may limit Bovis Homes', the Target Businesses' or the Enlarged Group's ability to plan for or react to market conditions or meet capital needs or otherwise restrict their activities or business plans and adversely affect their ability to finance ongoing operations, strategic acquisitions and investments.

In particular, if Bovis Homes or the Target Businesses failed to comply with the financial covenants in their credit facilities or other borrowings (due, for example, to deterioration in financial performance or falls in asset valuations), it could result in acceleration of either of their obligations to repay those borrowings or the cancellation of those credit facilities or an inability to refinance borrowings more generally. Bovis Homes and the Target Businesses currently operate within their financial covenants and their forecasts (taking into account the respective Board's future expectations of the performance of each of them) indicating that there is headroom within the credit facilities. However, without prejudice to the working capital statements contained elsewhere in this document, Bovis Homes' and the Target Businesses' performance may, in the longer term, be impacted by adverse developments in external factors outside their control (including with respect to the macroeconomic environment) which could lead to breaches in, among other things, gearing ratios (for example, if property valuations fall), interest cover ratios (for example, if income falls or non-hedged interest costs rise) and minimum tangible net assets ratios (for example, if Bovis Homes or the Target Businesses make operating losses).

These risks may have a material adverse impact on Bovis Homes', the Target Businesses' or the Enlarged Group's business, prospects, financial condition and/or results of operations.

1.13 ***The issue of Consideration Shares, Placing Shares and any future issue of Shares, including in connection with an offering, any future acquisitions, any share incentive or share option plan or otherwise, may have a dilutive effect on the holdings of Shareholders***

The issue of Consideration Shares will be on the basis of a share-for-share exchange (that is, for non-cash consideration). This will dilute the interests of the existing Shareholders, which will consequently mean that their proportionate ownership and voting interests in the Company will be reduced, as will the percentage that their Shares represent of the total share capital of the Company.

Similarly, the issuance of the Placing Shares pursuant to the Placing will be on a non pre-emptive basis and will dilute the interests of the existing Shareholders.

In the case of future issues of Shares for cash, existing Shareholders have certain statutory preemption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting. An issue of 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 Shares who are located in certain restricted jurisdictions (e.g. the US) may not be able to exercise their pre-emption rights unless a registration statement under the laws of the relevant jurisdiction is effective with respect to such rights or an exemption from the registration requirements is available thereunder. There can be no assurance that Bovis Homes will file any such registration statements, or that an exemption to the registration requirements of the local jurisdiction will be available, which would result in Shareholders in restricted jurisdictions being unable to participate in any such future issue.

If Shareholders do not or cannot participate in future issues of Shares, their proportionate ownership and voting interests in the Company may be reduced and the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. This could also have an adverse impact on the market price of the Shares, the value of a Shareholder's interest in the Company and the ability of the Company to raise funds to meet its business requirements.

PART III

PRESENTATION OF INFORMATION

Forward-looking statements

This document may include certain forward-looking statements, beliefs or opinions, including statements with respect to the Group's, Target Businesses' or Enlarged Group's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These statements are made by the Directors in good faith based on the information available to them at the date of this document and reflect the Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in regulation and government policies, spending and procurement methodologies, currency fluctuations, a failure in the Group's, Target Businesses' or Enlarged Group's health, safety or environmental policies and other factors discussed in Part II — "*Risk Factors*" of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of their respective dates, reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's, Target Businesses' or Enlarged Group's operations and growth strategy. You should specifically consider the factors identified in this document which could cause actual results to differ before making any decision in relation to the Acquisition. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the Disclosure Guidance and Transparency Rules (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking to release publicly the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. Neither the forward-looking statements contained in this document, nor the statements in this Presentation of Information section, seek in any way to qualify the working capital statement in Part VIII — "*Additional Information*" of this document.

No statement in this document (including any statement of estimated cost savings or synergies) is or is intended to be a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings of the Group or the Target Businesses, as appropriate, for the current or future financial years will necessarily match or exceed the historical or published earnings or earnings per share or dividend per share for the Group or the Target Businesses, as appropriate.

Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Publication on website and availability of hard copies

A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available for inspection on the Company's website at www.bovishomesgroup.co.uk from the time this document is published. For the avoidance of doubt, the content of any website referred to in this document is not incorporated into and does not form part of this document.

If and to the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as being specifically incorporated by reference or where this document is specifically defined as including such information.

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Presentation of financial information

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

References to “£”, “GBP” “pounds”, “pounds sterling”, “sterling”, “p”, “penny” or “pence” are to the lawful currency of the United Kingdom.

Market and industry data

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this document consist of estimates based on data and reports compiled by industry professionals, organisations or analysts, publicly available information or the Company’s own knowledge of its sales and markets.

Market data and statistics are inherently speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that: the markets may be defined differently; the underlying information may be gathered by different methods; and different assumptions may be applied in compiling the data. Accordingly, the market statistics included in this document should be viewed with caution and no representation or warranty is given by any person as to their accuracy.

Certain defined terms

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined and explained in Part IX — “*Definitions and Glossary*” of this document.

Pro forma financial information

In this document, any reference to “pro forma” financial information is to information which has been extracted without material adjustments from the unaudited pro forma financial information contained in Part VI — “*Pro Forma Financial Information for the Enlarged Group*”.

The unaudited pro forma financial information contained in Part VI — "*Pro Forma Financial Information for the Enlarged Group*" is intended to illustrate the effect of the Acquisition. The pro forma financial statements have been derived from: (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with IFRS as adopted by the EU and incorporated by reference in this Prospectus; and (ii) the unaudited consolidated financial statements of the Target Businesses for the year ended 30 June 2019, which have been prepared in accordance with IFRS as adopted by the EU and are included elsewhere in this Prospectus. Adjustments and assumptions have been made regarding the Enlarged Group after giving effect to the Acquisition. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with accuracy. Moreover, the pro forma financial information does not reflect all costs that are expected to be incurred by the Enlarged Group in connection with the Acquisition. For these and other reasons, the actual business, financial condition and results of operations of the Enlarged Group following the Acquisition may not be consistent with, or evident from, this pro forma financial information.

The assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the Enlarged Group's business, financial condition or results of operations following the transaction. Any decline or potential decline in the Enlarged Group's business, financial condition or results of operations may cause significant variations in the Company's share price. See Part VI — "*Pro Forma Financial Information for the Enlarged Group*".

PART IV

SUMMARY OF THE ACQUISITION AGREEMENTS

Bovis Homes today announced that it had entered into an agreement with Galliford Try and New Topco to acquire the Target Businesses from Galliford Try, to be effected by the acquisition of the New Topco Shares, the Partnerships & Regeneration Shares and the Linden Homes Special Share (the "**Acquisition**"). The Acquisition is conditional upon satisfaction of certain conditions, as set out below.

The following is a summary of the principal terms of the Acquisition Agreements. The Acquisition Agreements are available for inspection as described in paragraph 10 of Part VIII – "*Additional Information*".

1. Sale and Purchase Agreement

The principal terms of the SPA are as follows:

1.1 *Consideration*

1.1.1 New Topco and Galliford Try shall procure the transfer of the New Topco Shares to Bovis Homes in consideration for the issue and allotment of 63,739,385 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

1.1.2 Galliford Try shall sell the Partnerships & Regeneration Shares and the Linden Homes Special Share to the Company in consideration for the amount of £300 million which will be subject to adjustment as set out in paragraph 1.2 below (the "**Cash Consideration**") and the novation of the Private Placement Bond from Galliford Try to Bovis Homes in accordance with the terms of the Deed of Novation.

1.2 *Adjustments to the Cash Consideration*

1.2.1 **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 base amount of £85 million. The amount payable will be reduced by an amount equal to the shortfall below that base amount.

1.2.2 **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.

1.2.3 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 £400,000,000, then £400,000,000 will be payable at Completion, with the balance to be paid in accordance with paragraph 1.2.5 and 1.2.6 below.

1.2.4 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.

1.2.5 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.

1.2.6 If the actual Linden Homes TGAV Adjustment Amount is more than 10% greater than the estimate provided at Completion, the amount in excess of that 10% limit will not be payable until 31 July 2020.

1.3 ***Conditions***

The sale and purchase of the Shares, the issue and allotment of the Consideration Shares and the novation of the Private Placement Bond from Galliford Try to Bovis Homes are conditional upon satisfaction of the following conditions, or their satisfaction subject only to Completion:

1.3.1 the Restructuring having been effected, the Scheme becoming effective in accordance with its terms, the Reduction of Capital being confirmed by the Jersey Financial Services Commission and the Demerger having been completed;

1.3.2 the passing of the Galliford Try Resolutions at the Galliford Try Court Meeting and the Galliford Try General Meeting by the requisite majorities;

1.3.3 the passing of the Resolutions at the General Meeting by the requisite majorities;

1.3.4 the Company having received net proceeds of not less than £140 million pursuant to the Placing;

1.3.5 subject only to Completion having occurred, the Admission of the Consideration Shares becoming effective; and

1.3.6 the Deed of Novation having become wholly unconditional in accordance with its terms.

The Acquisition is not conditional on CMA clearance and the parties will jointly submit a briefing paper to the CMA explaining why the Acquisition does not raise any competition concerns.

1.4 ***Pre-Completion obligations***

1.4.1 In the period to Completion, Galliford Try has undertaken to procure that each Target Business 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 each Target Business takes and/or refrains from taking certain specific actions including in respect of any joint venture arrangements.

1.4.2 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.

1.4.3 Immediately prior to Completion, Galliford Try has agreed to procure that each relevant Target Business and each relevant member of the Galliford Try Continuing Group pays to the relevant party all intra-group balances between such Target Business and members of the Galliford Try Continuing Group.

1.5 ***Restructuring***

In the period to Completion, Galliford Try and New Topco have agreed to take, and procure that any relevant members of the Galliford Try Continuing Group and/or the Target Businesses take, all such actions as are necessary to give effect to the Restructuring. The steps comprising the Restructuring are as follows:

1.5.1 Linden Homes transfers the Partnerships & Regeneration Shares to Galliford Try;

1.5.2 Linden Homes issues the Linden Homes Special Share to Galliford Try;

1.5.3 Galliford Try implements the Scheme to insert New Topco as a new holding company of the Galliford Try Continuing Group and issue New Topco Shares to Galliford Try Shareholders;

1.5.4 Galliford Try declares a distribution *in specie* of the Linden Homes Shares to New Topco;

1.5.5 New Topco undertakes a bonus issue of New Topco B Shares to the New Topco Shareholders; and

1.5.6 New Topco transfers Galliford Try to New Galliford Try, a newly incorporated private limited company outside of the Galliford Try Group, pursuant to a reduction of capital of the New Topco B Shares supported by a solvency statement in return for the issue of New Galliford Try Shares to the New Topco Shareholders.

1.6 ***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 Acquisition, including, for Galliford Try and New Topco, certain documents and evidence required in connection with the implementation of the Restructuring.

1.7 ***Warranties and indemnities***

1.7.1 The SPA contains warranties given by Galliford Try and New Topco in favour of Bovis Homes with respect to Galliford Try, New Topco, the 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.

1.7.2 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 is time-limited to ten years; and

(d) in respect of certain ongoing disputes involving the Target Businesses. This indemnity is capped at £3,000,000.

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 Target Businesses ahead of Completion.

1.7.3 Galliford Try's liability for claims under the warranties is subject to a number of contractual limitations, in particular:

(i) 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

(ii) the maximum aggregate liability of Galliford Try for all claims relating to a breach of warranties shall not exceed £1.00.

1.7.4 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. The costs of the W&I Insurance Policy are for the account of Galliford Try.

1.8 ***Termination***

The SPA may be terminated:

1.8.1 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 (or if the condition relating to the Placing is not satisfied or waived by 7.00 p.m. on 7 November 2019);

1.8.2 by Bovis Homes or Galliford Try, if the Galliford Try Board adjourns the Galliford Try General Meeting otherwise than in accordance with the SPA or withdraws, suspends, qualifies or adversely modifies or amends the Galliford Try Recommendation;

1.8.3 by Bovis Homes or Galliford Try, if the 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

1.8.4 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 of Linden Homes at Completion is greater than £125,000,000 or the estimated TGAV of Partnerships & Regeneration at Completion is greater than £140,00,000.

1.9 ***Governing law and jurisdiction***

The SPA is governed by English law. 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.

2. Deed of Novation

The Private Placement Bonds represent £100 million of senior unsecured debt and were originally issued and sold to certain institutional investors by Galliford Try in February 2017. The Private Placement Bonds are unlisted tradeable debt instruments, bearing interest at a fixed rate of 4.03 per cent. per annum, and are repayable in full when they mature on 16 February 2027. The note purchase agreement governing the terms of the Private Placement Bonds contains certain financial covenants that are periodically tested on a Group-wide basis and customary events of default including payment defaults, breaches of representations and warranties, covenant defaults and certain insolvency type events. The note purchase agreement also contains a most favoured lender provision, 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 the New Facilities Agreement or in any other material credit facility (meaning each facility of the Group exceeding £75 million), the bond investors will also receive the benefit of this new covenant or, as the case may be, covenant tightening under the note purchase agreement.

At Completion, pursuant to the terms of the Deed of Novation, Galliford Try will automatically be relieved of its payment obligations under the note purchase agreement and the Private Placement Bonds and Bovis Homes will immediately and automatically assume all such obligations under an amended and restated note purchase agreement. The amended and restated note purchase agreement will further require Bovis Homes to procure that various of its subsidiaries provide senior unsecured guarantees in respect of the Private Placement Bonds following Completion.

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 agree to indemnify Bovis Homes in respect of the tax liabilities incurred prior to Completion by the Group Companies and its joint ventures Galliford Try's liability under the Tax Indemnity is limited to £1 and covered by the W&I Insurance Policy.

4. Transitional Services Agreement ("TSA")

4.1 At Completion a member of the Galliford Try Continuing Group (the "**Supplier**") will enter into a TSA with Bovis Homes (or a member of the Group) (the "**Recipient**") under which the Supplier will provide certain transitional services to the Target Businesses for a limited period following Completion (the "**Transitional Services**"). The Transitional Services will include: (i) various shared service centre services (including finance functions) and (ii) various IT and telephony services. The Recipient can also require the provision of services omitted from the TSA. The Recipient will pay the Supplier for those Transitional Services under the TSA.

4.2 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.

4.3 The Supplier will commit to provide the Transitional Services to the same standard as they were provided prior to Completion.

4.4 The TSA 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. If a Dependency is not met, then there is contractual relief for the Supplier and an obligation for the Recipient to pay to the Supplier an amount equivalent to any additional costs reasonably suffered or incurred by the Supplier in mitigating the effect of failure by the Recipient to perform that Dependency.

4.5 The TSA will contain:

4.5.1 provisions relating to migration planning and migration (in relation to the Supplier's migrating away from the Transitional Services);

4.5.2 provisions relating to project management and regular meetings;

4.5.3 provisions relating to ownership and licensing of intellectual property rights;

4.5.4 provisions relating to the security of IT systems;

4.5.5 provisions relating to charging and invoicing;

4.5.6 warranties (largely from the Supplier to the Recipient in relation to the quality of the Transitional Services);

4.5.7 limits and exclusions of liability;

4.5.8 a reciprocal confidentiality clause; and

4.5.9 provisions relating to data protection law compliance.

4.6 The TSA is an agreed form document under the SPA.

PART V

HISTORICAL FINANCIAL INFORMATION ON THE TARGET BUSINESSES

Part A: Target Businesses' income statement

	Notes	For the year ended 30 June 2019	2018	2017
			(Total £m)	
Group revenue	2	1,218.7	1,221.4	1,107.5
Cost of sales		(978.9)	(996.9)	(896.8)
Gross profit		240.7	224.5	210.7
Administrative expenses		(94.8)	(76.6)	(73.7)
Share of post-tax profits from joint ventures	11	20.1	20.4	13.9
Profit before finance costs		166.0	168.3	150.9
Finance income	5	9.6	9.2	4.9
Finance costs	5	(49.8)	(47.3)	(47.9)
Profit before income tax	6	125.8	130.2	107.9
Income tax expense	7	(24.7)	(24.4)	(21.6)
Profit for the year		101.1	105.8	86.3

Note:

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

Target Businesses' statement of comprehensive income

	Notes	For the years ended 30 June 2019	2018	2017
			(£m)	
Profit for the year		101.1	105.8	86.3
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Actuarial (losses)/gains recognised on retirement benefit obligations	24	(2.4)	4.0	(5.0)
Deferred tax on items recognised in equity that will not be reclassified		–	(1.9)	(0.2)
Current tax through equity	7	0.1	–	0.5
Total items that will not be reclassified to profit or loss		(2.3)	2.1	(4.7)
Other comprehensive (expense)/income for the year net of tax		(2.3)	2.1	(4.7)
Total comprehensive income for the year		98.8	107.9	81.6

Note:

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

Target Businesses’ balance sheet

	Notes	2019	2018	2017	2016
		For the year ended 30 June			
		(£m)			
Assets					
Non-current assets					
Intangible assets	8	2.2	3.6	5.0	0.8
Goodwill	9	82.4	82.4	83.1	58.3
Property, plant and equipment	10	3.7	3.4	2.6	2.0
Investments in joint ventures	11	67.0	49.9	30.6	24.1
Other investments	12	0.4	0.7	0.7	0.7
Trade and other receivables	15	238.4	148.9	111.7	76.0
Retirement benefit asset	24	7.0	7.0	–	–
Deferred income tax assets	21	–	–	1.2	0.8
Total non-current assets		401.1	295.9	234.9	162.7
Current assets					
Developments	13	845.5	684.9	689.5	789.8
Trade and other receivables(1)	15	348.0	345.5	343.8	278.3
Cash and cash equivalents	16	38.4	78.5	221.0	91.7
Total current assets		1,231.9	1,108.9	1,254.3	1,159.8
Total assets		1,633.0	1,404.8	1,489.2	1,322.5
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	18	(614.7)	(583.4)	(760.0)	(628.9)
Trade and other payables(1)	17	(650.9)	(478.4)	(463.9)	(413.1)
Current income tax liabilities		(30.8)	(30.1)	(22.6)	(28.9)
Total current liabilities		(1,296.4)	(1,091.9)	(1,246.5)	(1,070.9)
Net current (liabilities)/assets		(64.5)	17.0	7.8	88.9
Non-current liabilities					
Financial liabilities					
– Borrowings	18	(100.0)	(100.0)	(100.0)	–
Retirement benefit obligation	24	–	–	(3.2)	(4.3)
Deferred income tax liabilities	21	(1.3)	(1.3)	–	–
Other non-current liabilities	19	(101.7)	(121.0)	(92.6)	(133.2)
Total non-current liabilities		(203.0)	(222.3)	(195.8)	(137.5)
Total liabilities		(1,499.4)	(1,314.2)	(1,442.3)	(1,208.4)
Net assets		133.6	90.6	46.9	114.1
Invested capital					
Invested capital		133.6	90.6	46.9	114.1
Total invested capital		133.6	90.6	46.9	114.1

Notes:

(1) The Target Businesses 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 30).

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

Target Businesses' statement of changes in invested capital

	Notes	For the year ended 30 June 2019
		(Total £m)
At 1 July 2016		114.1
Profit for the year		86.3
Other comprehensive (expense)		(4.7)
Total comprehensive income for the year		81.6
Net distributions to parent undertakings		(49.3)
Share-based payments		0.5
Issue of private placement debt	18	(100.0)
At 30 June 2017		46.9
Profit for the year		105.8
Other comprehensive income		2.1
Total comprehensive income for the year		107.9
Net distributions to parent undertakings		(65.0)
Share-based payments		0.8
At 30 June 2018		90.6
Profit for the year		101.1
Other comprehensive (expense)		(2.3)
Total comprehensive income for the year		98.8
Net distributions to parent undertakings		(56.2)
Share-based payments		0.4
At 30 June 2019		133.6

Target Businesses' statements of cash flows

	Notes	For the year ended 30 June 2019	2018	2017
			(£m)	
Cash flows from operating activities				
Continuing operations				
Profit before finance costs		166.0	168.3	150.9
Adjustments for:				
Depreciation and amortisation	8 & 10	2.0	2.0	1.7
(Profit)/loss on sale of property, plant and equipment	6	(0.2)	–	0.1
Profit on sale of subsidiaries		–	(2.1)	–
Share-based payments	23	0.4	0.8	0.5
Share of post-tax profits from joint ventures	11	(20.1)	(20.4)	(13.9)
Other non-cash movements[1]		(6.9)	(6.8)	(6.4)
Net cash generated from operations before changes in working capital		141.2	141.8	132.9
(Increase)/decrease in developments		(160.6)	4.6	109.4
(Increase)/decrease in trade and other receivables		(71.6)	26.4	(41.6)
Increase/(decrease) in trade and other payables		150.3	49.6	(22.8)
Net cash generated from operations		59.3	222.4	177.9
Interest received		9.4	9.4	9.4
Interest paid		(49.3)	(47.2)	(51.7)
Income tax (paid)/received		(23.5)	(17.3)	(27.5)
Net cash (used in)/generated from operating activities		(4.1)	167.3	108.1
Cash flows from investing activities				
Dividends received from joint ventures	11	3.0	1.1	7.4
Movement in net working capital balances due from joint ventures		(13.7)	(56.3)	(54.9)
Proceeds from disposal of subsidiaries		–	2.1	–
Target Businesses combinations		–	–	(12.8)
Target Businesses combinations – deferred consideration		(1.1)	(13.7)	–
Cash acquired with acquired subsidiary undertakings		1.4	–	–
Acquisition of property, plant and equipment	10	(1.0)	(1.6)	(0.4)
Proceeds from sale of property, plant and equipment	10	0.3	0.2	–
Net cash (used in) from investing activities		(11.1)	(68.2)	(60.7)
Cash flows from financing activities				
Distributions to parent undertakings		(56.2)	(65.0)	(49.3)
Net cash (used in) from financing activities		(56.2)	(65.0)	(49.3)
Net (decrease)/increase in cash and cash equivalents		(71.4)	34.1	(1.9)
Cash and cash equivalents at 1 July	16	(504.9)	(539.0)	(537.1)
Cash and cash equivalents at 30 June	16	(576.3)	(504.9)	(539.0)

Notes:

(1) Includes contributions made by the parent into the defined benefit pensions schemes in the year.

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

NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

1. Accounting policies

General information

Galliford Try is a public limited housebuilding, regeneration and construction company. This combined historical financial information is in respect of two of the businesses within the Galliford Try Group, namely Linden Homes and Partnerships & Regeneration. Linden Homes is a top 10 UK housebuilder, developing high-quality private and affordable homes for first-time buyers and families. Partnerships & Regeneration is a specialist regeneration business, delivering mixed-tenure solutions working with housing association, local authority and private sector partners across the UK.

On 10 September 2019, Galliford Try announced that the Boards of Galliford Try and Bovis Homes had reached agreement regarding the Acquisition of (i) Bovis Homes and (ii) the Target Businesses.

The combined historical financial information has been prepared to reflect the historical financial performance of the Target Businesses, applying accounting policies (as disclosed below) which are consistent with those used by Bovis Homes in its annual financial statements for the year ended 31 December 2018.

Basis of preparation

The Target Businesses were 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 the Target Businesses 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 the residual Galliford Try Group where they relate to the Target Businesses.

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

The Target Businesses have not been managed as a single economic entity separately from the excluded operations, and the Target Businesses are therefore defined by reference to the business considered to be disposed of by Galliford Try. This combined historical financial information does not constitute 'consolidated' financial statements within the context of IFRS as the Target Businesses do not represent a business for accounting purposes.

This combined historical financial information is presented in millions of Sterling ("**£m**"). They have been prepared under the historical cost convention and on the basis of accounting policies disclosed below except for "Other investments" (note 12) which are held at fair value.

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 related undertakings.

Going concern

This combined historical financial information has been prepared on a going concern basis. The planned separation of the Target Businesses has been considered and it is assumed that appropriate funding will be available from the buyer (Bovis Homes) for future operations after the separation occurs. It is expected that following, separation from the Galliford Try Group, the Target Businesses will continue operating.

Methodology for the preparation of combined historical financial information

This combined historical financial information was prepared using the Target Businesses' historical records and includes all income, expenses, assets and liabilities directly attributable to the Target Businesses. Revenue and expenses directly associated with the Target Businesses 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 the Target Businesses adjusted for accounting policy alignment adjustments to align the accounting policies used in this historical financial information with those of Bovis Homes. The impact of the accounting policy alignment adjustments are either timing-related (such as revenue recognition of the sale of affordable housing units) or classification differences between revenue, cost of sales and administrative expenses (such as part exchange sales and management fee income).
Cost of sales	Direct cost of sales of the Target Businesses. Accounting policy adjustments have been made to align with those of Bovis Homes and are merely timing-related.
Administration expenses	Direct administration expenses of the Target Businesses plus allocations from Galliford Try's central function based on the actual costs incurred and appropriate allocation drivers. The drivers used are based on either headcount or revenue. All such costs are deemed to have been settled by the Target Businesses to Galliford Try in the period in which the costs were incurred. The expenses allocated to the Target Businesses include, but are not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations have been considered to be a reasonable reflection of the utilisation of services by, or the benefits provided to, the Target Businesses. These allocations may not, however, reflect the expenses that the Target Businesses would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if the Target Businesses had each been a standalone company would depend on a number of factors, including the chosen organisational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Income/expense balance	Methodology for preparation
Share of post-tax profits from joint ventures	Actual post-tax profits from joint ventures controlled by the Target Businesses.
Depreciation and amortisation	Actual depreciation and amortisation charges for the tangible and intangible assets of the Target Businesses.
Finance income/finance cost	Finance income earned or finance costs incurred on cash and cash equivalents and borrowings controlled by the Target Businesses. An arm's length internal interest rate has been used when calculating balances allocated to the Target Businesses. £100 million of 10-year sterling private placement notes that were issued by Galliford Try in 2017 (in addition to the associated finance costs) have been allocated to the Target Businesses (and will be included in the assets being bought by Bovis Homes as part of the Acquisition).
Income tax expense	Calculated on a separate returns basis as if the Target Businesses prepared separate tax computations. Historically, the Target Businesses were included in tax filings with other Target Businesses 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 have historically been used and are relevant to the Target Businesses and which are included within the Target Businesses expected to be sold. Where assets have historically been used by both the Target Businesses and other parts of Galliford Try, they are included within the combined balance sheet if they are expected to form part of the Target Businesses sold, or were historically directly attributable to the Target Businesses.

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 the Target Businesses.
Goodwill	Goodwill from past acquisitions by the Target Businesses are included within the Target Businesses expected to be sold.
Property, plant and equipment	Tangible assets that have been directly allocated to the Target Businesses. To the extent a shared asset is primarily used by the Target Businesses, the entire asset has been included within the combined historical financial information. Where the Target Businesses are 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 the Target Businesses.
Other investments	Other investments (which relate solely to shared equity receivables) have been directly allocated to the Target Businesses.

Asset/liability balance	Methodology for preparation
Trade and other receivables	Trade and other receivables that are directly allocated to the Target Businesses. There is little movement in the historic intercompany receivable balances within the Target Businesses, with the only movements in each year being due to the payment of a quasi-dividend by the Target Businesses to their parent (i.e. Galliford Try) which is settled in cash and treated as a loan (therefore increasing intercompany receivables from Galliford Try) rather than a dividend (which would reduce the net assets of the Target Businesses). These movements in intercompany receivables/payables since 1 July 2016 have been reflected in trade receivables, offsetting the cash outflow in the period. Other intercompany receivables/payables have been reflected in invested capital.
Income tax assets/liabilities	Calculated on a separate returns basis as if the Target Businesses prepared separate tax computations. Historically, the Target Businesses were included in tax filings with other Target Businesses 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. The only deferred tax asset balance arose from the acquisition of Drew Smith by Galliford Try in May 2017.
Developments	Developments that have been directly allocated to the Target Businesses.
Cash and cash equivalents (including overdrafts)	Cash and cash equivalents (including overdrafts which are included in current borrowings) and standalone bank accounts for which the Target Businesses have 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 £100m of 10-year sterling private placement notes that were issued by Galliford Try in 2017 but have been allocated to the Target Businesses (and will be included in the assets being bought by Bovis Homes as part of the Acquisition). These have been directly attributed to the Target Businesses. The parent's other long-term debt (a revolving credit facility provided by a club of lenders) has not been attributed to the Target Businesses for any of the periods presented because it is not the legal obligation of the Target Businesses nor will it be transferred to the Target Businesses as part of the Acquisition.
Other non-current liabilities	Other non-current liabilities primarily relate to deferred land payments that have been directly attributed to the Target Businesses.
Trade and other payables	Trade payables and other payables are a combination of balances directly allocated to the Target Businesses and central attributions consistent with the balances included as allocations of central costs used for the respective combined income statement items.

Asset/liability balance	Methodology for preparation
Retirement benefit asset	Whilst the scheme's historic sponsor is not part of the Target Businesses (it is Galliford Try Employment Ltd), the defined benefit pension scheme's will form part of the perimeter of the Target Businesses in the future and so all related assets and liabilities (and associated movements in the income statement and the statement of comprehensive income) are recognised in this combined historical financial information.
Invested capital	The Target Businesses have 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 the Target Businesses. The net assets of the Target Businesses are represented by invested capital, the cumulative investment of Galliford Try into the Target Businesses. Any funding to (including defined benefit pension scheme contributions on behalf of the Target Businesses), investments in and dividends received from/paid to the Target Businesses are shown in movements in invested capital.

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 IFRS's 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).
- IFRS 17 'Insurance Contracts' (effective 1 January 2021).

The Target Businesses have 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 the Target Businesses.

The new amendments had no significant impact on the Target Businesses' 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. The Target Businesses have 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. The Target Businesses have adopted the IFRS 9 expected credit loss ("**ECL**") approach to the assessment of financial assets impairment.

The Target Businesses have experienced a low level of default events on their debtors and contract assets historically and currently have no reason to expect this to change significantly in future. Trade debtors are held under standard terms agreed with the customer.

The Target Businesses have no reason to expect any impairment or losses on its 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.

The Target Businesses have adopted the standard from 1 July 2018 using the modified retrospective approach. The Target Businesses have reviewed their opening equity position as at 1 July 2018 and concluded that there are no adjustments required.

In line with the requirements of the standard with regard to the transition option adopted, the Target Businesses have 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, the Target Businesses have also stated any differences in their results for the year to 30 June 2019 under IAS 11 and IAS 18 (in note 30).

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 IFRS's 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).
- IFRS 17 'Insurance Contracts' (effective 1 January 2021).

The Target Businesses have 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 the Target Businesses.

(iii) *IFRS 16 – Leases*

IFRS 16 – 'Leases', was issued in January 2016 and will be effective for the Target Businesses 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 the Target Businesses 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.

The Target Businesses are 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, the Target Businesses expect to recognise a right of use asset of £17.6 million, and corresponding lease liability of £19.2 million, with a change in opening retained earnings of £1.6 million for the year ended 30 June 2020.

Critical accounting estimates and judgements

The preparation of the combined historical financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates, judgements 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 and judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates and judgements. The estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and judgements are recognised in the period in which the estimate or judgement 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, judgements and assumptions are made in particular with regard to establishing the following policies:

(i) *Retirement benefit obligation valuations*

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group, inflation rate, life expectancy discount rate and salary and pension growth rates. The Group is exposed to risks through its defined benefit schemes if actual experience differs from the assumptions used and through volatility in the plan assets. Details of the assumptions used and associated sensitivities are included in note 24.

Other estimates

(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 9.

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

In order to determine the profit and loss that the Target Businesses are able to recognise on their developments and construction contracts in a specific period, the Target Businesses have to allocate the 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, the Target Businesses' 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 (in Partnerships & Regeneration) 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 the Target Businesses' accounting policies.

The Target Businesses recognise 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 the Target Businesses believe are highly probable of not being subject to significant reversal.

Significant accounting policies

Segmental reporting

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

Revenue and profit

Revenue is recognised when the Target Businesses transfer 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 Target Businesses estimate 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 the Target Businesses are eliminated.

Where a modification to an existing contract occurs, the Target Businesses assess 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) *Linden Homes*

Linden Homes sells private housing units and associated land, inclusive of customer options, incentives and warranties. In most instances, the contract with the customer is assessed to contain only one performance obligation. Revenue from the sale of individual private housing units, net of incentives, is recognised at the point of legal completion. Contract consideration for private house sales may include part-exchange properties at fair value.

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation. Revenue from land sales is recognised at a point in time, being the unconditional exchange of contracts or at 'golden brick,' provided that the Target Businesses do not retain legal title to the land or have a right of repurchase.

Revenue from affordable housing development is recognised over time.

(ii) *Partnerships & Regeneration*

Development of multiple units on the same site (inclusive of design and construction activities contracted for at the same time and mobilisation activities) is considered to be a single performance obligation. Where a contract comprises units across multiple sites, typically each site will represent a distinct performance obligation. Revenue is accounted for on an over time basis. The amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete.

Private and affordable housing unit sales are accounted for in the same way as within Linden Homes, as stated above.

Housing grants and Government funding

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

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

Grants and UK Government funding received by the Target Businesses include: direct capital grant funding awards under Homes England's Affordable Homes Programme; infrastructure loan finance under the Large Sites Infrastructure Fund; and equity loans provided to home buyers under the "Help to Buy" home ownership initiative.

Contract costs

Incremental costs to obtain a contract are capitalised to the extent the contract is expected to be sufficiently profitable for them to be recovered. 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 the Target Businesses 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 the 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 CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets

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

Intangible assets are being amortised over the following periods:

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

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

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

Property, plant and equipment

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

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

- Freehold buildings . . . . 2% on cost

On cost or reducing balance:

- Plant and machinery . . . . 15% to 33%
- Fixtures and fittings . . . . 10% to 33%

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

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

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

Joint ventures and joint operations

The Target Businesses apply 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 the Target Businesses have joint control and rights to the net assets of the entity. The Target Businesses' interest in joint ventures is accounted for using the equity method. Under this method the Target Businesses' 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 the Target Businesses' interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Unrealised gains on transactions with the Target Businesses' joint ventures are eliminated to the extent of the Target Businesses' interest in the joint venture. Accounting policies of joint ventures have been changed on consolidation where necessary to ensure consistency with policies adopted by the Target Businesses. Where joint ventures do not adopt accounting periods that are coterminous with the Target Businesses', results and net assets are based upon unaudited accounts drawn up to the Target Businesses' accounting reference date.

A joint operation is a joint arrangement that the Target Businesses undertake with third parties whereby those parties have rights to the assets and obligations of the arrangement. The Target Businesses account for joint operations by recognising their share of profits and losses in the combined income statement. The Target Businesses recognise their share of associated assets and liabilities in the combined balance sheet.

Other investments

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 cost.

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

Leases

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

Inventories and developments

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

Land inventory is recognised at the time a liability is recognised, which is on unconditional exchange of contract or once the acquisition has completed.

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an ECL 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 ECL model. All other assets are classified and measured at fair value, with movements going through the income statement or other comprehensive income. ECL 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". The Target Businesses have 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 the 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.

Foreign currency

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

Retirement benefit obligations

For defined contribution schemes operated by the Target Businesses, 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 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.

Share-based payments

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

At each balance sheet date, the Target Businesses revise their estimates of the number of options that are expected to vest. They recognise 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 Target Businesses of options over Galliford Try's equity instruments to the employees of subsidiary undertakings in the Target Businesses are treated as a capital contribution.

2. Segmental reporting

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

The chief operating decision-makers ("**CODM**") have been identified as the Target Businesses' Chief Executive and Finance Director. The CODM review the Target Businesses' internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes and Partnerships & Regeneration.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation shown as profit/(loss) before finance costs, amortisation and taxation in primary reporting format below. 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

	Year ended 30 June 2019			
	Linden Homes	Partnerships & Regeneration	Central	Total
		(£m)		
Group revenue	758.7	551.9	(91.9)	1,218.7
Share of joint ventures' revenue	160.4	73.3	–	233.7
Part-exchange revenue	(98.7)	(2.0)	100.7	–
Group revenue and share of joint ventures' revenue excluding part-exchange revenue	820.4	623.2	8.8	1,452.4
Segment result:				
Profit/(loss) from operations before share of joint ventures' profit	135.6	26.9	(15.2)	147.3
Share of joint ventures' profit	24.9	7.9	–	32.8
Profit/(loss) from operations(1)	160.5	34.7	(15.2)	180.21
Share of joint ventures' interest and tax	(9.3)	(3.4)	–	(12.7)
Profit/(loss) before finance costs, amortisation and taxation	151.2	31.4	(15.2)	167.54
Finance income	7.8	1.6	0.2	9.6
Finance (costs)	(44.0)	(3.4)	(2.4)	(49.98)
Profit/(loss) before amortisation and taxation	115.0	29.6	(17.4)	127.2
Amortisation of intangibles	–	(1.4)	–	(1.4)
Profit/(loss) before taxation	115.0	28.2	(17.4)	125.8
Income tax expense				(24.7)
Profit for the year				101.1

	Year ended 30 June 2018			
	Linden Homes	Partnerships & Regeneration	Central	Total
	(£m)			
Group revenue	769.3	459.7	(7.6)	1,221.4
Share of joint ventures' revenue	178.0	15.5	–	193.5
Group revenue and share of joint ventures' revenue	947.3	475.2	(7.6)	1,414.9
Segment result:				
Profit/(loss) from operations before share of joint ventures' profit	152.1	22.3	(25.1)	149.3
Share of joint ventures' profit	32.3	1.3	–	33.6
Profit/(loss) from operations[(1)]	184.4	23.6	(25.1)	182.9
Share of joint ventures' interest and tax	(13.1)	(0.1)	–	(13.2)
Profit/(loss) before finance costs, amortisation and taxation	171.3	23.5	(25.1)	169.7
Finance income	7.4	1.8	–	9.2
Finance (costs)	(41.6)	(5.5)	(0.2)	(47.3)
Profit/(loss) before amortisation and taxation	137.1	19.8	(25.3)	131.6
Amortisation of intangibles	–	(1.4)		(1.4)
Profit/(loss) before taxation	137.1	18.4	(25.3)	130.2
Income tax expense				(24.4)
Profit for the year				105.8

	Year ended 30 June 2017			
	Linden Homes	Partnerships & Regeneration	Central	Total
	(£m)			
Group revenue	804.8	319.4	(16.7)	1,107.5
Share of joint ventures' revenue	132.6	10.8	–	143.4
Group revenue and share of joint ventures' revenue	937.4	330.2	(16.7)	1,250.9
Segment result:				
Profit/(loss) from operations before share of joint ventures' profit	148.9	14.0	(24.8)	138.1
Share of joint ventures' profit	21.4	0.9	–	22.3
Profit/(loss) from operations[(1)]	170.3	14.9	(24.8)	160.4
Share of joint ventures' interest and tax	(8.0)	(0.4)	–	(8.4)
Profit/(loss) before finance costs, amortisation and taxation	162.3	14.5	(24.8)	152.0
Finance income	4.2	0.7	–	4.9
Finance (costs)	(44.5)	(3.1)	(0.3)	(47.9)
Profit/(loss) before amortisation and taxation	122.0	12.1	(25.1)	109.0
Amortisation of intangibles	(0.9)	(0.2)	–	(1.1)
Profit/(loss) before taxation	121.1	11.9	(25.1)	107.9
Income tax expense				(21.6)
Profit for the year				86.3

Note:

(1) Profit from operations is stated before finance costs, amortisation, 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 £22.4 million (2018: £17.9 million, 2017: £nil), which was in Partnerships & Regeneration.

Balance sheet

	Notes	Linden Homes	Partnerships & Regeneration	Central	Total
			(£m)		
30 June 2019					
Goodwill & intangible assets		52.3	32.3	–	84.6
Working capital employed		759.3	57.0	(91.0)	725.3
Net (debt)/cash	16	(567.0)	(9.3)	(100.0)	(676.3)
Net assets		244.6	80.0	(191.0)	133.6
Total Target Businesses liabilities					(1,499.4)
Total Target Businesses assets					1,633.0
30 June 2018					
Goodwill & intangible assets		52.3	33.7	–	86.0
Working capital employed		623.3	64.7	(78.5)	609.5
Net (debt)/cash	16	(463.1)	(41.8)	(100.0)	(604.9)
Net assets		212.5	56.6	(178.5)	90.6
Total Target Businesses liabilities					(1,314.2)
Total Target Businesses assets					1404.8
30 June 2017					
Goodwill & intangible assets		52.3	35.8	–	88.1
Working capital employed		619.0	44.9	(66.1)	597.8
Net (debt)/cash	16	(499.7)	(39.3)	(100.0)	(639.0)
Net assets		171.6	41.4	(166.1)	46.9
Total Target Businesses liabilities					(1,442.3)
Total Target Businesses assets					1,489.2

3. Revenue

Nature of revenue streams

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

Linden Homes and Partnerships & Regeneration segments

The Target Businesses develop high-quality homes over a national footprint, for sale under the Linden Homes brand. The Partnerships & Regeneration segment is a specialist regeneration business which carries out contracting, land-led solutions and development for local authorities and Registered Providers as well as selling private housing units.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Private development *(Linden Homes & Partnerships & Regeneration)*	Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid. Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time. Properties taken in part exchange as consideration for private house sales and then subsequently sold on by the Galliford Try Group will continue to be recognised through cost of sales within the income statement based on the profit or loss made on the resale as they are seen to be incidental to the operations of the business and not a part of its core activities.	Under IAS 18 revenue was recognised when the risks and rewards were transferred to the customer which was assessed to be at legal completion. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligation is deemed to be satisfied at the point when legal title is transferred to the purchaser.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Unit sales to Registered Providers/Investors in the Private Rented Sector (PRS) *(Linden Homes & Partnerships & Regeneration)*	This represents sales of (affordable) housing units to housing associations and other Registered Providers/PRS, treated as a single performance obligation. The Target Businesses receive payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un-invoiced amounts are presented as contract assets. Management does not expect a financing component to exist in respect of housing association contracts.	These contracts were previously accounted for under IAS 11 and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised over time.
Land sales *(Linden Homes & Partnerships & Regeneration)*	The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts. Revenue is therefore recognised at a point in time (unconditional exchange of contracts).	These contracts were previously accounted for under IAS 18 and as such were recognised at unconditional exchange. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised at a point in time.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Contracting to Registered Providers/PRS *(Partnerships & Regeneration)*	This represents the building of a number of (affordable) units on the customer's land with any design phase treated alongside the construction phase as a single performance obligation. This is because the two stages are not distinct in the context of the contract, given that each is highly interdependent on the other (and are typically contracted together within a single contract). Payment terms are based on a 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.	Under IAS 11, revenue was accounted for under a contract accounting model based on percentage of completion, using cost as a measure of progress (cost incurred to date compared to the contract's total expected cost) – this is the input method. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the contract dictate that the revenue should continue to be recognised over time.

Disaggregation of revenue

As part of the implementation of IFRS 15 on 1 July 2018, the Target Businesses have assessed the appropriate presentation of the disaggregation of their 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 the Target Businesses' 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, the Target Businesses have presented this disaggregation in line with the segmental analysis as shown in note 2.

The Target Businesses derive their 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'.

	Year ended 30 June 2019			
	Linden Homes	Partnerships & Regeneration	Central	Total
		(£m)		
Over time	86.3	482.5	–	568.8
Point in time	672.4	69.4	–	741.8
Galliford Try Group revenue	758.7	551.9	–	1,310.6

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

	2020	2021	2022 onwards	Total
		(£m)		
Galliford Try Group revenue				
Linden Homes	49.3	31.9	31.5	112.7
Partnerships & Regeneration	436.3	252.2	78.0	766.5
Total transaction price allocated to performance obligations yet to be satisfied	485.6	284.1	109.5	879.2

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

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

4. Employees and directors

Employee benefit expense during the year

	Notes	2019	2018	2017
			(£m)	
Wages and salaries		103.7	91.9	74.5
Social security costs		11.8	10.7	8.7
Other pension costs	24	6.8	5.1	4.1
Share-based payments	23	0.4	0.8	0.5
Total		122.7	108.5	87.8

Average monthly number of people (including executive directors) employed

	2019	2018	2017
		(Number)	
By business:			
Linden Homes	1,025	1,002	924
Partnerships & Regeneration	913	779	550
Total	1,938	1,781	1,474

Remuneration of key management personnel

The key management personnel comprise the Galliford Try Board of executive and non-executive directors. The remuneration of the key management personnel of the Target Businesses is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

	2019	2018	2017
		(£m)	
Salaries and short-term employee benefits	2.6	2.6	2.5
Retirement benefit costs	0.2	0.2	0.2
Share-based payments	–	0.3	0.1
Total	2.8	3.1	2.8

5. Net finance costs

	2019	2018	2017
		(£m)	
Interest receivable from joint ventures	9.3	9.2	4.9
Other	0.3	–	–
Finance income	9.6	9.2	4.9
Interest payable on borrowings	(49.3)	(46.9)	(47.1)
Unwind of discounted payables	(0.5)	(0.4)	(0.7)
Other	–	–	(0.1)
Finance costs	(49.8)	(47.3)	(47.9)
Net finance costs	(40.2)	(38.1)	(43.0)

6. Profit before income tax

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

	Notes	2019	2018	2017
			(£m)	
Employee benefit expense	4	122.7	108.5	87.8
(Profit)/loss on disposal of property, plant and equipment		(0.2)	–	0.1
Depreciation of property, plant and equipment	10	0.6	0.6	0.6
Amortisation of intangible assets	8	1.4	1.4	1.1
Operating lease rentals payable		2.7	2.6	2.2
Developments recognised as an expense		574.7	605.1	611.6
Repairs and maintenance expenditure on property, plant and equipment		0.6	0.4	0.8
Increase/(decrease) in provision for receivables	15	0.3	(0.1)	(0.4)

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

7. Income tax expense

	Notes	2019	2018	2017
			(£m)	
Analysis of expense in year				
Current year's income tax				
Current tax		24.9	25.0	21.6
Deferred tax	21	–	–	–
Adjustments in respect of prior years				
Current tax		(0.2)	(0.6)	–
Deferred tax	21	–	–	–
Income tax expense		24.7	24.4	21.6
Tax on items recognised in other comprehensive income/directly in equity				
Current tax (credit) for share-based payments		(0.1)	–	(0.2)
Current tax (credit) for shared–based payments – prior year adjustment		–	–	(0.3)
Deferred tax expense on retirement benefit obligations		–	1.9	0.2
Tax recognised in other comprehensive income		(0.1)	1.9	(0.3)
Total taxation		24.6	26.3	21.3

The total income tax expense for the year of £24.7 million (2018: £24.4 million, £2017: £21.6 million) is higher (2018: lower, 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	2018	2017
		(£m)	
Profit before income tax	125.8	130.2	107.9
Profit 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.)	23.9	24.7	21.3
Effects of:			
Expenses not deductible for tax purposes	–	0.1	0.2
Joint ventures	(1.0)	(1.1)	(0.7)
Other	1.8	0.7	0.8
Income tax expense	24.7	24.4	21.6

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, the Target Businesses' profits for the financial year to 30 June 2019 and 30 June 2018 were taxed at a standard rate of 19.0 per cent., and for the period to 30 June 2017 were taxed at a blended standard rate of 19.75 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.

8. Intangible assets

	Notes	Customer contracts and relationships	Brand	Total
			(£m)	
Cost				
At 1 July 2016		–	10.8	10.8
Additions	28	5.3	–	5.3
At 1 July 2017, 1 July 2018 and 30 June 2019		5.3	10.8	16.1
Accumulated amortisation				
At 1 July 2016		–	(10.0)	(10.0)
Amortisation in year		(0.3)	(0.8)	(1.1)
At 1 July 2017		(0.3)	(10.8)	(11.1)
Amortisation in year		(1.4)	–	(1.4)
At 1 July 2018		(1.7)	(10.8)	(12.5)
Amortisation in year		(1.4)	–	(1.4)
At 30 June 2019		(3.1)	(10.8)	(13.9)
Net book amount				
At 30 June 2019		2.2	–	2.2
At 30 June 2018		3.6	–	3.6
At 30 June 2017		5.0	–	5.0

All amortisation charges in the year have been included in administrative expenses. The remaining period of amortisation on customer contracts and relationships is five years.

9. Goodwill

	(£m)
Cost	
At 1 July 2016	59.0
Additions in the year to 30 June 2017	24.8
At 1 July 2017	83.8
Adjustment in respect of acquisition completed in 2017	(0.7)
At 30 June 2017, 30 June 2018 and 30 June 2019	83.1
Aggregate impairment at 1 July 2017, 1 July 2018 and 30 June 2019	(0.7)
Net book amount	
At 30 June 2019	82.4
At 30 June 2018	82.4
At 30 June 2017	83.1

The change in goodwill in the year to 30 June 2018 arose from the finalisation of the acquisition accounting in respect of the acquisition of Drew Smith completed in May 2017.

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

	2019	2018	2017
		(£m)	
Linden Homes	52.5	52.5	52.5
Partnerships & Regeneration	29.9	29.9	30.6
	82.4	82.4	83.1

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 as set out in the strategic report. Future budgeted revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with the existing secured works, management's expectation of the future level of work available within the market sector and expected changes in selling volumes and prices for completed houses. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category and to reflect, the current market value of land being acquired.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. 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 the businesses estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 11.8 per cent. (2018: 11.4 per cent., 2017:11.5 per cent.) in Linden Homes and 8.9 per cent. (2018: 8.6 per cent., 2017: 8.5 per cent.) in Partnerships & Regeneration has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of each business.

Sensitivities

The recoverable value of all CGUs is 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 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 600 per cent. (2018: 290 per cent., 2017: 600 per cent.) in the pre-tax discount rate or a reduction of 95 per cent. (2018: 73 per cent., 2017: 70 per cent.) in the forecast operating cash flows of the Partnerships & Regeneration 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.

10. Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Total
		(£m)		
Cost				
At 1 July 2016	1.7	0.3	4.4	6.4
Additions	–	0.1	0.3	0.4
Acquisitions	0.7	–	0.1	0.8
Disposals	–	(0.2)	(0.2)	(0.4)
At 1 July 2017	2.4	0.2	4.6	7.2
Additions	0.3	0.3	1.0	1.6
Disposals	(0.4)	–	–	(0.4)
At 1 July 2018	2.3	0.5	5.6	8.4
Additions	–	0.9	0.1	1.0
Disposals	(0.2)	–	(0.2)	(0.4)
At 30 June 2019	2.1	1.4	5.5	9.0
Accumulated depreciation				
At 1 July 2016	(1.0)	(0.3)	(3.1)	(4.4)
Charge for the year	–	–	(0.6)	(0.6)
Disposals	–	0.2	0.2	0.4
At 1 July 2017	(1.0)	(0.1)	(3.5)	(4.6)
Charge for the year	(0.1)	–	(0.5)	(0.6)
Disposals	0.1	0.1	–	0.2
At 1 July 2018	(1.0)	–	(4.0)	(5.0)
Charge for the year	(0.1)	–	(0.5)	(0.6)
Disposals	0.1	–	0.2	0.3
At 30 June 2019	(1.0)	–	(4.3)	(5.3)
Net book amount				
At 30 June 2019	1.1	1.4	1.2	3.7
At 30 June 2018	1.3	0.5	1.6	3.4
At 30 June 2017	1.4	0.1	1.1	2.6

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: £nil and £nil, 2017: £nil and £nil, respectively).

11. Investments in joint ventures

	2019	2018	2017
		(£m)	
At 1 July	49.9	30.6	24.1
Dividend received from joint ventures	(3.0)	(1.1)	(7.4)
Share of post-tax profit	20.1	20.4	13.9
At 30 June	67.0	49.9	30.6

Joint ventures

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

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

	2019	2018	2017
		(£m)	
Current assets	528.9	521.0	400.6
Non-current assets	–	–	–
Current liabilities	(293.3)	(328.3)	(213.3)
Non-current liabilities	(168.6)	(142.8)	(156.7)
	67.0	49.9	30.6
Amounts due from joint ventures	331.6	311.2	248.6
Amounts due to joint ventures	(24.8)	(18.0)	(11.7)
Revenue	233.7	193.5	143.4
Expenses	(201.0)	(159.9)	(121.1)
	32.7	33.6	22.3
Finance cost	(12.1)	(12.1)	(7.5)
Income tax	(0.5)	(1.1)	(0.9)
Share of post-tax profits from joint ventures	20.1	20.4	13.9

On 28 June 2019, the Target Businesses acquired the remaining 50 per cent. share of its joint venture, Linden Homes (Sherford) LLP, for a consideration of £1 (plus £28.2 million of intercompany receivables due from Linden Homes (Sherford) LLP). The fair value of the net liabilities acquired were £2.0 million (plus £28.2 million of intercompany payables), resulting in goodwill on acquisition of £2.0 million, which was immediately impaired to £nil. The fair value of the net liabilities acquired of £2.0 million included £83.8 million of developments (note 13), £1.3 million of trade and other receivables (note 15), £1.4 million of cash (note 16), £21.0 million of development land payables (notes 17 & 19) and £69.6 million of trade and other payables (notes 17 & 19). The fair value of the equity interest previously held was £nil.

The Target Businesses' revenue and profit before tax included £nil contribution from Linden Homes (Sherford) LLP. If Linden Homes (Sherford) LLP had been consolidated from 1 July 2018, this would have contributed to the Target Businesses' revenue of £4.3 million and a loss before tax of £0.5 million.

The Target Businesses' share of unrecognised losses of joint ventures is £37.8 million (2018: £36.3 million, 2017: £34.6 million), of which net £1.5 million arose during the year.

As at 30 June 2019, amounts due from joint ventures of £331.6 million (2018: £311.2 million, 2017: £248.6 million) were considered for impairment. The impairment reviews were performed in accordance with IFRS 9 as described in note 1. No impairment loss has been recognised for these balances in the year ended 30 June 2019 (2018: £nil, 2017: £nil).

The Target Businesses have no commitments (2018: £nil, 2017: £nil) to provide further subordinated debt to their joint ventures.

The Target Businesses' share of joint ventures external bank funding was £19.7 million at 30 June 2019 (2018: £55.0 million, 2017: £26.0 million). The joint ventures have no significant contingent liabilities to which the Target Businesses are exposed (2018: £nil, 2017: £nil). The joint ventures had no capital commitments as at 30 June 2019 (2018: £nil, 2017: £nil).

Material joint ventures are assessed according to their holdings and/or issuing listed debt and none were assessed to be material during the year (2018: none, 2017: none)

Details of related party transactions with joint ventures are given in note 27.

12. Other investments

	2019	2018	2017
		(£m)	
At 1 July	0.7	0.7	0.7
Disposals and subordinated loan repayments	(0.3)	–	–
At 30 June	0.4	0.7	0.7

These comprise shared equity receivables.

The business has sold the majority of its shared equity portfolio.

13. Developments

	2019	2018	2017
		(£m)	
Land	526.8	433.6	431.7
Work in progress	318.7	251.3	257.8
	845.5	684.9	689.5

	2019	2018	2017
		(£m)	
Movement on development provisions			
Balance at 1 July	1.9	1.9	2.2
Reversed in the year	(0.4)	–	(0.3)
Balance at 30 June	1.5	1.9	1.9

14. Construction contracts

	2019	2018	2017
		(£m)	
Contract in progress at balance sheet date:			
Amounts recoverable on construction contracts included in trade and other receivables	–	36.8	33.6
Payments received on account on construction contracts included in trade and other payables	–	(33.5)	(16.6)
	–	3.3	17.0

The Target Businesses 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 30). 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 £716 million in 2018 (2017: £598 million).

Retentions held by customers for contract work amounted to £18.4 million in 2018 and £16.7 million in 2017.

15. Trade and other receivables

	Notes	2019	2018	2017
			(£m)	
Amounts falling due within one year:				
Trade receivables		157.0	96.2	108.3
Less: provision for impairment of receivables		(0.4)	(0.1)	(0.1)
Trade receivables – net		156.6	96.1	108.2
Amounts recoverable on construction contracts[(1)]		–	36.8	33.6
Contract assets[(1)]	20	68.2	–	–
Amounts due from joint ventures		93.5	166.3	141.7
Other receivables		4.9	12.0	11.0
Prepayments and accrued income[(1)]		24.8	34.3	49.3
		348.0	345.5	343.8

Note:

(1) The Target Businesses 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 30). Prepayments and accrued income includes £nil (2018: £2.9 million, 2017: £6.1 million) of accrued income.

	2019	2018	2017
		(£m)	
Amounts falling due in more than one year:			
Amounts due from joint ventures	238.1	144.9	106.9
Other receivables	0.3	4.0	4.8
	238.4	148.9	111.7

Movements on the Target Businesses' provision for impairment of trade receivable were as follows:

	2019	2018	2017
		(£m)	
At 1 July	(0.1)	(0.2)	(0.6)
(Increase)/decrease in provision for receivables impairment	(0.3)	0.1	0.4
At 30 June	(0.4)	(0.1)	(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 11. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the businesses investment in shared equity receivables (note 12) and their cash and cash equivalents. The business does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the businesses customer base being large and unrelated.

The maturity of non-current receivables is as follows:

	2019	2018	2017
		(£m)	
In more than one year but not more than two years	67.9	11.3	1.1
In more than two years but not more than five years	91.9	40.2	3.7
In more than five years	78.6	97.4	106.9
	238.4	148.9	111.7

Of the amounts due in more than five years, £10.7 million is due within 20 years and £67.9 million is due within seven years (2018: £10.4 million within 20 years and £87.0 million within seven years, 2017: £16.7 million within 22 years and £90.2 million within 7 years). These amounts, as well as other amounts due from joint ventures recognised within current assets, are unsecured and interest rates vary from bank base rate plus 1.75 per cent. to 10 per cent.

As of 30 June 2019, trade receivables of £51.7 million (2018: £23.0 million, 2017: £13.1 million) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2019	2018	2017
		(£m)	
Number of days past due date			
Less than 30 days	37.5	11.8	7.0
Between 30 and 60 days	5.3	4.8	5.1
Between 60 and 90 days	0.3	1.3	0.1
Between 90 and 120 days	4.7	1.2	–
Greater than 120 days	3.9	3.9	0.9
	51.7	23.0	13.1

As of 30 June 2019, trade receivables were considered for impairment based on management's judgement and review of the trade receivables listings. The amount provided for these balances was £0.4 million (2018: £0.1 million, 2017: £0.2 million). The allocation of the provision is as follows:

	2019	2018	2017
		(£m)	
Number of days past due date:			
Greater than 120 days	0.4	0.1	0.2
	0.4	0.1	0.2

16. Cash and cash equivalents

	2019	2018	2017
		(£m)	
Cash at bank and in hand	38.4	78.5	221.0

Cash at bank above includes £nil (2018: £nil, 2017: £nil) of restricted cash. The effective interest rate received on cash balances is 0.5 per cent. (2018: 0.5 per cent., 2017: 0.5 per cent.).

	2019	2018	2017
		(£m)	
Net cash/(debt)			
Cash and cash equivalents excluding bank overdrafts	38.4	78.5	221.0
Current borrowings – bank overdrafts (note 18)	(614.7)	(583.4)	(760.0)
Cash and cash equivalents per the statements of cash flows	(576.3)	(504.9)	(539.0)
Non-current borrowings (note 18)	(100.0)	(100.0)	(100.0)
Net (debt)	(676.3)	(604.9)	(639.0)

17. Trade and other payables

	Notes	2019	2018	2017
			(£m)	
Payments received on account on construction contracts[1]		–	33.5	16.6
Trade payables[1]		76.7	108.3	116.0
Development land payables		150.5	65.6	98.2
Contract liabilities[1]	20	142.0	–	–
Amounts due to joint ventures		24.8	18.0	31.8
Other taxation and social security payable		6.0	0.6	3.6
Accruals and deferred income[1]		250.9	252.4	197.7
		650.9	478.4	463.9

Note:

(1) The Target Businesses 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 30).

Developments of £67.1 million (2018: £49.7 million, 2017: £71.9 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £nil (2018: £12.4 million, 2017: £10.0 million) deferred income.

18. Financial liabilities – borrowings

	2019	2018	2017
		(£m)	
Current			
Bank overdrafts	614.7	583.4	760.0
	614.7	583.4	760.0
Non-current			
Debt private placement	100.0	100.0	100.0
	100.0	100.0	100.0

The bank overdrafts are unsecured. An arm's length internal interest rate of c. 6.0 per cent. (2018: 6.0 per cent., 2017: 6.0 per cent.) has been used when calculating balances allocated to the Target Businesses.

In February 2017, the Target Businesses raised £100 million in nominal amount of senior unsecured debt by way of private placement, to certain institutional investors, of £100 million 4.03 per cent. fixed rate senior unsecured notes due February 2027 (referred to herein as the Private Placement Bond). The debt was issued by Galliford Try but is to be taken on as part of the Target Businesses, as acquired by Bovis Homes as part of the Acquisition, and has therefore been included in the combined historical financial information as a non-cash transfer from parent as shown within invested capital.

19. Other non-current liabilities

	2019	2018	2017
		(£m)	
Development land payables	66.4	78.8	46.3
Contract liabilities[(1)]	26.1	–	–
Accruals and deferred income[(1)]	9.2	42.2	46.3
	101.7	121.0	92.6

Note:

(1) The Target Businesses 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 30).

Developments of £67.1 million (2018: £49.7 million, 2017: £71.9 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £nil (2018: £32.5 million, 2017: £34.4 million) deferred income.

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

	Financial liabilities at amortised cost			
	Development land payables	Amounts due to joint venture undertakings	Other financial liabilities at amortised cost	Total
		(£m)		
Within one year	150.5	24.8	327.6	502.9
More than one year and less than two years	38.7	–	9.2	47.9
More than two years	27.7	–	–	27.7
30 June 2019	216.9	24.8	336.8	578.5

	Financial liabilities at amortised cost			
	Development land payables	Amounts due to joint venture undertakings	Other financial liabilities at amortised cost	Total
		(£m)		
Within one year	65.6	18.0	348.3	431.9
More than one year and less than two years	71.3	–	9.7	81.0
More than two years	7.5	–	–	7.5
30 June 2018	144.4	18.0	358.0	520.4

	Financial liabilities at amortised cost			
	Development land payables	Amounts due to joint venture undertakings	Other financial liabilities at amortised cost	Total
		(£m)		
Within one year	98.2	31.8	303.7	433.7
More than one year and less than two years	45.9	–	11.9	57.8
More than two years	0.4	–	–	0.4
30 June 2017	144.5	31.8	315.6	491.9

20. 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 no corresponding work has been performed, being recognised on the Target Businesses' balance sheet.

	Contract asset	Contract liability
	(£m)	
The reconciliation of the opening to closing contract balances is shown below:		
1 July 2018	–	–
Adjustment as a result of transitioning to IFRS 9 and IFRS 15[(1)] on 1 July 2018	40.7	(153.8)
1 July 2018 as restated	40.7	(153.8)
Revenue recognised		
Of which relates to performance obligations		
Satisfied in the current year	1,274.3	36.3
Total revenue recognised	1,274.3	36.3
Transfers in the period from contract assets to trade receivables	(1,246.8)	–
Net cash received in advance of performance obligations being fully satisfied	–	(50.6)
30 June 2019	68.2	(168.1)

Note:

(1) The Target Businesses 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 30).

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

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

21. 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	2018	2017
		(£m)	
Deferred income tax assets – non-current	–	–	0.6
Deferred income tax assets	–	–	0.6
Deferred income tax liabilities – non-current	(1.3)	(1.3)	0.6
Deferred income tax liabilities	(1.3)	(1.3)	0.6
Net deferred income tax	(1.3)	(1.3)	1.2

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

	2019	2018	2017
		(£m)	
At 1 July	(1.3)	1.2	0.8
(Expense) recognised in equity	–	(1.9)	(0.2)
On acquisition of subsidiaries	–	(0.6)	0.6
At 30 June	(1.3)	(1.3)	1.2

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets, as it is probable that these assets will be recovered.

Deferred income tax assets

	Retirement benefit obligations	Total
	(£m)	
At 1 July 2016	0.8	0.8
(Expense) recognised in equity	(0.2)	(0.2)
At 1 July 2017	0.6	0.6
Transferred to deferred income tax liability	(0.6)	(0.6)
At 30 June 2018 and 30 June 2019	–	–

Deferred income tax liabilities

	Retirement benefit obligations	Fair value adjustments	Total
		(£m)	
At 1 July 2016	–	–	–
On acquisition of subsidiaries	–	0.6	0.6
At 1 July 2017	–	0.6	0.6
Transferred from deferred income tax asset	0.6	–	0.6
(Expense) recognised in equity	(1.9)	–	(1.9)
On acquisition of subsidiaries	–	(0.6)	(0.6)
At 30 June 2018 and 30 June 2019	(1.3)	–	(1.3)

22. Financial instruments

The Target Businesses' activities expose them to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Target Businesses' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Businesses' 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.

The Target Businesses operate within financial risk policies and procedures approved by the Galliford Try Board. It is, and has been throughout the year, the Target Businesses' policy that no trading in financial instruments shall be undertaken. The Galliford Try Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Target Businesses' financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, other investments and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

During the periods, these businesses were subsidiaries of Galliford Try plc. The Galliford Try Group is funded by ordinary shares, retained profits and a single bank facility. Galliford Try's objectives when managing capital are to safeguard Galliford Try's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of Galliford Try's businesses differ, with housebuilding (including Linden Homes and the mixed-tenure developments of Partnerships & Regeneration) typically requiring debt and construction typically being cash generative, and the economic cycle of each business is also different. Galliford Try manages its capital taking these differing requirements into account.

In order to maintain or adjust the capital structure, Galliford Try may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2017, Galliford Try completed a debt private placement of £100m 10-year Sterling notes to supplement its bank facilities, following a review of its future capital requirements undertaken in the context of Galliford Try's strategy to 2021, and Galliford Try is continuing to target period-end gearing of no more than 30 per cent.

Consistent with others in the industry, Galliford Try 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. Galliford Try 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. Galliford Try also has capital requirements in the covenants in its bank facilities. Galliford Try has complied with all bank covenants during the periods.

Financial risk factors

(a) *Market risk*

(i) Foreign exchange risk

All material activities of the Target Businesses take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Target Businesses' policy is to enter into forward foreign currency contracts. The Target Businesses have no material currency exposure at 30 June 2019 (2018: nil, 2017: nil).

(ii) Price risk

The Target Businesses are affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. While it is not possible to fully mitigate such risks, the Target Businesses continue to monitor their geographical spread within the UK, concentrating their operations in areas that management believes minimise the effect of local microeconomic fluctuations. As at 30 June 2019, the Target Businesses' house price linked financial instruments consisted entirely of shared equity receivables held at fair value with movements recorded in other comprehensive income, and the sensitivity to house price inflation and discount rates was not significant. The concentration of the financial risk lies within price risk as a result of these financial instruments being linked to house prices.

The Target Businesses have no quoted investments that are exposed to equity securities price risk. The Target Businesses are not exposed to commodity price risk.

(iii) Interest rate risk

The Target Businesses' income and operating cash flows are substantially independent of changes in market interest rates.

The Target Businesses' interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Target Businesses to cash flow interest rate risk.

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 £5.3 million (2018: £5.4m, 2017: £5.6 million) or decrease of £5.3 million (2018: £5.4 million, 2017: £5.6 million), respectively.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Target Businesses have a credit risk exposure to the providers of their 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, Target Businesses treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Target Businesses finance their operations through a mixture of retained profits and bank borrowings. The contracting operations of the Target Businesses generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Target Businesses' liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 16) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Target Businesses, in accordance with practices and limits set by the Target Businesses. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Target Businesses' operating companies are aggregated into a total cash or borrowings figure, in order that the Target Businesses can obtain the most advantageous interest rate.

In accordance with IFRS 9 'Financial Instruments', the Target Businesses have 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.

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.

		2019		2018		2017	
	Notes	Book value	Fair value	Book value	Fair value	Book value	Fair value
				(£m)			
Non-current borrowings	18	100.0	100.0	100.0	100.0	100.0	100.0

Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Target Businesses' operations:

		2019		2018		2017	
	Notes	Book value	Fair value	Book value	Fair value	Book value	Fair value
				(£m)			
Financial liabilities:							
Current financial liabilities measured at amortised cost	17	502.9	502.9	431.9	431.9	433.7	433.7
Non-current financial liabilities measured at amortised cost	19	101.7	101.7	88.5	88.5	58.2	58.2
Overdrafts/(cash) and overdrafts/ (cash) equivalents	16	576.3	576.3	504.9	504.9	539.0	539.0
Financial assets:							
Other investments	12	0.4	0.4	0.7	0.7	0.7	0.7
Loans and receivables	15	323.2	323.2	314.0	314.0	285.3	285.3
Non-current loans and receivables	15	238.4	238.4	148.9	148.9	111.7	111.7

Prepayments and accrued income are excluded from the loans and receivables balance; and statutory liabilities, deferred income and payments received on account on construction contracts are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Target Businesses' non-derivative financial liabilities is given in note 19.

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

Borrowing facilities

The Target Businesses had the following undrawn committed borrowing facilities available at 30 June:

	Floating rate		
	2019	2018	2017
		(£m)	
Expiring:			
In more than two years	–	–	–
	–	–	–

In February 2017 the Target Businesses completed a Private Placement Bond of £100m 10 year Sterling notes, maturing in February 2027.

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 12.

The following table presents the Target Businesses' assets and liabilities that are measured at fair value at 30 June:

	2019		2018		2017	
	Level 3	Total	Level 3	Total	Level 3	Total
			(£m)			
Assets						
Available for sale financial assets						
– Other investments	0.4	0.4	0.7	0.7	0.7	0.7
Total	0.4	0.4	0.7	0.7	0.7	0.7

There were no transfers between levels during the period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Fair value measurements using significant unobservable inputs (Level 3)

	2019	2018	2017
		(£m)	
Opening balance	0.7	0.7	0.7
Disposals	(0.3)	–	–
Closing balance	0.4	0.7	0.7

The key assumptions used in Level 3 valuations include future house price movements, the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10-15 years and the timing of receipts is based on historical data. The discount rate of 5.5 per cent. and future house price movements used to compute the fair value (typically 2.5 per cent.) are based on local market conditions. The sensitivity to house price inflation and discount rates is set out earlier in this note. If receipts were to occur earlier than expected, the fair value would increase.

The total impact in the period of Level 3, taken to the income statements, is a net charge of £nil (2018: £nil, 2017: £nil) in cost of sales and £nil (2018: £nil, 2017: £nil) finance income.

23. Share-based payments

The Target Businesses operate performance-related share incentive plans for executives. The Target Businesses also operates share save schemes. The total charge for the year relating to employee share-based payment plans was £0.4 million (2018: £0.8 million, 2017: £0.5 million), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £0.4 million (2018: £0.8 million, 2017: £0.5 million).

Savings related share options

The Target Businesses operate an HMRC approved share save scheme under which employees are granted an option to purchase ordinary shares in Galliford Try 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 share save options.

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
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	1057p	838p	01.01.15	28%	5	1.6%	4.5%	10%	229.0p
21.10.15	1405p	1234p	01.01.16	22%	3	0.8%	4.4%	10%	195.8p
21.10.15	1405p	1234p	01.01.16	25%	5	1.2%	4.4%	10%	233.2p
01.11.16	1120p	936p	01.01.17	27%	3	0.4%	6.6%	10%	158.5p
01.11.16	1120p	936p	01.01.17	26%	5	0.7%	6.6%	10%	137.6p
02.11.17	1090p	928p	01.01.18	27%	3	0.5%	7.9%	10%	113.7p
02.11.17	1090p	928p	01.01.18	25%	5	0.8%	7.9%	10%	89.8p
23.10.18	851p	823p	01.01.19	32%	3	0.9%	8.7%	10%	79.2p
23.10.18	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.

Performance-related long-term incentive plans

The Target Businesses operate performance-related share incentive plans for executives, details of which are set out in the Directors' remuneration report. The awards that vest are satisfied by the transfer of shares for no consideration.

The options were valued using a Monte Carlo model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option
26.09.15	1476p	36	0.8%	4.1%	757p
16.11.16	1155p	36	0.4%	6.4%	459p
22.09.17	1192p	36	0.5%	7.2%	0p
20.09.18	1065p	36	1.0%	7.0%	0p

The expected volatility is based on historical volatility in the movement in the share price of Galliford Try 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.

24. 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, the Target Businesses have operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf. The Galliford Try Pension Scheme will remain with Galliford Try following Completion.

Galliford Try also operates three defined benefit pension schemes, as detailed below.

Pension costs for the schemes were as follows:

	2019	2018	2017
		(£m)	
Defined benefit schemes – expense recognised in the income statement	0.6	0.6	0.3
Defined contribution schemes (included within employee benefit expense, note 4)	6.8	5.1	4.1
Total	7.4	5.7	4.4

Of the total charge for all schemes £3.2 million (2018: £2.4 million, 2017: £2.0 million) and £4.2 million (2018: £3.3 million, 2017: £2.4 million) were included, respectively, within cost of sales and administrative expenses. £nil (2018: nil, 2017: £nil) was included within net finance costs.

Defined benefit schemes

Galliford Try operates three defined benefit pension schemes under the UK regulatory framework that pay out pensions at retirement based on service and final pay, each with assets held in separate trustee administered funds: the Galliford Try Final Salary Pension Scheme, the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme. The historical financial information includes all three of these arrangements. Galliford Try's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme which was closed to all future service accrual on 31 March 2007.

The trustees of each scheme are required to act in the best interests of the plans' beneficiaries and are responsible for the investment strategy of the scheme. For the Galliford Try Final Salary Pension Scheme the trustee is Galliford Try Pension Trustee Limited. The appointment of the directors to the trustee board is determined by that trustee company's articles. Currently the trustee board includes company-nominated, and independent directors. Galliford Try Employment Limited and (by virtue of the current guarantee) Galliford Try plc are 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 from the scheme's employer could vary in the future. The two key risks faced by pension schemes are longevity (i.e. members living longer than expected) and investment risk (i.e. the scheme's assets perform poorly relative to the liabilities).

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent completed formal actuarial valuation for the Galliford Try Final Salary Pension Scheme was as at 30 June 2018 and was prepared by LCP the scheme actuary. The Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007. In June 2016 the Galliford Try Final Salary Pension Scheme completed a £95 million insurance buy-in transaction. In July 2018, the Galliford Group Special Scheme completed a £7 million insurance bulk annuity buyout transaction, securing the pensioner liabilities of the scheme. The premium paid was £0.9m higher than the IAS 19 liabilities discharged and therefore, a settlement charge of £0.9 million was expensed to the income statement. The IAS 19 accounting result for the Galliford Try Final Salary Pension Scheme has been calculated using a roll forward approach based on the liabilities calculated for the 30 June 2018 actuarial valuation, and incorporates the insurance buy-in referred to above.

The deficit recovery funding plan agreed with the trustees of the Galliford Try Final Salary Pension Scheme in 2019 requires Galliford Try to pay contributions of £389,583 per calendar month until January 2021, plus additional payments being linked to dividend payments of the Company which were estimated by the trustees to amount to in the region of £6.9 million to November 2022. After Completion, Bovis Homes Limited has agreed that it will maintain the £389,583 per calendar month contribution and then make additional contributions (in lieu of the previously agreed dividend related contributions) of £126,667 per calendar month until 31 January 2021 and £234,885 per calendar month from 1 February 2021 to 30 September 2022.

The most recent actuarial valuation of the Galliford Group Special 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, an insurance bulk annuity buyout transaction was completed for £7 million, 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.

The Kendall Cross (Holdings) Limited Scheme is funded and provides benefits based on final pensionable salaries. The scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try in November 2007. The most recent actuarial valuation of the scheme was prepared as at 13 November 2017. The schedule of contributions dated 11 February 2019 required Galliford Try Employment Limited to pay £15,300 each calendar month until 30 November 2023. After Completion, Bovis Homes Limited will continue to pay contributions on the same basis.

On 26 October 2018, the High Court issued its judgment in the GMP equalisation case with Lloyds Bank Plc. The key implication of this case is the need for pension schemes to equalise benefits for the effect of unequal GMPs accrued between May 1990 and April 1997; this applies to UK pension schemes who were contracted out of the "State Earnings Related Pension Scheme" during this period and who provide GMPs and therefore includes the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Pension & Assurance Scheme, resulting in an increase to the IAS 19 defined benefit obligations for both. The wording in the High Court ruling implies that trustees should effect this increased obligation by an amendment to the scheme benefits which would be treated as a plan amendment and therefore a past service costs expensed in the income statement, recognised at the date that they occurred (being the date of the Lloyds GMP judgment, 26 October 2018). This has been estimated at 30 June 2019 to be equivalent to c. 1.6 per cent. of the schemes liabilities, resulting in an expense in the income statement and an increase in liabilities of £3.5 million.

Principal assumptions

The valuation of the Galliford Try pension schemes has been updated to 30 June 2019 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	For the year ended 30 June		
	2019	**2018**	**2017**
Rate of increase in pensionable salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	3.10%	3.00%	3.10%
Discount rate	2.25%	2.70%	2.65%
Retail price inflation	3.25%	3.15%	3.25%
Consumer price inflation	2.25%	2.15%	2.25%

For the Galliford Try Final Salary Pension Scheme, the life expectancies as at 30 June 2019 are based on S2NA tables (90 per cent. scaling factor applied for males with a future improvement in mortality assumptions in line with CMI 2018 tables with a long-term rate of improvement of 1.25 per cent.). For 2018 they are based on S2NA tables (90 per cent. scaling factor applied for males with a future improvement in mortality assumptions in line with CMI 2017 tables with a long-term rate of improvement of 1.25 per cent.). For 2017 they are based on S2NA tables (90 per cent. scaling factor applied for males with a future improvement in mortality assumptions in line with CMI 2016 tables with a long-term rate of improvement of 1.25 per cent.).

	For the year ended 30 June		
	2019	**2018**	**2017**
Male member age 65 (current life expectancy)	22.5	23.0	23.1
Male member age 45 (life expectancy at age 65)	23.8	24.3	24.5
Female member age 65 (current life expectancy)	24.5	24.9	25.0
Female member age 45 (life expectancy at age 65)	26.0	26.4	26.5

At 1 July 2018, the date of the last valuation, the scheme had 1,123 deferred members and 890 pensioners.

Assets in the scheme

The fair value of the assets and present value of the obligations at 30 June of the Target Businesses' defined benefit arrangements are as follows:

	For the year ended 30 June					
	2019		2018		2017	
	Value £m		Value £m		Value £m	
Equities[1]	37.4	15%	35.8	15%	40.9	17%
Gilts[1]	2.6	1%	10.0	4%	9.3	4%
Bonds[1]	20.2	8%	20.4	9%	1.4	1%
Diversified growth funds[1]	42.9	17%	42.3	18%	44.4	18%
Liability driven investments[1]	57.2	23%	44.0	19%	38.1	16%
Cash	1.7	1%	1.6	1%	20.3	8%
Unquoted insured annuities[2]	83.7	35%	81.5	34%	88.5	36%
	245.7	100%	235.6	100%	242.9	100%
Present value of defined benefit obligations	(238.7)		(228.6)		(246.1)	
Surplus/(deficit) in scheme recognised as non-current asset/(liability)	7.0		7.0		(3.2)	

Notes:

(1) Equities, gilts, bonds and the diversified growth funds are quoted assets. The asset classes are intended to minimise the volatility of the funding position.

(2) Unquoted insured annuities include £82.7m in respect of the pensioner buy-in transaction completed by the Galliford Try Final Salary Pension Scheme in June 2016, and other annuities held by the Kendal Cross (Holdings) Ltd Assurance & Pension Scheme.

If the return on plan assets is below the discount rate, all else being equal, there will be an increase in the deficit. This risk is partially managed by holding a diversified asset portfolio, including liability matching assets and a Liability Driven Investment (LDI) fund. The risk is also mitigated by the holding of bulk annuity policies in respect of the Galliford Try Final Salary Pension Scheme, the Galliford Group Special Scheme and the Kendall Cross (Holdings) Limited Scheme, which provide a perfectly matching asset in respect of the members covered by the policies.

Sensitivity analysis of scheme liabilities

The weighted average duration of the defined benefit obligations at 30 June 2019 was 19 years. The sensitivity of the present value of scheme liabilities at 30 June 2019 to changes in the principal assumptions is set out below.

	Change in assumption[1]	2019 Impact on scheme liabilities	2018 Impact on scheme liabilities	2017 Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £4.3m	Decrease by £4.0m	Decrease by £4.3m
Rate of inflation	Increase by 0.1%	Increase by £3.4m	Increase by £3.2m	Increase by £2.5m
Growth rate in pension payments	Increase by 0.1%	Increase by £1.7m	Increase by £1.7m	Increase by £1.8m
Life expectancy	Increase by one year	Increase by £7.3m	Increase by £6.7m	Increase by £7.2m

Note:

(1) Based on change in assumption while holding all other assumptions constant, which in practice may be unlikely as assumptions may be correlated.

Accounting results

The amounts recognised in the income statement are as follows:

	2019	2018	2017
		(£m)	
Net interest (income) on net defined benefit asset	(0.2)	–	–
Expenses	0.6	0.6	0.3
Past service cost – treated as an exceptional item (note 4)	3.5	–	–
Losses on settlements – treated as an exceptional item (note 4)	0.9	–	–
Expense recognised in the income statement	4.8	0.6	0.3

The actual return on scheme assets was £22.2 million (2018: £3.8 million. 2017: £15.8 million).

The amounts recognised in the statement of comprehensive income are as follows:

	2019	2018	2017
		(£m)	
Total amount of actuarial (losses)/gains in the year	(2.4)	4.0	(5.0)
Cumulative actuarial (losses)	(60.8)	(58.4)	(62.4)

	2019	2018	2017
		(£m)	
Movement in present value of defined benefit obligations			
At 1 July	228.6	246.1	235.7
Interest cost	5.9	6.3	6.9
Experience losses	0.4	–	(3.9)
Actuarial loss/(gain) arising from changes in financial assumptions	23.1	(5.3)	22.8
Actuarial (gain) arising from changes in demographic assumptions	(5.0)	(1.2)	(5.0)
Benefit payments	(11.6)	(17.3)	(10.4)
(Gains) on settlements	(6.2)	–	–
Past service cost	3.5	–	–
At 30 June	238.7	228.6	246.1

	2019	2018	2017
		(£m)	
Movement in fair value of scheme assets			
At 1 July	235.6	242.9	231.4
Interest income	6.1	6.3	6.9
Return on plan assets, excluding interest income	16.1	(2.5)	8.9
Employer contributions	7.2	6.8	6.4
Expenses	(0.6)	(0.6)	(0.3)
Benefit payments	(11.6)	(17.3)	(10.4)
(Losses) on settlements	(7.1)	–	–
At 30 June	245.7	235.6	242.9

	2019	2018	2017
		(£m)	
Movement in fair value of net asset/(liability)			
At 1 July	7.0	(3.2)	(4.3)
Net interest income	0.2	–	–
Return on plan assets, excluding interest income	16.1	(2.5)	8.9
Experience (losses)/gains	(0.4)	–	3.9
Actuarial (losses)/gains	(18.1)	6.5	(17.8)
Employer contributions	7.2	6.8	6.4
Expenses	(0.6)	(0.6)	(0.3)
(Losses) on settlements	(0.9)	–	–
Past service cost	(3.5)	–	–
At 30 June	7.0	7.0	(3.2)

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2020 are £6.8 million.

25. Financial and capital commitments

The Target Businesses have 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.

Galliford Try, together with certain of its subsidiaries, has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery. The leases have various terms, escalation clauses and renewal rights. The leases do not impose restrictions on the Target Businesses' ability to pay dividends or obtain other financing. The minimum commitments for payments under these contracts are as follows:

	2019	2018	2017
		(£m)	
Amounts due:			
Within one year	3.9	1.6	1.6
Later than one year and less than five years	4.4	5.8	3.9
After five years	0.2	3.0	0.4
	8.5	10.4	5.9

Galliford Try, 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 Target Businesses companies.

26. Guarantees and contingent liabilities

Galliford Try 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 the Target Businesses undertakings, including joint arrangements, amounting to £84.6 million (2018: £88.1 million, 2017: £46.1 million).

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

27. Related party transactions

Transactions between the Target Businesses and their 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	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
						(£m)						
Trading transactions												
Joint ventures . . .	67.9	48.5	61.7	–	–	0.4	331.6	311.2	248.6	24.8	18.0	11.7
Parent	–	–	–	6.6	8.1	8.4	–	–	–	–	–	–

	Interest and dividend income from related parties		
	2019	2018	2017
		(£m)	
Non-trading transactions			
Joint ventures	16.5	12.2	12.3

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.

28. Target Businesses combinations

On 1 July 2019, the Target Businesses acquired STG for approximately £11.0 million (of which £2.0 million is deferred, £1.0 million for 12 months and £1.0 million for 24 months), delivering a mature operating platform in Yorkshire and expanding Galliford Try's presence in Cheshire. STG is a well-established regional business with 120 employees and a revenue in its last full year of c. £60 million.

The acquisition was of the entire share capital and control of the holding company Strategic Team Group Limited and its trading subsidiary Strategic Team Maintenance Company Limited. STG operates a new homes contracting business and a maintenance and minor works business. The profile and geographical split of its order book provides an excellent strategic fit with a client base known to the Target Businesses' Partnerships & Regeneration business and STG is on the "Homes England Delivery Partner Panel".

On 12 May 2017, Partnerships & Regeneration acquired the Drew Smith business from its owners a final amount of £30.5 million (after applying the earn-out provisions and the additional payments). The acquisition was of the entire share capital and control of Drew Smith Limited and Drew Smith Homes Limited.

Drew Smith is a mixed-tenure developer with relationships with the Registered Provider and regeneration sector; it has operations in Hampshire, Dorset, Surrey, Sussex and Berkshire, with strong contracting, housebuilding and land acquisition capabilities. The business has a strong contracting order book and a number of land assets in planning as well as approximately 70 employees. The acquisition of Drew Smith is consistent with Galliford Try's stated strategy of national footprint growth through expansion into new geographies and margin improvement through leveraging mixed-tenure expertise; the transaction accelerates the growth in the southern region where mixed-tenure housing demand is generally high.

The goodwill of £24.8 million arising from the acquisition is attributable to the acquired workforce of Drew Smith. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Drew Smith, and the fair value of the assets acquired and liabilities assumed:

	(£m)
Recognised amounts of identifiable assets acquired and liabilities assumed	
Net debt	(2.8)
Property plant and equipment	0.8
Intangible assets(1)	5.3
Trade and other receivables	17.6
Trade and other payables	(19.2)
Net deferred tax assets(2)	0.6
Total identifiable net assets	2.3
Goodwill(6)	24.8
Total	27.1
Consideration	
Cash	12.8
Deferred consideration(3)	12.8
Deferred contingent consideration(4)	1.5
Total(5)	27.1

Notes:

(1) Intangible assets of £5.3 million comprise customer relationships and contracts.

(2) Deferred tax assets recognised on the acquisition relate to the fair value adjustments on acquisition.

(3) Deferred cash consideration included £2.0 million deferred until May 2018 (£1.0 million) and May 2019 (£1.0 million) and is payable subject to the satisfactory resolution of certain customer contract matters.

(4) The contingent consideration is payable on the achievement of certain profit targets by the acquired businesses during 2017 and 2018.

(5) The total consideration was initially assessed at £27.1 million (at acquisition in May 2017) following the satisfaction of certain contractual conditions, additional consideration of £3.4 million was paid during 2018 and 2019, resulting in the final total consideration being £30.5 million.

(6) The goodwill was initially assessed of £24.8 million (at acquisition in May 2017 and as included in the Galliford Try plc consolidated annual report and accounts for the year ended 30 June 2017). However, following the finalisation of the acquistion accounting for Drew Smith during 2018, the goodwill was re-assessed to be £24.1 million (as included in the Galliford Try plc consolidated annual report and accounts for the year ended 30 June 2018).

The Target Businesses assumed responsibility for £2.7 million of guarantees and contingent liabilities in relation to performance bonds issued in the normal course of business. While the outcome of disputes arising in the normal course of business is never certain, the directors have made proper provision in the acquired balance sheet for liabilities they believe exist.

The acquisition contributed £13.0 million of revenue and £1.3 million of profit before tax in the year to 30 June 2017. Acquisition related costs of £0.7 million were charged to administrative expenses in the income statement in the year.

29. Post balance sheet events

On 1 July 2019, the Group acquired STG, as detailed in note 28.

30. Impact of the adoption of IFRS 15 Revenue from Contracts with Customers

The Target Businesses have adopted IFRS 15 from 1 July 2018 and as a result, has changed their accounting policy for revenue recognition as detailed in note 1. The Target Businesses have 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.

The Target Businesses' 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, there were no adjustments to the Target Businesses' combined income statement and balance sheet on the adoption of IFRS 15 and therefore no change in the net assets on transition as at 30 June 2018.

Impact of adopting IFRS 15 on the Target Businesses' 2019 annual results

Impact on Target Businesses' combined income statement for the year to 30 June 2019

As above, the Target Businesses' combined income statement for the year ending 30 June 2019 is not impacted by the transition to IFRS 15 and therefore, there was no difference between this and the combined income statement if the Target Businesses were to continue to apply previous accounting standards.

Impact on Target Businesses' combined balance sheet at 30 June 2019

There was no impact on the Target Businesses' net assets and combined balance sheet as at 30 June 2019 resulting from the adoption of IFRS 15. This is consistent with the transitional adjustments noted above.

Part B: Accountant's report for the financial information of the Target Businesses

The Directors
Bovis Homes Group PLC
11 Tower View
Kings Hill
West Malling
ME19 4UY

Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

7 November 2019

Dear Ladies and Gentlemen

Proposed acquisition of Bovis Homes Group PLC of the Linden Homes and Partnerships & Regeneration business sectors of Galliford Try plc and their subsidiaries ("Target Businesses").

We report on the financial information of the Target Businesses for the three years ended 30 June 2019 set out in Part A of Part V of the Circular (the "**Target Financial Information Table**"). The Target Financial Information Table has been prepared for inclusion in the circular dated 7 November 2019 (the "**Circular**") of Bovis Homes Group PLC (the "**Company**") on the basis of the accounting policies set out in note 1 to the Target Financial Information Table. This report is required by item 13.5.21R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

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

It is our responsibility to form an opinion as to whether the Target Financial Information Table gives a true and fair view, for the purposes of the Circular 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 which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, 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 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 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

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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 judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Target Businesses' 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 Target Financial Information Table gives, for the purposes of the Circular dated 7 November 2019, a true and fair view of the state of affairs of the Target Businesses as at the dates stated and of its profits, cash flows and changes in invested capital for the periods then ended in accordance with the basis of preparation set out in note 5 to the Target Financial Information Table.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VI

PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

Part A

Unaudited pro forma financial information relating to the Enlarged Group

The unaudited pro forma income statement of the Enlarged Group has been prepared based on the consolidated statement of income of the Group for the year ended 31 December 2018 and the consolidated income statement of Galliford Try for the year ended 30 June 2019 to illustrate the effect on the income statement of the Group of the Acquisition as if it had taken place as at 1 January 2018.

The unaudited pro forma statement of net assets of the Enlarged Group has been prepared based on the consolidated balance sheet of the Group as at 31 December 2018 and the consolidated balance sheet of Galliford Try as at 30 June 2019 to illustrate the effect on the net assets of the Group of the Acquisition as if it had taken place as at 31 December 2018.

The unaudited pro forma income statement of the Enlarged Group and the unaudited pro forma statement of net assets of the Enlarged Group together form the unaudited pro forma financial information.

The unaudited pro forma financial information set out in this Part VI has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's or the Enlarged Group's actual results or financial condition.

The unaudited pro forma financial information has been prepared on a consistent basis with the accounting policies and presentation adopted by the Group in relation to the consolidated financial statements for the year ended 31 December 2018 on the basis of the notes set out below and in accordance with item 13.4.1R(6) of the Listing Rules.

The adjustments in the unaudited pro forma financial information are expected to have a continuing impact on the Enlarged Group, unless stated otherwise.

Furthermore, the unaudited pro forma financial information set out in this Part VI does not constitute statutory accounts within the meaning of section 434 of the CA 2006.

1 Unaudited pro forma income statement relating to the Enlarged Group

Unaudited pro forma statement of net assets

		Adjustments		
	Group net assets as at 31 December 2018 (note i)	**Target Businesses net assets as at 30 June 2019 (note ii)**	**Acquisition accounting adjustments (note iii)**	**Pro forma net assets of the Enlarged Group**
		(£) million		
Assets				
Intangible fixed assets	1.1	2.2	–	3.3
Goodwill	–	82.4	265.1	347.5
Property, plant and equipment	2.2	3.7	–	5.9
Investments	29.0	67.4	–	96.4
Restricted cash	1.4	–	–	1.4
Trade and other receivables	0.6	238.4	–	239.0
Available for sale financial assets	–	–	–	–
Retirement benefit assets	1.4	7.0	–	1.4
Total non-current assets	35.6	401.1	265.1	701.8
Inventories	1,320.2	845.5	–	2,165.7
Trade and other receivables	64.5	348.0	–	412.5
Cash and cash equivalents	163.2	38.4	(103.1)	98.5
Total current assets	1,547.9	1,231.9	(103.1)	2,676.7
Total assets	1,583.5	1,633.0	162.0	3,378.5
Liabilities				
Bank and other loans	36.4	100.0	96.3	232.7
Deferred tax liability	0.7	1.3	–	2.0
Trade and other payables	183.8	101.7	–	285.5
Total non-current liabilities	220.9	203.0	96.3	520.2
Bank and other loans	–	614.7	(614.7)	–
Trade and other payables	278.7	650.9	–	929.6
Provisions	4.8	–	–	4.8
Current tax liabilities	18.1	30.8	–	48.9
Total current liabilities	301.6	1,296.4	(614.7)	983.3
Total liabilities	522.5	1,499.4	(518.4)	1,503.5
Total net assets	1,061.0	133.6	680.4	1,875.0

Notes:

(i) The Group net assets have been extracted without material adjustment from the audited consolidated financial statements of the Group as included with the Bovis Homes Annual Report and Accounts for the year ended 31 December 2018.

(ii) The Target Businesses net assets have been extracted without material adjustment from the audited consolidated financial statements of the Target Businesses for the year ended 30 June 2019, which is set out in Part V — "*Financial information on the Target Businesses*".

(iii) The pro forma statement of net assets has been prepared on the basis that the acquisition of the Target Businesses will be accounted for using the acquisition method of accounting. The excess of consideration over the book value of assets acquired has been reflected as goodwill. No account has been taken of any fair value adjustments which may arise on the acquisition. The existing goodwill of £82.4m in the Target Businesses have also been removed as an acquisition accounting adjustment.

	£m
(a) The preliminary goodwill arising has been calculated as follows:	
Consideration[(1)]:	
Share Consideration	675.0
Cash Consideration	300.0
Novation of Private Placement Bond	100.0
Total Consideration	1,075.0
Less carrying amount of net assets acquired[(2)]	(727.5)
Goodwill (before measurement of the assets acquired and liabilities assumed at their fair value	347.5

(1) The consideration payable by Bovis Homes for the Target Businesses is subject to certain customary completion adjustment mechanisms linked to the TGAV of the Target Businesses on the date of Completion. The consideration stated above is exclusive of any completion adjustment mechanism.

(2) Carrying value of net assets acquired comprises:	**£m**
Total net assets	133.6
Less cash not acquired	(38.4)
Less goodwill not acquired	(82.4)
Less borrowings novated as consideration	100.0
Less borrowings not acquired	614.7
Total carrying value of net assets acquired	727.5

(b) The adjustment to cash and cash equivalents of £103.1 million comprises:	**£m**
Cash from issue of new ordinary shares of Group	157.0
Cash from £100m term loan	100.0
Cash consideration	(300.0)
Transaction and refinancing costs[(2)]	(21.7)
Cash not acquired	(38.4)
Total adjustment	(103.1)

(1) Bovis Homes will be placing new shares representing approximately 9.99% of Bovis Homes's existing share capital, which is expected to raise gross proceeds of up to £157 million.

(2) For the purposes of the unaudited pro forma net asset statement, transaction costs expected to be incurred by the Bovis Homes Group of £16.9 million and refinancing costs of £4.8 million have been deducted from cash and cash equivalents. These costs are not expected to be incurred on an ongoing basis in the Enlarged Group. No tax benefit has been assumed for these costs.

(c) Non-current bank and other loans have been adjusted by £96.3 million to include the £100 million term loan and £1.1 million in amortisation of borrowing costs for the period which are then offset by the capitalised borrowing costs of £4.8 million.

(d) Current bank and other loans have been adjusted to remove the loan within the Target Businesses of £614.7 million which will not be acquired by Bovis Homes.

(e) No adjustment has been made to reflect any synergies that may arise subsequent to the Acquisition as these are dependent upon the future actions of management. Similarly no adjustment has been made to reflect the impact of any trading activities subsequent to the date of the information presented.

(iv) No adjustment has been made to reflect the financial results of either the Target Businesses since 30 June 2019 or the Group since 31 December 2018.

2 Unaudited pro forma income statement relating to the Enlarged Group

Unaudited Pro Forma Income Statement

		Adjustments		
	Group income statement for the year ended 31 December 2018 Note (v)	**Target Businesses income statement for the year ended 30 June 2019 Note (vi)**	**Acquisition accounting adjustments Note (vii)**	**Pro forma income statement of the Enlarged Group**
		(£) million		
Revenue	1,061.4	1,218.7	–	2,280.1
Cost of sales	(830.5)	(978.0)	–	(1,808.5)
Gross Profit	**230.9**	**240.7**	**–**	**471.6**
Administrative Expenses	(56.7)	(94.8)	(16.9)	(168.4)
Operating profit	**174.2**	**145.9**	(16.9)	**303.2**
Financial income	0.5	9.6	–	10.1
Financial expenses	(6.6)	(49.8)	(1.1)	(57.5)
Net financing costs	**(6.1)**	**(40.2)**	**–**	**(47.4)**
Share of profit/(loss) of joint ventures	–	20.1	–	20.1
Profit before tax	**168.1**	**125.8**	(18.0)	**275.9**
Income tax expense	(31.5)	(24.7)	–	(56.2)
Profit for the year attributable to ordinary shareholders	**136.6**	**101.1**	(18.0)	219.7

Notes:

(v) The Group income statement has been extracted without material adjustment from the audited consolidated financial statement of income of the Group as included within the Bovis Homes Annual Report and Accounts for the year ended 31 December 2018.

(vi) The Target Businesses income statement has been extracted without material adjustment from the audited consolidated income statement of the Target Businesses for the year ended 31 December 2018, which is set out in Part V — "*Pro forma financial information on the Target Businesses*".

(vii) The pro forma income statement has been prepared on the basis that the acquisition of the Target Businesses will be accounted for using the acquisition method of accounting. For the purposes of the unaudited pro forma income statement, transaction costs expected to be incurred by the Group of £16.9 million have been reflected as an administrative expense and £1.1 million of amortisation of capitalised borrowing costs have been reflected as a finance expense. No tax benefit has been assumed for these transaction costs. See adjustment (b).[1]

(a) No adjustment has been made to reflect the change in interest rate on borrowings for the Enlarged Group as this is expected to be less than £1m.

(b) No adjustment has been made to reflect any synergies that may arise subsequent to the Acquisition as these are dependent upon the future actions of management.

(viii) No adjustment has been made to reflect the financial results of either the Group since 31 December 2018 or the Target Businesses since 30 June 2019.

Part B

Accountant's report on the unaudited pro forma financial information relating to the Enlarged Group

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The Directors
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West Malling
ME19 4UF

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50 Stratton Street
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7 November 2019

Dear Ladies and Gentlemen

Bovis Homes Group PLC (the "Company")

We report on the unaudited pro forma financial information relating to the Enlarged Group (the "**Pro Forma Financial Information**") set out in Part A of this Part VI of the Company's circular dated 7 November 2019 (the "**Circular**") 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 how the proposed acquisition by the Company of Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc (the "**Target**") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2018. This report is required by item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules 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

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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 which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, 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 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 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

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 the Company.

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 the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VII

NEW REMUNERATION POLICY AND SHARE PLAN

This Part VII sets out the proposed new Directors' remuneration policy and a description of the principal terms of the New Bovis Homes LTIP, both of which are the subject of shareholders' resolutions to be proposed at the General Meeting.

1 OVERVIEW OF PROPOSED CHANGES TO DIRECTORS' REMUNERATION POLICY

In anticipation of the Acquisition, the Remuneration Committee (the "**Committee**") has considered the impact on the Group's current Directors' remuneration policy (the "**Existing Policy**") given the increased business size, complexity, and market positioning that would result, and put forward a renewed remuneration policy (the "**New Policy**") to a binding shareholder vote which is reflective of the increased responsibility and scope that the executive Director roles will entail.

The Acquisition will result in a much larger business which will be more complex (over double the size of the current business). Looking at peer practice for businesses of this size and complexity the Committee considers it right to review the Existing Policy, particularly those elements related to incentive pay such as the annual bonus and the long-term incentive plan.

The Committee considers it a key priority for the future success of the Enlarged Group and the ability to unlock shareholder value that executive Directors be aligned to the interests of the Enlarged Group from "day one" of Completion. The New Policy will be subject to the approval of resolution 4 contained in the Notice of General Meeting at the end of this document.

The overarching principle applied by the Committee is that the basis of the Existing Policy is well established and understood by both executive Directors and the Company's investor base, but that changes are required which take account of not only the ensuing impact of the Acquisition, but also the need to have a policy that is flexible enough for future recruitment to business of this size. These changes include increases in incentive levels to align with the adjusted market position, as well as the introduction of other policy measures sought by institutions and investors, some of which are developing in the market place. Incentives will measure the performance against and achievement of financial and non-financial measures relevant to the Enlarged Group such as initially including key integration targets.

1.1 *Directors' Existing Policy*

The Existing Policy was approved by the Shareholders at the 2017 annual general meeting. The Existing Policy received 97 per cent. support and is set out in the Group's 2016 Annual Report, which can be found on the Group's website at www.bovishomesgroup.co.uk.

While the majority of the Existing Policy remains fit for this purpose, it is proposed that a number of changes be made which aim to reflect the increased size, complexity, and position of the Group in remuneration as well as introducing some new features.

The Committee will, following Completion, continue to review Directors' remuneration to ensure that it remains fit for purpose for the Enlarged Group.

1.2 *Changes proposed to the Existing Policy*

An overview of the key changes that are proposed to the Existing Policy is set out below. It is intended that, save for these changes, the Existing Policy would be renewed and continue to apply to the Group's executive Directors.

- Pension will be set in line with the wider workforce level for new executive Directors and existing executive Directors taking on new roles. For current incumbents, the New Policy proposes that the Group will equalise the pension provision of all executive Directors to the then pension provision for the wider workforce on/or before January 2023. Bovis Homes intends to disclose the plan of how this will be achieved in its 2019 Annual Report and Accounts.

- Shareholding guidelines are proposed to be increased to 200 per cent. of salary for all executives.
- A post-employment shareholding guideline will be introduced which will be the lower of 1x the shareholding guideline (200 per cent. of salary) and the actual shareholding at cessation. It is proposed that shares be held for two years post-cessation. The Shares held will only include vested shares from incentive plans and excludes shares purchased by the executives.
- Annual bonus incentive maximum to be set at 150 per cent. of base salary and deferral in shares introduced for executive Directors for bonuses in excess of 100 per cent. of salary for a two-year period.
- Long Term Incentive Plan ("**LTIP**") incentive maximum to be set at 200 per cent. of base salary.
- Increases to base salary for the CEO beyond the general increase applied to the wider workforce.
- Repositioning of the base salary for the Group Finance Director to ensure the level of remuneration appropriately reflects the role given the enlarged scope and increased responsibilities in the Enlarged Group.

1.3 ***Treatment of prior remuneration arrangements***

Following Completion, participants in the Group's incentive plans will continue to participate on the same terms, as the proposals described in this document will not result in any early vesting. However, the Board proposes the following changes:

- The New Policy will allow any incentive previously provided to be adjusted on a fair and reasonable basis if circumstances determine that this is appropriate – for example to reflect the impact of the Acquisition.
- The Board or the Committee (as appropriate) will consider adjusting performance conditions applying to all outstanding awards granted for all participants in the light of the Acquisition, to the extent permitted under applicable incentive plan rules and, where relevant, the New Policy.

The above proposed changes will be fully disclosed to Shareholders in the 2019 Annual Report and Accounts in respect of any changes made for participants who are executive Directors of the Group.

1.4 ***Implementation of the New Policy***

The approval of the relevant shareholders' resolution at the General Meeting will only take effect on Completion and so the New Policy will take effect from Completion, provided Completion occurs prior to the next annual general meeting of the Company to be held in 2020.

2 REMUNERATION POLICY

2.1 ***New Policy report***

This paragraph 2 sets out the New Policy for executive Directors and non-executive Directors.

2.2 *New Policy for executive Directors*

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.	Ordinarily reviewed annually. The review typically considers competitive positioning, the individual's role, experience and performance, business performance and salary increases throughout the Group. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Whilst we do not consider it appropriate to set a maximum base salary level, any increases will take into account the individual's skills, experience, performance, the external environment and the pay of employees throughout the Group. Whilst generally the intention is to maintain a link with general employee pay and conditions, in circumstances such as significant changes in responsibility or size and scope of role or progression in a role, higher increases may be awarded. Thus, where a new director is appointed at a salary below market competitive levels to reflect initial experience, it may be increased over time subject to satisfactory performance and market conditions. This will be fully disclosed in advance on appointment.	N/A

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits	To provide market competitive benefits consistent with role.	Benefits typically include medical insurance, life assurance, membership of the Bovis Homes Regulated Car Scheme for Employees or cash car allowance, annual leave, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes (SAYE and SIP). In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities.	We do not consider it appropriate to set a maximum benefits value as this may change periodically.	N/A
Pension	To attract and retain talent by enabling long-term pension saving.	Executives joining the Group since January 2002 can choose to participate in a defined contribution arrangement, or may receive a cash equivalent. A salary supplement may also be paid as part of a pension allowance arrangement.	A pension allowance of up to 20 per cent. of base salary may be paid for current incumbents. For new incumbents, the contribution rate is set at 7 per cent. of base salary, to be maintained in line with changes in the rate applicable to the workforce. This may be taken as a contribution to the Group Personal Pension Plan, as a cash supplement, or a combination of the two. Salary increases awarded after the first year of the Policy are not pensionable for directors who receive pension contributions at a rate above that applicable to the workforce. From January 2023 or earlier, all directors pension contributions shall be maintained in line with the rate set for the workforce.	N/A

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Annual bonus	To incentivise and reward the delivery of near-term business targets and objectives.	The annual bonus scheme is a discretionary scheme and is reviewed prior to the start of each financial year to ensure that it appropriately supports the business strategy. Performance measures and stretching targets are set by the Committee. Bonuses are normally paid in cash and any amounts awarded over 100 per cent. of base salary can be deferred in cash or shares for two years. It is the intention for the default treatment for deferred awards to be in shares. In any year in which no dividend is proposed discretion may be exercised to pay part, or all, of the bonus in ordinary shares, consistent with the deferral profile above. Actual bonus amounts are determined by assessing performance against the agreed targets after the year end. The results are then reviewed to ensure that any bonus paid accurately reflects the underlying performance of the business. Clawback provisions apply (for a period of two years from the bonus payment date). Circumstances include: a material misstatement, serious misconduct, a material failure of risk management, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.	The annual bonus scheme offers a maximum opportunity of up to 150 per cent. of base salary. Achievement of stretching performance targets is required to earn the maximum.	Performance measures are selected to focus executives on strategic priorities, providing alignment with shareholder interests and are reviewed annually. Weightings and targets are reviewed and set at the start of each financial year. Financial metrics will comprise at least 50 per cent. of the bonus and are likely to include one or more of: • a profit-based measure • a cash-based measure • a capital return measure Non-financial metrics, key to business performance, will be used for any balance. These may include measures relating to build quality and customer service. Overall, quantifiable metrics will comprise at least 70 per cent. of the bonus. Below threshold performance delivers no bonus and target performance achieves a bonus of 75 per cent. of base salary.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
LTIP	To incentivise, reward and retain executives over the longer term and align the interests of management and shareholders.	Typically, annual awards are made under the LTIP. Awards can be granted in the form of nil-cost options, forfeitable shares or conditional share awards. Performance is measured over a performance period of not less than three years. LTIP awards do not normally vest until the third anniversary of the date of the grant. Vested awards are then subject to a two-year holding period. For nil-cost options, this will be a prohibition on exercise until the end of the holding period. Awards may be granted with the benefit of dividend equivalents, so that vested shares are increased by the number of shares equal to the value of dividends, the record dates of which, fall between the date of grant and the date of vesting (or in the case of an option subject to a holding period, between the date of grant and the first date on which the option becomes exercisable). Dividend equivalents may be calculated on a reinvestment basis. Malus provisions can be applied to awards prior to the vesting date and clawback provisions can be applied for two years thereafter. Circumstances include: a material misstatement, serious misconduct, a material failure of risk management, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.	The maximum annual award, under normal circumstances is 200 per cent. of base salary for executive Directors.	The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long-term performance targets, of which financial and/or share price-based metrics will comprise at least two-thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance. Any material changes to the performance measures from year to year would be subject to prior consultation with the Company's major shareholders. Below threshold performance realises 0 per cent. of the total award, threshold performance realises 25 per cent. and maximum performance realises 100 per cent. The Committee may adjust downwards the number of shares realised if it considers such adjustment is justified based on: (a) the performance of the Company, any business area or team; (b) the conduct, capability or performance of the participant; or(c) the occurrence of unforeseen events or of events outside of the participant's control.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
		Malus can also be applied for any other reason which the Committee considers appropriate.		

The New Policy includes the power to deploy the one-person new LTIP exemption from the need for prior shareholder consent in unusual circumstances permitted under the Listing Rules.

Notes to the New Policy table

The Committee may make minor amendments to the New Policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval, for that amendment. The executive Directors may request, and the Company may grant salary and bonus sacrifice arrangements. The LTIP rules permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen event or transaction. They include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, and scheme of arrangement or voluntary winding up. Non-significant changes to the performance metrics may be made by use of discretion under the performance conditions. Awards are normally satisfied in shares, although there is flexibility to settle in cash.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the New Policy table set out above where the terms of the payment were set out:

(i) before 16 May 2014 (the date the Company's first remuneration policy came into effect);

(ii) under the Company's previous shareholder-approved remuneration policies, provided that the terms of payment were consistent with the relevant remuneration policy in force at the time they were set out; or

(iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes, "payments" includes the Committee determining and paying short-term and long-term incentive awards of variable remuneration.

2.3 ***Changes to the Existing Policy table***

The Committee has proposed a number of key changes to the Existing Policy in anticipation of the proposed Acquisition and to be implemented subject to Completion.

Element	2018	2019 Changes
Pension	Option to participate in defined contribution arrangement or receive cash equivalent.	Pension to be set at all-employee level for new directors and directors in new roles. On or before January 2023, all director pensions shall align with those of the workforce.

Element	2018	2019 Changes
Shareholding guideline	Shareholding guideline for CEO is 200 per cent. base salary and for the GFD is 100 per cent.	Shareholding guidelines to be increased to 200 per cent. of salary for all executive Directors.
Post-employment shareholding guideline	None	A post-employment shareholding guideline to be introduced which will be the lower of: 1x the shareholding guideline (200 per cent. of salary) and the actual shareholding at cessation. Shares to be held for two years post-cessation. Shares to be held only includes vested shares from incentive plans and excludes shares purchased by executives.
Annual bonus and LTIP maximum opportunity	Incentive multiples set at 100 per cent. of salary (bonus) and 150 per cent. of salary (LTIP) maximum.	Incentive multiples to be set at 150 per cent. of salary (annual bonus) and 200 per cent. of salary (LTIP) maximum.
Annual bonus deferral	No deferral in place.	Bonus deferral to be introduced for executive Directors for bonuses awarded in excess of 100 per cent. of salary for a two-year period.
LTIP threshold opportunity	30 per cent. of max.	25 per cent. of max.
Base salary	–	Salary levels to be increased for some executive Directors.

2.4 ***Committee discretion in relation to existing commitments***

There are no proposed changes to the quantum or performance period of previous awards. The Committee will review the targets attached to these awards to ensure that they remain appropriate. Any changes to previous awards made post-review will be in line with the applicable rules attached to the relevant plan(s). Where performance targets are amended as a result of the review, these will be no less difficult to satisfy.

2.5 ***Committee discretion in relation to future operation of the New Policy***

In the event of a variation of share capital, demerger, special dividend or similar event, the Committee may adjust or amend awards in accordance with the rules of the relevant plan.

The Committee retains the discretion to amend performance targets in exceptional business or regulatory circumstances. If discretion is exercised in this way, the Committee will seek to consult with major shareholders as appropriate.

All awards are subject to Committee discretion and may be adjusted (or reduced to zero) where it determines that the overall level of the Company or Group performance does not warrant payment of variable remuneration, or it considers that risks (such as financial, regulatory, compliance or brand risk) have not adequately been reflected in awards.

2.6 ***Malus and clawback***

Malus and clawback provisions were introduced for variable pay from 2016 onwards, and the provisions were expanded as stated in the table above and formalised in the Existing Policy. The circumstances in which malus and clawback can be applied were extended to bring them into line with market practice and recent guidance on corporate governance in the UK as part of the New Policy.

2.7 ***Performance measures and target setting***

Performance measures for the annual bonus scheme and the LTIP are selected to focus the executive Directors on strategic financial and operational priorities, both short-term and those related to long-term sustainable performance, providing alignment with shareholder interests. Targets for each performance measure are then set by the Committee in light of strategic objectives over the short term for the annual bonus scheme and over at least a three-year performance period for the LTIP. In setting targets, the Committee takes into account a number of reference points including internal and analysts' forecasts.

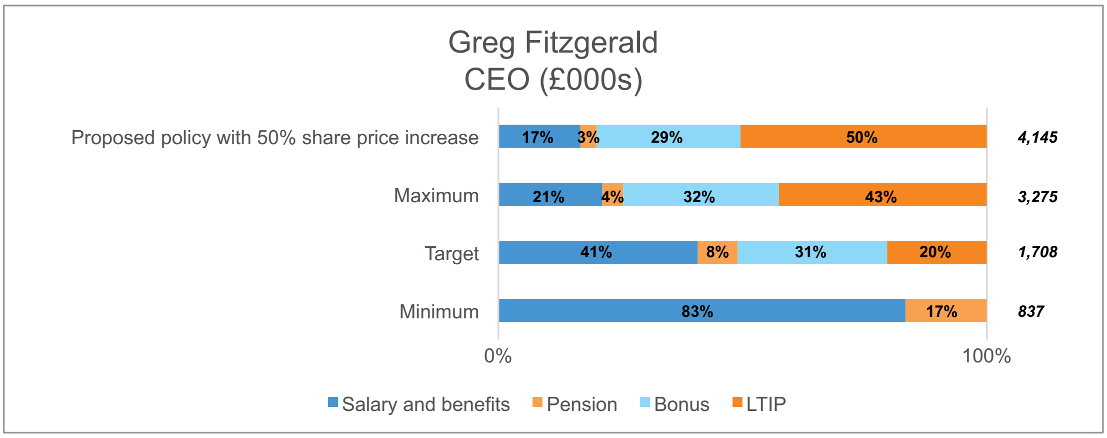
Regarding the Completion, performance measures for the annual bonus scheme and the LTIP will continue to be selected based on strategic financial and operational priorities. Although these will develop due to the Acquisition and increased size of the Company and the subsequent changing position in the market place, they will continue to reflect both short-term and long-term performance goals and be aligned with Shareholders' interests.

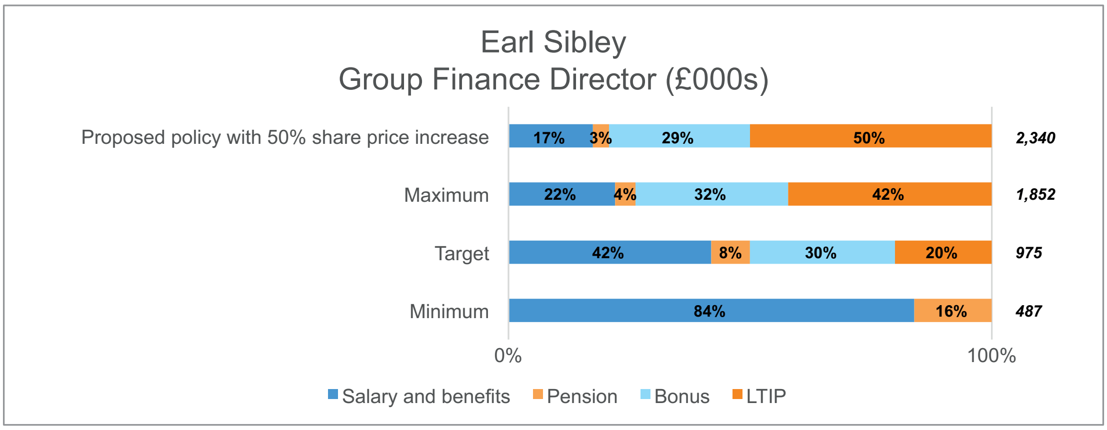
2.8 ***Scenario charts***

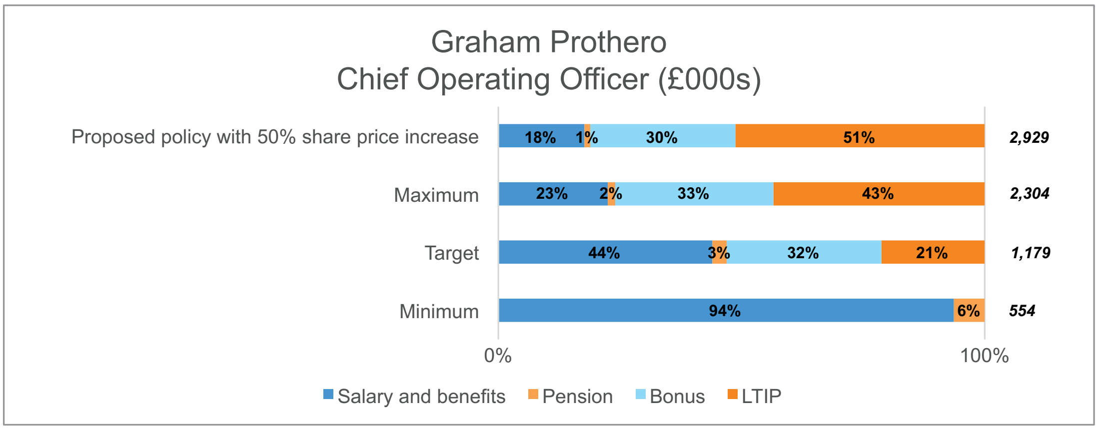
The chart below illustrates how much the current executive Directors could earn under different scenarios.

This is based on the following assumptions:

- Minimum performance reflects the most up-to-date base salary figures plus benefits and pension paid out in 2018 (as set out in the single figure table on page 86 of the 2018 Annual Report). Note that Greg Fitzgerald was not a member of a pension scheme during the year.
- Target performance reflects the most up-to-date base salary figures, benefits and pension paid out in 2018, annual cash bonus at 50 per cent. of maximum and LTIP vesting at the threshold of 25 per cent. of maximum.
- Maximum performance reflects the most up-to-date base salary figures, benefits and pension paid out in 2018, annual cash bonus at 100 per cent. of maximum and LTIP vesting at maximum of 100 per cent.
- The proposed policy maximum with 50 per cent. share price increase assumes the maximum value with a 50 per cent. increase in share price for LTIP awards and annual bonus awards deferred into shares.
- Incoming COO Graham Prothero's benefits are representative of those he received in 2019 as he is entitled to receive the same benefits package on appointment to the Board.







These scenario charts and the discretionary powers described in the New Policy identify and explain the range of possible value of rewards to individual directors.

2.9 ***Remuneration policy for non-executive Directors***

The Board, comprising the Chairman and the executive Directors, sets the remuneration of the non-executive Directors, without their participation. The Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman who receives an all-inclusive fee. The level of fees must be within the limit approved by shareholders, contained in the Articles of Association. Non-executive Directors and the Chairman do not participate in the annual bonus scheme or the LTIP and are not eligible to join the Group's pension schemes. All non-executive Director and Chairman fees are payable in cash and there are no additional fees or other items in the nature of remuneration. All non-executive Directors and the Chairman may receive reimbursement for reasonable expenses incurred and the Company may satisfy any related tax liabilities.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Non-Executive Director fees	To attract and retain non-executive directors and a chairman of the appropriate calibre.	Typically reviewed on an annual basis. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Fee increases may be applied in line with the outcome of any review. A basic fee is paid. Additional fees may be paid for additional responsibilities such as chairmanship/ membership of a committee. Fees are set at a level considered appropriate taking account of competitive positioning, the individual's responsibilities, the time commitment required and the size and complexity of the Company.	N/A

2.10 ***Remuneration policy for new appointments***

In agreeing a remuneration package for a new executive director, it would be expected that the structure and quantum of variable pay elements would reflect those set out in the New Policy table above. However, the Committee would retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, with the intention that a significant proportion would be delivered in shares. Salary would reflect the skills and experience of the individual, and may be set at a level to allow future progression to reflect performance in the role. On recruitment, relocation benefits may be paid as appropriate.

This overall approach would also apply to internal appointments, with the provision that any commitments entered into before promotion, which are inconsistent with this New Policy, can continue to be honoured under the New Policy. Similarly, if an executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

An executive Director may initially be hired on a contract requiring 24 months' notice which then reduces *pro rata* over the first year of the contract to requiring 12 months' notice. The Committee may award compensation for the forfeiture of awards from a previous employer in such form, as the Committee considers appropriate taking account of all relevant factors including the expected value of the award, performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. There is no specific limit on the value of such awards, but the Committee's intention is that the value awarded would be similar to the value forfeited.

Maximum variable pay will be in line with the maximum set out in the New Policy table above (excluding buy-outs). The Committee retains discretion to make appropriate remuneration decisions outside the standard remuneration policy to meet the individual circumstances when:

(i) An interim appointment is made to a fill an executive Director role on a short-term basis.

(ii) Exceptional circumstances require that the Chairman or a non-executive Director takes on an executive function on a short-term basis.

For non-executive Directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the non-executive Directors, the experience and ability of the new non-executive Director and the time commitment and responsibility of the role.

2.11 ***Service contracts and exit payments policy***

The executive Directors' service contracts contain the key elements shown below.

Provision	Detailed terms
Length of term	12 months
Notice period	12 months by either employer or director
Termination payment	Up to 12 months' salary (excluding bonus or other enhancement)

The executive Directors' service contracts do not contain specific provision for compensation in the event of removal at an annual general meeting. In the event of early termination, some Directors may be eligible for payments in lieu of notice.

When determining exit payments, the Committee would take account of a variety of factors, including individual and business performance, the obligation for the director to mitigate loss (for example, by gaining new employment), the Director's length of service and any other relevant circumstances, such as ill health. A departing director may also be entitled to a payment in respect of statutory rights.

The Committee would distinguish between types of leaver in respect of incentive plans. 'Good leavers' (death, ill health, agreed retirement, redundancy or any other reason at the discretion of the Committee) may be considered for a bonus payment having completed the full year and part-year bonus payments may be paid and LTIP awards may vest at the usual time taking into account performance conditions and pro rating for time in employment during the performance period, unless the Committee determines otherwise.

The LTIP rules include discretion, in exceptional circumstances, for acceleration of the realisation date and upwards adjustment to the number of shares to be realised for 'good leavers' in such a situation. In all other leaver circumstances, the Committee would decide the approach taken, which would ordinarily mean that leavers would not be entitled to consideration for a bonus and LTIP awards would lapse. Any vested LTIP award that is subject to a holding period at the time of the executive's cessation of employment will not lapse except in the case of the executive's gross misconduct. The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Directors' office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

The appointment of the Chairman and each of the non-executive Directors is for an initial period of three years, which is renewable for further terms, and is terminable by the Chairman or non-executive Director (as applicable) or the Company on 12 or, for more recent appointments, three months' notice. New Chairman or non-executive director appointments are subject to a three-month notice period. No contractual payments would be due on termination. There are no specific provisions for compensation on early termination for the non-executive Directors, with the exception of entitlement to compensation equivalent to 12 or three months' fees (as applicable) or, if less, the balance of appointment, in the event of removal at an annual general meeting.

2.12 ***Change of control***

All the Company's share plans contain provisions relating to change of control. In general, outstanding awards would normally vest and become exercisable on a change of control, to the extent that any applicable performance conditions have been satisfied at that time, reflecting the time period to the date of the event. Any deferred bonus shares will be released on change of control. The LTIP rules include discretion for upwards adjustment to the number of shares to be realised in the event of a takeover, scheme of arrangement or voluntary winding up.

2.13 ***External directorships***

Executive Directors may, if so authorised by the Board, accept appointments as non-executive directors of suitable companies and organisations outside the Group and retain any associated fees.

2.14 ***Decision-making process followed for the remuneration policy's determination, review and implementation***

The Committee has considered the impact of the Acquisition on the Group's Existing Policy given the increased company size and market positioning that would result and put forward the New Policy to a binding shareholder vote which is reflective of the increased responsibility and scope that the executive director roles will entail.

The Committee considers it a key priority for the future success of the Enlarged Group and the ability to unlock shareholder value that executive Directors be aligned to the interests of the Enlarged Group from "day one" of Completion.

The overarching principle applied by the Committee is that the basis of the Existing Policy is well established and understood by both executive directors and the Company's investor base, but that changes are required which take account of the ensuing impact of the Acquisition. These changes include increases to incentive levels to align with the adjusted market position as well as the introduction of other policy measures sought by institutions and investors, some of which are developing in the marketplace.

The Committee avoids conflicts of interest by all of its members being independent non-executive Directors. The Committee's terms of reference, which can be found on the Group's website at www.bovishomesgroup.co.uk, contains further details on the independence of the members of the Committee. While the Committee receives information from the Company and advice from its remuneration advisers, it makes decisions using its own independent judgement.

2.15 ***Pay and conditions throughout the Group***

The pay and conditions of employees throughout the Group are considered by the Committee in setting policy for the executive Directors and senior management. The Committee is kept regularly informed on the pay and benefits provided to employees and base salary increase data from the annual salary review for general staff is considered when reviewing executive Directors' salaries and those of senior management. The Committee does not consult with employees when setting the remuneration policy for the executive Directors.

2.16 ***Difference in the Company's policy on remuneration of Directors compared to employees***

The policy for the executive Directors is designed with pay and conditions throughout the Group in mind. The Committee believes that some differences are necessary to reflect responsibility and provide appropriate focus and motivation for delivery of the Group's strategy. Executive Directors, therefore, have a higher bonus opportunity than employees generally to motivate them to achieve stretching annual targets and they participate in the LTIP to provide focus on long-term sustainable performance. This approach is designed to provide an appropriate emphasis on performance related pay.

2.17 ***Consideration of Shareholder views***

The Company is committed to ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. Feedback received from meetings during the year and in relation to the annual general meeting is considered, together with guidance from shareholder representative bodies more generally, and taken into account in the annual review of the policy. The Committee believes that it has a responsible approach to Directors' pay and that its policy is appropriate and fit for purpose.

Support from Shareholders is evidenced by the 99 per cent. approval of the 2018 Directors' Remuneration Report at the 2019 annual general meeting (see the Remuneration Report for further details).

3 THE NEW BOVIS HOMES LTIP

The Company's current long-term share incentive plan (the "**Bovis Homes Long Term Incentive Plan 2010**") expires on 6 May 2020. The Committee believes that long-term share incentive awards are a valuable way of incentivising and retaining executives and aligning their interests with those of shareholders. Therefore, the Company is proposing to adopt a new long-term incentive plan, the Bovis Homes Long Term Incentive Plan 2020 (the "**New Bovis Homes LTIP**") subject to shareholder approval at the General Meeting. The terms of the New Bovis Homes LTIP are substantially the same as the Bovis Homes Long Term Incentive Plan 2010. A summary of the principal terms of the New Bovis Homes LTIP is set out below.

3.1 *Eligibility*

All employees of the Company and its subsidiaries, including the executive Directors of the Company, will be eligible to participate in the New Bovis Homes LTIP.

3.2 *Grant of awards*

The Committee will decide who will participate in the New Bovis Homes LTIP and the size of their awards. It is expected that the main participants in the New Bovis Homes LTIP will be members of the executive committee of Bovis Homes.

Awards will be conditional rights to acquire Shares or cash and may be in a number of forms: conditional awards; options with or without an exercise price; or forfeitable shares. Options over Shares are intended to be the normal form of award used.

Awards will normally only be granted within 42 days of the announcement of Bovis Homes's financial results for any period. Awards may also be granted within 42 days of the date when Shareholder approval of the New Bovis Homes LTIP takes effect, the date when a proposed participant commences employment or any date on which the Committee considers that exceptional circumstances exist which justify the grant of awards. No awards can be granted more than 10 years after the date of shareholder approval of the New Bovis Homes LTIP. It is intended that the first awards will be made in March 2020 after the announcement of the Company's annual results.

3.3 *Performance conditions*

The vesting of an award will be subject to performance conditions set by the Committee at the time of grant which will normally be tested over at least three financial years. The Committee can, acting reasonably, amend or substitute the performance conditions if an event or transaction has occurred which it considers makes them no longer appropriate, provided the amended or substituted performance conditions produce a fairer measure of performance and are neither materially more nor less difficult to satisfy. In the case of executive Directors, any amendments will be subject to the prevailing remuneration policy.

3.4 *Individual limits*

The maximum value of Shares (or cash) which can be awarded to an eligible employee in any financial year of the Company is 200 per cent. of base salary. This limit does not include the value of any dividend equivalents.

3.5 ***Vesting of awards***

Awards will normally vest on the third anniversary of their grant and will only vest to the extent that the applicable performance conditions are met. In addition, the Committee may adjust downwards the extent of vesting of an award if it considers such adjustment is justified based on: (a) the performance of the Company, any business area or team; (b) the conduct, capability or performance of the participant; (c) the occurrence of unforeseen events or of events outside the control of the Group and/or the participant. To the extent that an award vests, Shares (or cash) will be issued or transferred to the participant or, in the case of an option, the participant may exercise the option during a period of up to a maximum of 10 years from the date of grant.

Instead of issuing or transferring Shares, the Committee can decide to pay a cash amount equal to the value of those Shares (less any exercise price in the case of an option).

3.6 ***Dividend equivalent***

An award can be granted on the basis that the participant will receive additional Shares on vesting or exercise based on the dividends which would have accrued on the number of vested Shares in respect of dividend record dates occurring between grant and vesting (or in the case of an unexercised option subject to a holding period, the earlier of the end of the holding period and the date of exercise). The Committee may assume dividend reinvestment and may decide to exclude special dividends and any other dividend. The Committee may decide to pay the dividend equivalent in cash rather than Shares.

3.7 ***Holding period***

An award will normally be granted on the basis that the number of Shares in respect of which it vests, after deducting any Shares sold for tax purposes, must normally be held for a further period of two years. In the case of options, the exercise of the options may be prohibited for the duration of the holding period. This feature will be obligatory for executive Directors.

3.8 ***Malus and clawback***

The Committee may apply malus to awards (i.e. reduce the number of Shares in respect of which an award vests (including to zero)) or claw back the value paid out under awards which have already vested in the event of any of: (a) a material misstatement of financial results and/or a restatement of prior year results; (b) an error in the basis of the grant or vesting of an award; (c) a material failure of risk management; (d) the discovery of serious misconduct on the part of the participant; (d) where the Committee decides there has been a corporate failure; and (e) where there has been serious reputational damage suffered by any group company. The Committee may also apply malus in other circumstances where it considers it is justified. The period during which clawback may be operated is two years after vesting, or, if longer, the period between vesting and the end of a holding period. Malus and clawback provisions will always apply to awards made to executive Directors.

3.9 ***Leaving employment***

If a participant leaves employment, their award will normally lapse.

Where they leave for certain specified reasons comprising death, ill health, injury, disability, retirement, redundancy, or the sale of their employing business or company, or any other reason at the discretion of the Committee, then awards will continue in effect and vest on the original vesting date. Alternatively, if the Committee so decides, the awards will vest on leaving. The holding period will continue to apply to awards vesting on or after the cessation of employment.

An award will vest on or after leaving employment to the extent that the Committee determines any performance condition is satisfied at the date of vesting (or is likely to be satisfied) and the application of any downwards adjustment referred to in paragraph 3.5 above. Unless the Committee decides otherwise, the number of Shares in respect of which an award vests will be reduced to reflect the period between the grant of the award and the date when the participant leaves employment. Where an award vests on a participant leaving employment, the Committee may increase the level of vesting if it considers that is appropriate. Vested options will remain exercisable for six months after vesting.

3.10 ***Takeovers, reorganisations and winding up***

Awards will generally vest early on a takeover, merger, winding-up or other significant corporate event. Alternatively, participants may be allowed, or required, to exchange their awards for awards over shares in an acquiring company.

An award will normally only vest in these circumstances to the extent that the Committee determines any performance condition is satisfied at the date of vesting (or is likely to be satisfied) and the application of any downwards adjustment referred to in paragraph 3.5 above. The number of Shares in respect of which an award vests will be reduced to reflect the period between the grant of the award and the date of the corporate event. The Committee may, acting fairly and reasonably, increase the level of vesting if it considers that is appropriate. Vested options will remain exercisable for a short period after vesting.

3.11 ***Plan limits***

In any 10-year period, not more than 10 per cent. of the issued ordinary share capital of the Company may be issued or be issuable under the New Bovis Homes LTIP and all other employees' share plans operated by the Group. In addition, in any 10-year period, not more than 5 per cent. of the issued ordinary share capital of the Company may be issued or be issuable under the New Bovis Homes LTIP and all discretionary share plans adopted by the Group. These limits do not include awards which have lapsed but will include awards satisfied with treasury Shares as if they were newly issued Shares so long as required by institutional investor guidelines. These limits do not apply to Shares delivered as dividend equivalents.

3.12 ***General***

The number and/or type of Shares subject to an award and/or any exercise price may be adjusted to reflect any variation in the share capital of the Company, a demerger, special dividend or any other corporate event which would materially affect the value of an award.

Awards are not transferable (except to personal representatives on death) and are not pensionable. Participants do not pay for the grant of an award.

Any Shares issued following the vesting of awards will rank equally with Shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

3.13 ***Amendments***

The Committee can amend the New Bovis Homes LTIP in any way but Shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits, the basis for determining entitlements to, and the terms of, Shares or cash provided, and the adjustment of awards on a variation in the Company's share capital.

However, the Committee can, without Shareholder approval, make minor amendments to the advantage of participants which benefit the administration of the New Bovis Homes LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

The Company may also, without Shareholder approval, establish further plans based on the New Bovis Homes LTIP, but modified to take account of overseas securities laws, exchange controls or tax legislation. Shares made available under such further plans will be treated as counting against any limits on individual or overall participation in the New Bovis Homes LTIP.

PART VIII

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Bovis Homes Group PLC

Bovis Homes Group PLC was incorporated and registered in England and Wales on 4 November 1935 under the Companies Act 1929 as a company limited by shares with registered number 00306718 with the name of Herbert Johnson (Builders) Limited. The name of the Company was changed several times – to Page-Johnson Construction Limited (2 January 1962), then to Bovis Homes Investments Limited (1 January 1973), then to Bovis Homes Limited (on 13 December 1976), then to Bovis Homes Investments Limited (20 June 1978). The Company re-registered as a public limited company on 4 November 1997 with the name of Bovis Homes Group PLC. Its legal entity identifier is 2138001KOWN7CG9SLK53.

The registered office of the Company is 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY, United Kingdom and its telephone number is +44 (0) 1732 280400. The Company's website is www.bovishomesgroup.co.uk. The information on the website does not form part of this document unless that information is specifically incorporated by reference into this document.

3 Directors

The Directors and their principal functions are as follows:

Name	Position
Ian Tyler	Non-Executive Chairman
Ralph Findlay	Independent Non-Executive Director and Senior Independent Director
Chris Browne	Independent Non-Executive Director
Nigel Keen	Independent Non-Executive Director
Katherine Innes Ker	Independent Non-Executive Director
Mike Stansfield	Independent Non-Executive Director
Greg Fitzgerald	Chief Executive Officer
Earl Sibley	Group Finance Director

4 Key individuals

The following individuals are deemed to be key individuals to the Target Businesses:

Name	Position
Graham Prothero	Chief Executive Officer of Galliford Try
Andrew Hammond	Chief Executive of Linden Homes
Stephen Teagle	Chief Executive of Partnerships & Regeneration

5 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Placing, bank and other facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

6 Material contracts relating to the Acquisition and the Placing

The following is a summary of each material contract to which the Company is a party relating to the Acquisition and the Placing:

6.1 *Acquisition Agreements*

For a description of the Acquisition Agreements entered into by the Company, see Part IV – "*Summary of the Acquisition Agreements*" of this document. In particular, refer to:

(a) the SPA entered into by the Company at paragraph 1;

(b) the Deed of Novation entered into by the Company at paragraph 2;

(c) the Tax Indemnity entered into by the Company at paragraph 3; and

(d) the Transitional Services Agreement entered into by the Company at paragraph 4.

6.2 *Placing Agreement*

On 7 November 2019, the Company and Numis entered into the Placing Agreement, pursuant to which and subject to certain conditions, Numis has agreed as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares. Following the close of the bookbuilding process in respect of the Placing and the execution of a terms of Placing setting out, among other things, the final number of Placing Shares and the final price of the Placing Shares (the "**Placing Price**"), if any such placee defaults in paying the Placing Price in respect of any Placing Shares allotted to it, Numis has agreed to subscribe for such shares, and the Company has agreed to allot or issue, as applicable, such shares at the Placing Price, on and subject to the terms set out in the Placing Agreement.

In addition, whether or not the obligations of Numis have become unconditional in all respects or the Placing Agreement is terminated, the Company has agreed to pay Numis's advisory fee and all properly incurred costs, charges, professional fees and expenses (including any applicable VAT) in connection with the Placing.

The Placing Shares will, when issued, be credited as fully paid and will rank *pari passu* with the existing ordinary shares of nominal value £0.50 each in the capital of the Company, including the right to receive all future dividends and distributions declared, made or paid by reference to a record date falling after their issue.

The obligations of Numis under the Placing Agreement are conditional on customary terms and conditions including, amongst others:

(a) agreement between the Company and Numis as to the number and price of the Placing Shares to be placed with the placees;

(b) the Placing Admission occurring no later than 8.00 a.m. on 11 November 2019 (or such later time and/or date as the Company and Numis may agree in writing); and

(c) the representations and warranties of the Company contained in the Placing Agreement being true and accurate and not misleading in all material respects.

The conditions, other than, *inter alia*, the Placing Admission becoming effective, may be waived in the absolute discretion of Numis.

The Company has given certain customary representations and warranties, agreed to comply with certain undertakings and given a customary indemnity to Numis.

Numis may by notice to the Company terminate the Placing Agreement in certain circumstances prior to the Placing Admission.

6.3 ***Subscription and Transfer Agreements***

In connection with the Placing, the Company, Finch Jersey Limited and Numis have entered into (i) a subscription and transfer agreement, and (ii) an initial subscription and put and call option agreement (together, the "**Subscription and Transfer Agreements**"), each dated 7 November 2019, in respect of the subscription and transfer of ordinary shares and redeemable preference shares in Finch Jersey Limited. Under the terms of the Subscription and Transfer Agreements:

(a) the Company and Numis have agreed to subscribe for ordinary shares in Finch Jersey Limited and enter into put and call options in respect of the ordinary shares in Finch Jersey Limited subscribed for by Numis that are exerciseable if the Placing does not proceed;

(b) Numis will apply monies received under the Placing, and held by Numis until Placing Admission of the Placing Shares, to subscribe for redeemable preference shares in Finch Jersey Limited to an aggregate value equal to such monies, after deduction of the amount of certain commissions and expenses; and

(c) the Company will allot and issue the Placing Shares to those persons entitled thereto in consideration of Numis transferring its holding of redeemable preference shares and ordinary shares in Finch Jersey Limited to the Company.

Accordingly, instead of receiving cash as consideration for the issue of Placing Shares, at the conclusion of the Placing the Company will own the entire issued share capital of Finch Jersey Limited whose only asset will be its cash reserves, which will represent an amount approximately equal to the net proceeds of the Placing.

Placees are not party to these arrangements and so will not acquire any direct right against Numis pursuant to these arrangements. The Company will be responsible for enforcing the obligations of Numis and Finch Jersey Limited under these arrangements.

6.4 ***Sponsor's Agreement***

On 7 November 2019, the Company and the Sponsor entered into an agreement, whereby the Sponsor has agreed to act as sponsor to the Company in connection with the application for Admission and the publication of the Circular. Pursuant to this agreement, the Company agreed to provide the Sponsor with certain customary undertakings and warranties, and a customary indemnity in connection with its role as the Company's sponsor.

6.5 ***New Facilities Agreement***

On 7 November 2019, Bovis Homes, as original borrower and as an original guarantor, and Bovis Homes Limited as an original guarantor, entered into the New Facilities Agreement with, amongst others Barclays Bank PLC as agent and Barclays Bank PLC, National Westminster Bank plc, HSBC UK Bank plc and Lloyds Bank PLC in their capacities as original lenders. Under the New Facilities Agreement, the Term Loan and the New RCF (together, the "**New Facilities**") are available for drawing by Bovis Homes (and in the case of the New RCF, any future additional borrower that may accede with lender approval).

The New Facilities are unsecured, but are otherwise guaranteed by the original guarantors referenced above and other additional guarantors required to accede following Completion.

The Term Loan is to be used to part-fund the Cash Consideration, whereas the New RCF is to be applied towards first refinancing the existing revolving credit facility entered into by Bovis Homes Limited as borrower, and thereafter for the general corporate and working capital purposes of the Group.

The Term Loan and the New RCF Tranche 2 terminate on the date falling 3 years after the date of the New Facilities Agreement. The New RCF Tranche 1 terminates on the date falling 5 years after the date of the New Facilities Agreement, subject to an extension of up to two years (at each lender's discretion). The New Facilities are available for drawing in sterling from the date of the New

Facilities Agreement to: (i) in relation to the Term Loan, the last day of the Certain Funds Period (as defined in the New Facilities Agreement); and (ii) in relation to the New RCF, one month prior to the termination date applicable to each of the New RCF Tranche 1 and the New RCF Tranche 2. The Certain Funds Period is until the earlier of (i) 7.00 p.m. on 3 January 2020, (ii) the date on which Bovis Homes confirms in writing that it has decided to no longer pursue the Acquisition and (iii) the Acquisition Agreement is terminated, rescinded or repudiated prior to Completion.

The Term Loan has been provided on a certain funds basis. This means that provided that certain key conditions have been satisfied (including (i) the Group having completed an equity raise, the proceeds of which are not less than the lower of (a) £140 million and (b) the proceeds of the issue of 9.99 per cent. of the issued share capital of Bovis Homes, and (ii) the Private Placement Bond having been novated to Bovis Homes on or before the first utilisation of the New Facilities), the lenders are obliged to participate in the Term Loan requested during the Certain Funds Period unless: (i) there is a major default (as defined in the New Facilities Agreement relating to any obligor and/or any material subsidiary, which includes non-payment, misrepresentation of a major representation, breach of negative pledge or disposals restrictions, insolvency and certain other major defaults) or (ii) it becomes unlawful for any lender to perform any of its obligations under the New Facilities Agreement or to fund or maintain its participation in the New Facilities.

The New Facilities Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenants comprise: (i) a gearing ratio test (where the ratio of net borrowings to consolidated tangible net worth must be equal to or less than 75 per cent. at the end of each 12 month period ending on the expiry of each financial year and half-year of Bovis Homes (a "**Calculation Period**")); (ii) a consolidated tangible net worth test (which must be at least £750 million at the end of each Calculation Period); and (iii) an interest cover test (where the ratio of EBIT to interest charges must be at least 3:1 for each Calculation Period, subject to Bovis Homes having the option to disapply the interest period cover test for any Calculation Period where net borrowings are cash positive and there are no loans outstanding or ancillary outstandings, provided that Bovis Homes may only elect to disapply the interest cover ratio twice and not on successive occasions).

The New Facilities may be prepaid without premium or penalty, but subject to breakage costs (if applicable).

The interest rate charged on loans made under the New Facilities will be equal to the aggregate of an appropriate benchmark rate and the applicable margin. The initial margins are 2.15 per cent. per annum for each of the Term Loan and the New RCF, with the margin ratcheting between 2.55 per cent. and 1.65 per cent. per annum for each of the Term Loan and the New RCF, in accordance with the gearing ratio of the Group.

Certain fees are payable to the finance parties in connection with the New Facilities, including an upfront fee, a ticking fee, an ongoing commitment fee for the New RCF and an annual agency fee. The New Facilities Agreement is governed by the laws of England and Wales.

7 Litigation and arbitration proceedings

7.1 *Bovis Homes*

During the period covering at least the previous 12 months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

7.2 *Target Businesses*

During the period covering at least the previous 12 months, there have been are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Target Businesses' financial position or profitability.

8 Significant changes

8.1 ***The Group***

There has been no significant change in the financial performance or financial position of the Group since 30 June 2019, being the latest date at which the interim financial information for the Group was published.

8.2 ***The Target Businesses***

There has been no significant change in the financial performance or financial position of the Target Businesses since 30 June 2019, being the latest date at which the financial information for the Target Businesses was published.

9 Consents

(a) Lazard, which has acted as sponsor and financial adviser to Bovis Homes and whose registered office is at 50 Stratton Street, London W1J 8LL, has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

(b) Numis, which has acted as corporate broker and financial adviser to Bovis Homes and whose registered office is at 10 Paternoster Square, London EC4M 7LT, has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

(c) PwC, has given and has not withdrawn its written consent to the inclusion of its accountant's reports on (i) the financial information of the Target Businesses set out in Part V – "*Financial Information on the Target Businesses*" of this document; and (ii) the unaudited Pro Forma Financial Information set out in Part VI – "*Pro Forma Financial Information for the Enlarged Group*" in the form and context in which they are included.

10 Documents available for inspection

Copies of the following documents may be inspected on the Company's website (www.bovishomesgroup.co.uk) and also during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY United Kingdom and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ up to and including the date of the General Meeting:

(a) the Prospectus;

(b) this Circular;

(c) the up-to-date Memorandum and Articles of Association of the Company;

(d) the Annual Report and Accounts;

(e) the historical financial information for the Group for the three financial years ended 2017, 2018 and 2019 and the H1 2019 Results;

(f) the consent letters referred to in paragraph 9 above;

(g) the report of PwC set out in Part V – "*Financial Information on the Target Businesses*" of this document;

(h) the report of PwC set out in Part VI – "*Pro Forma Financial Information for the Enlarged Group*" of this document;

(i) the SPA;

(j) the rules of the New Bovis Homes LTIP; and

(k) the documents incorporated by reference into this document.

In addition, the rules of the New Bovis Homes LTIP will be available for inspection at the location of the General Meeting for at least 15 minutes before and during the General Meeting.

11 Incorporation by reference

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document, and only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. Apart from the information incorporated by reference in Part V – "*Financial Information on the Target Businesses*" of this document, where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this document for any purpose.

The Prospectus has been published by Bovis Homes and can be viewed on its website (www.bovishomesgroup.co.uk). The Prospectus contains information regarding, among other things, the reasons for the Acquisition, further details concerning Bovis Homes and the Target Businesses, historical financial information of Bovis Homes, the Directors and the Consideration Shares.

Information incorporated by reference	Sections of the Prospectus incorporated by reference	Prospectus page number(s)
Information on Bovis Homes		
Directors', Proposed Directors' and Senior Managers interests	Paragraphs 5.10 and 5.11 of Part XV	167 to 170
Directors' service agreements and letters of appointment	Paragraph 7 of Part XV	170 to 172
Interests of major shareholders	Paragraph 6 of Part XV	170
Related party transactions	Paragraph 15 of Part XV	183 to 184
Material contracts	Paragraph 14 of Part XV	176 to 179
Information on the Target Businesses		
Material contracts	Paragraph 14 of Part XV	173 to 183

PART IX

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless stated otherwise:

"**Acquisition**"	the proposed acquisition of the Target Businesses by Bovis Homes pursuant to the Acquisition Agreements;
"**Acquisition Agreements**"	the Sale and Purchase Agreement, Tax Indemnity, Deed of Novation and Transitional Services Agreement, as further described in Part IV – "*Summary of the Acquisition Agreements*" of this document;
"**Admission**"	the admission of the Consideration Shares to listing on the premium listing segment of the UK Official List in accordance with the UK Listing Rules and to trading on the London Stock Exchange's main market for listed securities in accordance with the UK Admission and Disclosure Standards;
"**Amended Articles**"	the amended articles of association of Bovis Homes;
"**Articles of Association**"	the articles of association of Bovis Homes adopted by special resolution passed on 6 May 2010 and amended by special resolution passed on 16 May 2013;
"**Banks**"	Lazard and Numis;
"**Bonus Issue**"	the return of value to Shareholders on the Company's register of members at the Bonus Issue Record Time by issuing the Bonus Issue Shares at Completion;
"**Bonus Issue Record Time**"	6.00 p.m. on 2 January 2020;
"**Bonus Issue Shares**"	5,665,723 ordinary shares of £0.50 each in the capital of the Company;
"**Bovis Homes**" or "**Company**"	Bovis Homes Group PLC, a public limited company incorporated in England and Wales with registered number 00306718, whose registered office is 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY United Kingdom;
"**Bovis Homes Recommendation**"	the unanimous and unqualified recommendation by the Board to the Shareholders to vote in favour of the Resolutions;
"**Business Day**"	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;
"**Calculation Period**"	the 12-month period ending on the expiry of each financial year and half-year of Bovis Homes;
"**Cash Consideration**"	the payment by Bovis Homes of £300 million in cash to Galliford Try (adjusted according to the TGAV of the Target Businesses), pursuant to the terms of the Sale and Purchase Agreement;
"**Certain Funds Period**"	as defined in the New Facilities Agreement;
"**CGUs**"	Cash Generating Units;

"**Circular**" or "**this document**"	this document approved by the FCA and published on 7 November 2019 as a circular prepared in accordance with the Listing Rules;
"**CODM**"	the chief-operating decision makers of the Target Businesses;
"**Committee**"	the remuneration committee of Bovis Homes;
"**Companies Act**"	the UK Companies Act 2006, as amended from time to time;
"**Completion**"	completion of the Acquisition in accordance with the Acquisition Agreements (and references to "complete" shall be construed accordingly);
"**Consideration Shares**"	63,739,385 ordinary shares in the share capital of the Company with a nominal value of £0.50 each, to be issued to Galliford Try Shareholders (in respect of their shareholding in New Topco) as consideration for Bovis Homes's acquisition of shares in New Topco;
"**Construction**"	the construction business of Galliford Try;
"**Court**"	the High Court of Justice in England and Wales;
"**CREST**"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form;
"**CREST Manual**"	the rules governing the operation of CREST as published by Euroclear;
"**CREST member**"	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
"**CREST Proxy Instruction**"	an authenticated CREST message to appoint or instruct a proxy in accordance with Euroclear's specifications and the CREST Manual;
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
"**Deed of Novation**"	the novation from Galliford Try to Bovis Homes of the Private Placement Bond pursuant to the Deed of Novation;
"**Demerger**"	the demerger of Galliford Try including the Partnerships & Regeneration business (but excluding the Linden Homes business) to be effected by New Topco to New Galliford Try in accordance with the Restructuring Plan;
"**Dependencies**"	the acts that the Recipient must carry out in order to allow the Supplier to provide the services under the TSA;
"**Directors**" or "**Board**"	the board comprising the executive directors and non-executive directors of the Company as at the date of this document;
"**Disclosure Guidance and Transparency Rules**"	the disclosure guidance and transparency rules made by the FCA under Part VI of the FSMA, as amended;
"**EBIT**"	earnings before interest and taxes;
"**ECL**"	expected credit loss;

"**Enlarged Group**"	the Group following Completion or if the Acquisition does not complete, the Group (as the context requires);
"**Enlarged Issued Share Capital**"	the number of Shares in issue immediately following Completion;
"**Equity Raise Condition**"	the Company having raised proceeds of not less than £140 million pursuant to the Placing;
"**EU**"	the European Union;
"**EU-IFRS**"	International Financial Reporting Standards as endorsed by the European Union;
"**Euroclear**"	Euroclear UK and Ireland Limited, incorporated in England and Wales with registered number 02878738;
"**Existing Policy**"	the current remuneration policy for the Directors of Bovis Homes;
"**FCA**"	the UK Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
"**Finch Jersey Limited**"	Project Finch Finance (Jersey) Limited, a private limited company incorporated in Jersey with registered number 130166, whose registered office is 47 Esplanade, St Helier, Jersey JE1 0BD;
"**Form of Proxy**"	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting;
"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**Galliford Try**"	Galliford Try plc, a public limited company incorporated in England and Wales with registered number 00836539, whose registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL;
"**Galliford Try Board**"	the board comprising the directors of Galliford Try;
"**Galliford Try Continuing Group**"	Galliford Try, its subsidiaries and subsidiary undertakings (and, for the avoidance of doubt, excluding the Target Businesses), being the continuing businesses of Galliford Try following Completion;
"**Galliford Try Court Meeting**"	the meeting of Galliford Try Shareholders convened by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve the Scheme, including any adjournment thereof;
"**Galliford Try General Meeting**"	the general meeting of Galliford Try to be held at CMS Cameron McKenna Nabarro Olswang LLP on 29 November 2019 at 10.15 a.m. (or any adjournment thereof);
"**Galliford Try Group**"	Galliford Try and its holding companies and subsidiaries and any subsidiary of any such holding company from time to time, but excluding the Target Businesses;
"**Galliford Try Pension Scheme**"	the Galliford Try Pension Scheme provided by Aviva under policy reference number U451 NG09068 09/2019;
"**Galliford Try Recommendation**"	the unanimous and unqualified recommendation by the Galliford Try Board to the Galliford Try Shareholders to vote in favour of the Galliford Try Resolutions;

"**Galliford Try Resolutions**"	the resolutions to approve and provide all necessary authorities in order to implement the Restructuring (amongst other things) to be proposed at the Galliford Try General Meeting;
"**Galliford Try Shareholders**"	the holders of the Galliford Try Shares and, following the Restructuring and prior to Completion, holders of the New Topco Shares;
"**Galliford Try Shares**"	the ordinary shares of £0.50 each in the share capital of Galliford Try;
"**General Meeting**"	the general meeting of the Company to be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ on 2 December 2019 at 11.00 a.m. (or any adjournment thereof), notice of which is set out at the end of this document;
"**Group**"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings;
"**IAS**"	International Accounting Standard;
"**IFRS**"	the International Financial Reporting Standards, as adopted by the European Union;
"**Latest Practicable Date**"	6 November 2019, being the latest practicable date before publication of this document;
"**Lazard**" or "**Sponsor**"	Lazard & Co., Limited;
"**LIBOR**"	London Inter-Bank Offered Rate;
"**Linden Homes**"	Galliford Try Homes Limited, a private limited company incorporated in England and Wales with registered number 03158857, whose registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL;
"**Linden Homes Shares**"	the 171,000 ordinary shares of £1.00 each, the 72,675 A management shares of £1.00 each and the 21,472 MHL management shares of £0.01 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**"	the special share of £1.00 in the share capital of Linden Homes to be issued in accordance with the Restructuring Plan and having the rights set out in the articles of association of Linden Homes;
"**Linden Homes TGAV Adjustment Amount**"	a payment made to Galliford Try if the TGAV of Linden Homes is above a specified amount, or the payment to Bovis Homes by Galliford Try if the TGAV is below that specified amount;
"**Listing Rules**"	the listing rules and regulations made by the FCA under Part VI of the FSMA, as amended;
"**Main Market**"	the main market of the London Stock Exchange;
"**New Bovis Homes LTIP**"	the Bovis Homes Long Term Share Incentive Plan 2020;
"**New Facilities**"	the Term Loan and the New RCF;
"**New Facilities Agreement**"	the new £475 million term loan and revolving credit facilities agreement entered into between, amongst others, Bovis Homes

	Limited, the original lenders named in it and Barclays Bank PLC as agent dated 7 November 2019;
"**New Galliford Try**"	Galliford Try Holdings PLC, a public limited company incorporated in England and Wales with registered number 12216008, whose registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL;
"**New Galliford Try Shares**"	the ordinary shares of £0.50 each in the capital of New Galliford Try;
"**New Policy**"	the proposed remuneration policy for the Directors of Bovis Homes;
"**New RCF**"	a £375 million revolving credit facility to be provided to Bovis Homes pursuant to the terms of the New Facilities Agreement;
"**New RCF Tranche 1**"	a subset of the New RCF, being the £355 million revolving credit facility to be provided to Bovis Homes pursuant to the terms of the New Facilities Agreement;
"**New RCF Tranche 2**"	a subset of the New RCF, being the £20 million revolving credit facility to be provided to Bovis Homes pursuant to the terms of the New Facilities Agreement;
"**New Topco**"	New Topco, a private limited company incorporated in Jersey with registered number 130175, whose registered office is at 47 Esplanade, St Helier, Jersey JE1 0BD;
"**New Topco Articles**"	the articles of association of New Topco;
"**New Topco A Shares**"	A ordinary shares of £0.50 each in the capital of New Topco;
"**New Topco B Shares**"	B ordinary shares of £0.50 each in the capital of New Topco;
"**New Topco Shares**"	the entire issued and to be issued share capital of New Topco immediately prior to Completion (and excluding), for the avoidance of doubt, any New Topco B Shares cancelled pursuant to the Reduction of Capital);
"**nominated persons**"	persons who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act;
"**Notice of General Meeting**"	the notice set out at the end of this Circular giving Shareholders notice of the General Meeting;
"**Numis**"	Numis Securities Limited;
"**Official List**"	the official list of the FCA;
"**Partnerships & Regeneration**"	Galliford Try Partnerships Limited, a private limited company incorporated in England and Wales with registered number 00800384, whose registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL;
"**Partnerships & Regeneration Shares**"	the 98,400 ordinary shares of £1.00 each, and the 1,100 deferred shares of £1.00 each, being the entire issued share capital of Partnerships & Regeneration;
"**Placing**"	the placing of up to 13,472,591 new Shares in the capital of the Company, representing approximately 9.99 per cent. of Bovis

	Homes' existing issued share capital, to raise gross proceeds of up to £157 million;
"**Placing Admission**"	the admission of the Placing Shares to listing on the premium listing segment of the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange's main market for listed securities;
"**Placing Agreement**"	the placing agreement entered into on 7 November 2019 between the Company and Numis, and as described in paragraph 6.2 of Part VIII – "*Additional Information*";
"**Placing Price**"	the price per Placing Share;
"**Placing Shares**"	the Shares issued pursuant to the Placing;
"**Private Placement Bond**"	the £100 million 4.03 per cent. senior unsecured notes due February 2027 and originally issued by Galliford Try to certain institutional investors in February 2017;
"**Pro Forma Financial Information**"	the unaudited pro forma financial information of the Enlarged Group;
"**Prospectus**"	the prospectus prepared by the Company in relation to the Consideration Shares for the purposes of the Admission, and in accordance with the Prospectus Regulation Rules;
"**Prospectus Regulation Rules**"	the prospectus rules published by the FCA under section 73A of FSMA, as amended;
"**PwC**"	PricewaterhouseCoopers LLP;
"**Reduction of Capital**"	the reduction of capital to be undertaken by New Topco by way of solvency statement in accordance with the Restructuring Plan;
"**Registered Providers**"	registered providers of social housing (as defined in section 80 of the Housing and Regeneration Act 2008);
"**Registrar**" or "**Computershare**"	Computershare Investor Services PLC, registrars to the Company;
"**Regulatory Information Service**"	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements;
"**Reorganisation**"	the reorganisation of the Target Businesses and Galliford Try to be undertaken prior to Completion in accordance with the Restructuring Plan;
"**Resolutions**"	means the shareholder resolutions of Bovis Homes necessary to approve, effect and implement the Acquisition, including, without limitation, to: (i) approve the Acquisition as a "Class 1 transaction" under the Listing Rules; (ii) authorise the Directors to allot the Consideration Shares (and any amendment(s) thereof); (iii) approve the New Bovis Homes LTIP; (iv) (conditional upon Completion) approve the New Policy; (v) (conditional upon Completion) authorise the Directors to capitalise the sum of £2,842,861.50 and apply such sums by way of a Bonus Issue to the Shareholders; (vi) grant authority to the Directors to allot the Bonus Issue Shares (and any amendment(s) thereof); (vii) amend the Articles of Association; and (viii) (conditional upon Completion) authorise the Directors to change the name of the Company;

"**Restructuring**"	the Reorganisation, the Scheme, the Reduction of Capital and the Demerger;
"**Restructuring Plan**"	the detailed steps plan in respect of the Restructuring in the agreed terms;
"**Sale and Purchase Agreement**" or "**SPA**"	the sale and purchase agreement entered into by the Company, Galliford Try and New Topco in respect of the acquisition of the Target Businesses from Galliford Try, consisting of the Linden Homes Shares, the Partnerships & Regeneration Shares and the Linden Homes Special Share, dated 7 November 2019;
"**Scheme**"	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Galliford Try and New Topco shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company to be effected prior to Completion;
"**Scheme Effective Date**"	the time and date at which the Scheme becomes effective in accordance with its terms, expected to be 2 January 2020;
"**Second Interim Dividend**"	the cash dividend of up to 41 pence per Share expected to be paid in May 2020 to Shareholders on the Company's register of members as at the Second Interim Dividend Record Time;
"**Second Interim Dividend Record Time**"	6.00 p.m. on 27 December 2019;
"**Service Categories**"	the service categories set out in the TSA;
"**Shareholders**"	the holders of the Shares in the capital of the Company;
"**Shares**"	the ordinary shares of £0.50 each in the capital of the Company;
"**STG**"	Strategic Team Group Limited;
"**Subscription and Transfer Agreements**"	the subscription and transfer agreement, and initial subscription and put and call option agreement entered into by the Company, Finch Jersey Limited and Numis, in connection with the Placing;
"**Supplier**"	the Galliford Try Continuing Group;
"**Target Businesses**"	the Linden Homes and Partnerships & Regeneration businesses of Galliford Try;
"**Tax Indemnity**"	the agreed form tax indemnity under the SPA;
"**Term Loan**"	the £100 million term loan to be provided to Bovis Homes pursuant to the terms of the New Facilities Agreement;
"**TGAV**"	total net assets, excluding cash, debt, goodwill and intangible assets;
"**Transferring Pension Schemes**"	the Galliford Try Final Salary Pension Scheme and the Galliford Try (Holdings) Limited Pension & Assurance Scheme;
"**Transitional Services**"	the transitional services to be provided by the Supplier to the Target Businesses for a limited period following Completion, in accordance with the terms of the TSA

"**TSA**"	the transitional services agreement entered into by the Company and Galliford Try dated 7 November 2019;
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"**US Securities Act**"	the US Securities Act of 1933, and the rules and regulations promulgated thereunder;
"**Voting Record Time**"	8.00 p.m. on the day which is two days before the date of the General Meeting, or, if the General Meeting is adjourned, 8.00 p.m., on the day which is two days before the date of such adjourned meeting;
"**W&I Insurance Policy**"	the warranty and indemnity insurance policy in the agreed terms between the W&I Insurer and Bovis Homes dated on or around the date of this document to cover losses arising in relation to breaches of the SPA; and
"**W&I Insurers**"	RiskPoint A/S, UK Branch, as insurer under the W&I Insurance Policy.

All times referred to are London times.

All references to legislation in this document are to the legislation of England and Wales unless otherwise stated. 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.

BOVIS HOMES GROUP PLC

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of Bovis Homes Group PLC (the "**Company**") will be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ on 2 December 2019 at 11.00 a.m. (or any adjournment thereof) for the purposes of considering and, if thought fit, passing the following resolutions. Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 and 8 will be proposed as special resolutions.

Ordinary resolutions

1 **THAT** the proposed acquisition of the Linden Homes and Partnerships & Regeneration businesses by the Company (the "**Acquisition**", which is a "Class 1 transaction" under the Listing Rules), on the terms and subject to the conditions as set out in the Acquisition Agreements (as summarised and defined in the circular to shareholders dated 7 November 2019 (the "**Circular**")), be and is hereby approved and the directors of the Company (the "**Directors**") (or a duly authorised committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Acquisition Agreements (provided that any such waivers, amendments, variations or extensions are not of a material nature) and to do all such things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Acquisition and any matters incidental to the Acquisition;

2 **THAT**, the Directors be and hereby are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (in addition, to the extent unutilised, the authority conferred upon the Directors of the Company by Article 7 of the Company's articles of association and approved by the shareholders of the Company at the Company's annual general meeting held on 22 May 2019, which remains in full force and effect and without prejudice to the continuing authority of the Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which any such offer or agreement was made) to:

(a) exercise all the powers of the Company to allot ordinary shares of £0.50 each in the capital of the Company (the "**Shares**") and grant rights to subscribe for or to convert any security into Shares for the purposes of issuing the Consideration Shares (as defined in the Circular) pursuant to the Acquisition up to an aggregate nominal amount of £31,869,693 (representing 47.3 per cent. of the issued ordinary share capital of the Company as at 6 November 2019, being the latest practicable date before publication of this document (the "**Latest Practicable Date**") and approximately 29.3 per cent. of the expected issued ordinary share capital of the Company immediately after Admission) credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Acquisition, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2020; and

(b) make offers and enter into agreements in connection with the Acquisition which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted, after the expiry of this authority, and the Directors of the Company may allot shares and grant rights in pursuance of such offers or agreements as if this authority had not expired;

3 **THAT**, conditional upon completion of the Acquisition in accordance with the Acquisition Agreements ("**Completion**") and provided Completion occurs prior to the next annual general meeting of the Company to be held in 2020, the rules of the Bovis Homes Long Term Incentive Plan 2020 (the "**New Bovis Homes LTIP**") the principal terms of which are summarised in Part VII –

"*New Remuneration Policy and Share Plan*" of the Circular and produced in draft to this meeting and for the purposes of identification initialled by the Chairman be approved, and:

(a) the Directors be authorised to make such modifications to the New Bovis Homes LTIP as they may consider necessary or expedient to carry the New Bovis Homes LTIP into effect and to adopt the New Bovis Homes LTIP as so modified and do all acts and things necessary to operate the New Bovis Homes LTIP; and

(b) the Directors be authorised to establish such further plans for the benefit of employees overseas based on the New Bovis Homes LTIP subject to such modifications as may be necessary or desirable to take account of overseas securities laws, exchange control and tax legislation provided that any Shares made available under such further plans are treated as counting against any limits on individual and overall participation in the New Bovis Homes LTIP;

4 **THAT**, the remuneration policy set out on pages 99 to 112 in Part VII – "*New Remuneration Policy and Share Plan*" of the Circular, be approved with effect from Completion provided Completion occurs prior to the annual general meeting of the Company to be held in 2020;

5 **THAT**, conditional upon Completion, the Directors be and are hereby generally and unconditionally authorised to capitalise a sum of up to £2,832,861.50 from retained profits of the Company and apply any such sums in paying up in full 5,665,723 ordinary shares of £0.50 each in the capital of the Company, to existing Shareholders recorded on the register of members of the Company at 6.00 p.m. on 2 January 2020 (the "**Bonus Issue**" and the "**Bonus Issue Shares**") provided that this power shall be limited to the allotment of Shares to ordinary shareholders who would have been entitled to it if it were distributed by way of dividend and in the same proportions and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal regulatory or practical problems in, or under the laws of, any territory or any other matter and such powers to expire at the conclusion of the Company's next annual general meeting after this resolution is passed;

6 **THAT**, in respect of the Bonus Issue Shares, the Directors be and hereby are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (in addition, to the extent unutilised, the authorities conferred upon the Directors of the Company by (i) Resolution 2 above, and (ii) Article 7 of the Company's articles of association and approved by the shareholders of the Company at the Company's annual general meeting held on 22 May 2019, each of which remains in full force and effect and without prejudice to the continuing authority of the Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which any such offer or agreement was made) to:

(a) exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company for the purposes of issuing the Bonus Issue Shares pursuant to the Bonus Issue up to an aggregate nominal amount of £2,832,862 (representing 4.2 per cent. of the issued ordinary share capital of the Company as at the Latest Practicable Date) credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Bonus Issue, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company to be held in 2020; and

(b) make offers and enter into agreements in connection with the Bonus Issue which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted, after the expiry of this authority, and the Directors of the Company may allot shares and grant rights in pursuance of such offers or agreements as if this authority had not expired;

Special resolutions

7 **THAT**, conditional upon Completion, with effect from the conclusion of this meeting, the articles of association of the Company be amended by the addition of the following new article 159:

Change of name

The Company may change its name by resolution of the directors if the directors are authorised to do so by special resolution of the members.

8 **THAT**, conditional upon the passing of Resolution 7 and Completion, the Directors be and are hereby authorised in accordance with article 159 of the Company's articles of association, as amended, to change the Company's name once, in the six-month period following Completion.

By order of the Board

M T D Palmer
Group Company Secretary

7 November 2019

Registered office

11 Tower View
Kings Hill
West Malling, Kent
United Kingdom
ME19 4UY

Registered in England and Wales No. 00306718

Notes

Proxy appointment

1 A member is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the General Meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

2 A Form of Proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.

3 To appoint a proxy, the form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be either (a) sent to the Company's Registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, (b) the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with Notes 9 – 12 below or (c) the proxy appointment must be registered electronically on the website at www.investorcentre.co.uk/eproxy, in each case so as to be received no later than 11.00 a.m. on 28 November 2019.

Nominated persons

4 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act ("**nominated persons**"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Information about shares and voting

5 Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 6 November 2019, which is the Latest Practicable Date before publication of this Notice, is 134,860,771, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 6 November 2019 is 134,860,771.

6 As soon as practicable following the General Meeting, the results of the voting will be announced via a Regulatory Information Service and also placed on the Company's website.

Right to attend and vote

7 Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members at 8.00 p.m. on 28 November 2019 or, if the meeting is adjourned, 8.00 p.m. on the day which is two days before the adjourned meeting before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.

8 Participants of the Bovis Homes Group Share Incentive Plan may instruct the trustee to vote on their behalf on a poll.

CREST members

9 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

10 In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com/CREST). The message (regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Computershare (under CREST participant ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

11 CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of any CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

13 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Questions

14 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.

Website information

15 A copy of this notice and other information required by section 311A of the Companies Act can be found at www.bovishomesgroup.co.uk.

Use of electronic address

16 Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated. Shareholders who have general queries about the General Meeting should use the following methods of communication:

(a) by writing to the Company Secretary at the registered office address; or

(b) by writing to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY

to communicate with the Company for any purposes other than those expressly stated.

Treasury shares

17 As at 6 November 2019, being the Latest Practicable Date, the Company had no shares held in treasury.

Data protection statement

18 Your personal data includes all data provided by you, or on your behalf, which relates to you as a Shareholder, including your name and contact details, the votes you cast and your “Reference Number” (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company’s Registrar) may process your personal data for the purposes of compiling and updating the Company’s records, fulfilling its legal obligations and processing the shareholder rights you exercise.