GallifordTry plc

Three strong businesses
Galliford Try

Annual Report and Financial Statements 2019

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Financial performance

Revenue[1] **£2,863m** -9%	Pre-exceptional earnings per share[2] **115.7p** -27%
Group revenue[2] **£2,711m** -8%	Earnings per share **78.5p** -35%
Pre-exceptional profit before tax[2] **£155.5m** -18%	Full year dividend per share **58.0p** -25%
Profit before tax **£104.7m** -27%	Pre-exceptional Group return on net assets[4] **22.1%** -7.1 ppts
Net debt[3] **£(56.6)m** -£154.8m	Group return on net assets[5] **16.6%** -8.3 ppts

Group performance

Total number of homes built
6,507

Accident Frequency Rate
0.11

Plots in Linden Homes' and Partnerships & Regeneration's landbank
17,200

Construction and demolition waste diverted from landfill
95%

Construction order book
£2.9bn

Training days for employees
13,975

Alternative performance measures

1 'Revenue' includes share of joint ventures' revenue of £249.7m (2018: £200.7m) and excludes revenue from part-exchange properties of £100.7m (2018: n/a) and pre-exceptional items of £2.8m (2018: £nil). 'Group revenue', where stated, excludes share of joint ventures and includes revenue from part-exchange properties.

2 Pre-exceptional measures exclude exceptional costs as described in the Financial review on page 34 and in note 4. All future references to pre-exceptional data and ratios are consistent with this definition.

3 Net debt is cash and cash equivalents less current and non-current borrowings (note 20).

4 'Pre-exceptional Group return on net assets' represents profit before tax, exceptional items, finance costs and amortisation divided by average pre-exceptional net assets.

5 'Group return on net assets' represents profit before tax, finance costs and amortisation divided by average net assets.

More information on the Group's alternative performance measures can be found in note 38 to the financial statements on page 135.

Important: Proposed sale of the Group's housebuilding businesses

The Board believes that the proposed sale of the Group's housebuilding businesses to Bovis Homes Group plc, announced on 10 September 2019, will result in the Group becoming a well-capitalised standalone construction-focused group, benefiting from the recent operational restructuring which refocused the business to deliver improved future performance. Our strengths in UK building and infrastructure, particularly in the highways and water sectors, along with the spread of work for both public and private clients provide a strong foundation for the future as an independent construction group.

Learn more about us at gallifordtry.co.uk

Galliford Try is a leading housebuilding, regeneration and construction group.

Together, our three complementary businesses have an exceptional impact on the people and fabric of the UK.

Q&A

Why choose Galliford Try?

Our ambitious strategy, which charts our path to 2021, has made us simpler, leaner and more sustainable. We are making the most of our leading positions in growing markets, and our devolved model is making our decision-making faster and more efficient, making us responsive to changes around us.

What makes us different?
Our businesses at a glance
Our investment case

The Group comprises three strong, national businesses: a top housebuilder, a leading regeneration specialist and a major contractor.

Linden Homes

Revenue
£820.4m

Completions
3,229 units

Landbank
11,900 plots

10 business units across the country, with scope for further geographical expansion.

High-quality homes for first-time buyers and families.

Focused on standardised layouts.

Committed to providing excellent customer service.

We fell in love with our new Linden home straightaway. Not only does it have four bedrooms but it also has a great layout. There's a separate living room and an open-plan kitchen, dining room and family room. Plus, there's a utility room and a downstairs toilet, so it's perfect for family life.

Polly Hunt
White Rock in Paignton, Devon

Business review p38

Partnerships & Regeneration

Revenue
£623.2m

Completions
3,278 units

Landbank
5,300 plots

Our business
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Construction

Revenue
£1,386.8m

Order book
£2.9bn

Long-term partnerships with key public sector, private sector and Registered Provider clients, with a commitment to customer satisfaction.

Unique and powerful platform, combining contracting, regeneration and mixed-tenure development.

National scale and proven track record of delivery and quality.

Strong client relationships, based on collaborative working.

Disciplined business with national presence via a network of regional offices.

Presence on numerous major frameworks with public sector and regulated clients.

Strong visibility of future work.

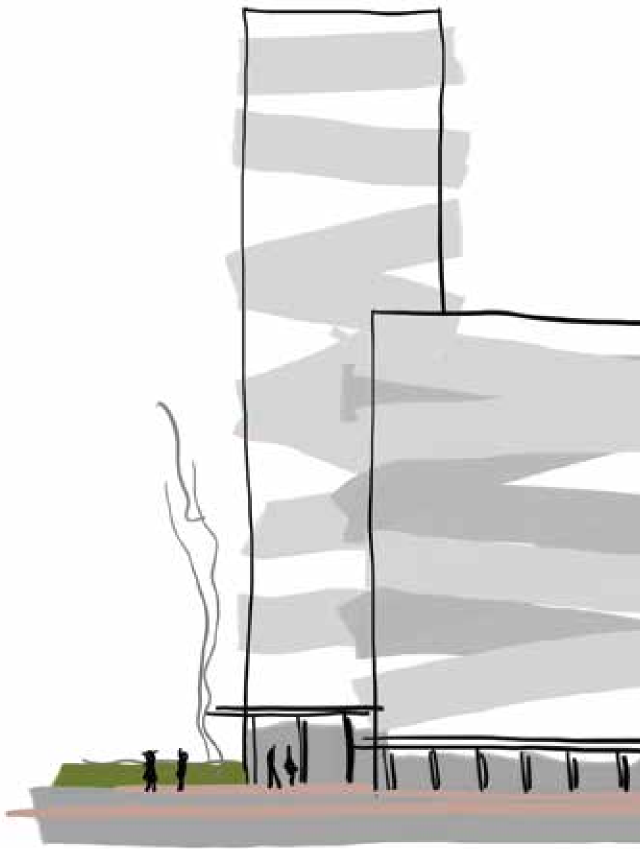
Business review p41

Business review p43

Galliford Try's devolved structure and the way we work give us significant advantages.

We are responsive to change

Each business has its own management team, empowered to make quick, efficient decisions in line with our Group strategy and governance. Local business units keep us close to our customers, so we understand their needs.



See our Business review p38

We set about really analysing customer wants, customer needs, and further optimisation to drive efficiency for all of our business units. We are realising the benefits of our simplified, standardised and quality-focused processes – and there's more to come.

Andrew Hammond
Chief Executive of Linden Homes

We have three clear propositions: contracting, land-led solutions and mixed-tenure development. We've got experts who know all about affordable housing, we have a fantastic brand and excellent relationships with clients nationwide.

Stephen Teagle
Chief Executive of Partnerships & Regeneration

The decisive action we have taken in Construction will enable us to focus on our strengths, resulting in a more stable and profitable business.

Bill Hocking
Chief Executive of Construction & Investments

We are resilient

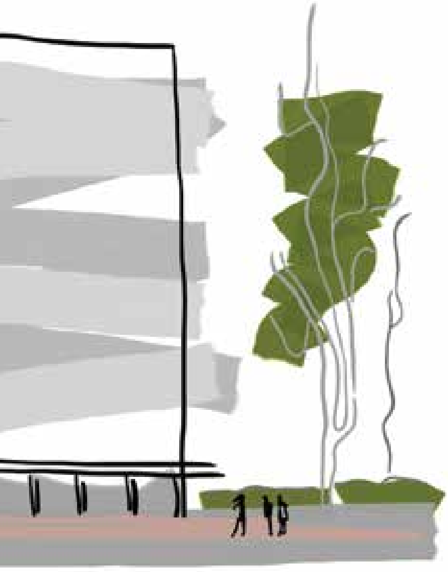
Our businesses operate in different markets, with different customers and different cycles. This helps us to perform, whatever economic conditions we face.

See Our business model p6

We have significant opportunities for growth

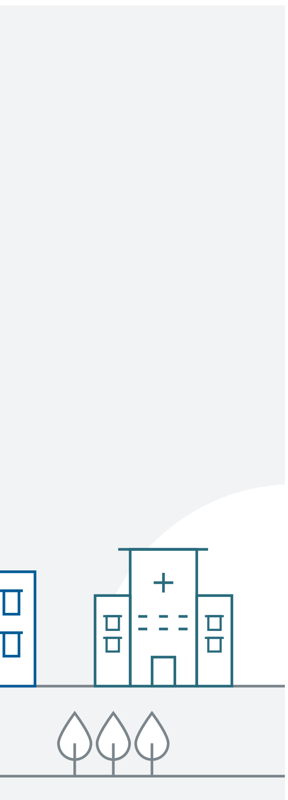
There is stable demand for housing backed by a strong mortgage market, and affordable housing remains a primary aim for all political parties. We have refocused our Construction activities where we have proven strengths, positioning the business well for the future.

See Strategy p16



We are focused on good capital management

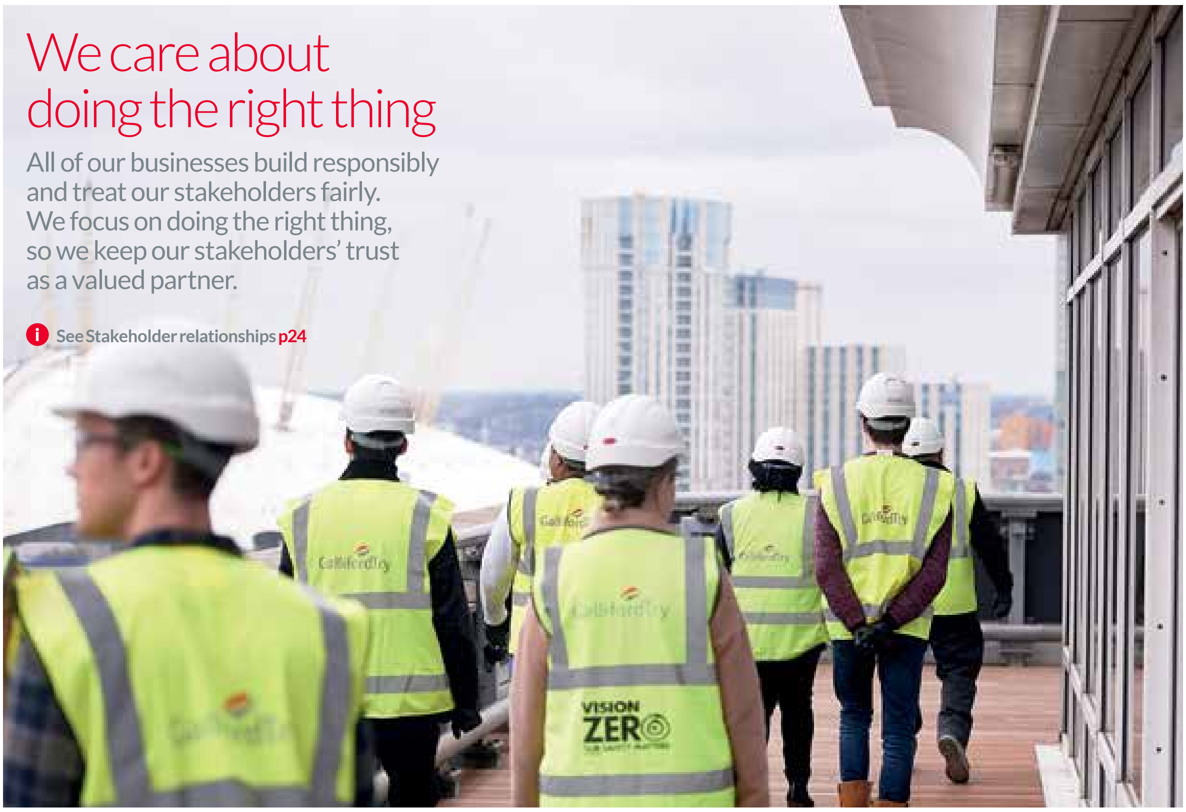
We are well-financed, with prudent debt management, and our mix of capital-light and capital-intensive businesses delivers excellent returns on the funds we invest, allowing us to offer attractive rewards to shareholders.



We care about doing the right thing

All of our businesses build responsibly and treat our stakeholders fairly. We focus on doing the right thing, so we keep our stakeholders' trust as a valued partner.

See Stakeholder relationships p24



Our business model
Three strong businesses

Our three businesses are led by an effective Group and supported by centralised services. Each business has different financial characteristics and makes an important contribution.

The Group's role

Set strategy

The Group sets our overall strategic direction, with input and approval from the Board. Our three businesses then develop their own approach to the strategy, reflecting their specific opportunities and challenges.

See Strategy p16

Allocate capital

The Executive Board allocates capital between our businesses in accordance with the Group strategy, taking into account their capital requirements, their strategies and the returns available.

See Financial review p33

Deliver centralised services

Our businesses include many support functions themselves, which are tailored to their precise needs. The Group provides services that are best delivered centrally and maintains small functional teams to support its own activities.

Mitigate risk

The Board is responsible for risk management, determining our risk appetite and the extent and nature of our systems of risk management and internal control. The Executive Board implements this framework within the businesses.

See Principal risks p26

Embed culture

The Board defines the Group's culture and values, sets the behaviours we want to see in Galliford Try, and promotes that culture within our businesses through our Executive Board.

See Our people p49

Govern effectively

Our corporate governance framework provides robust oversight and control, within which our businesses can implement their strategies.

See Governance p54

How our businesses make money

Linden Homes

Housebuilding requires up-front investment in land and development, with cash received as the resulting homes are sold. We earn a profit by buying land in good locations at the right prices, building high-quality homes and standardising as many aspects of our products, processes and procedures as we can to maximise efficiency.

Contribution to the Group's economic model: Linden Homes has the highest margin and capital requirements of our three businesses.

- High up-front investment
- Value added to land through planning and promotion
- Strong margins realised on sale of homes

Partnerships & Regeneration

This business uses cash generated by contracting to fund higher-margin mixed-tenure developments. We earn a profit through careful selection and delivery of our contracting projects, and by using the Group's housebuilding skills and brand to deliver our mixed-tenure developments, while maintaining a cautious risk and funding profile.

Contribution to the Group's economic model: Partnerships & Regeneration is a low-capital, high-return business. Its margin is lower than a pure developer but is increasing as its development activities grow.

- Some up-front investment
- Lower-margin contracting revenue received regularly, as the project progresses
- Higher-margin development revenue received as homes are sold

Construction

Construction receives regular payments from its clients as work progresses. We generate a profit by carefully assessing the risk and margin of each project, building strong relationships with our clients, collaborating with our supply chain, and delivering repeat work through frameworks.

Contribution to the Group's economic model: Construction has the lowest margin but its typically positive cash flow characteristics help to fund the Group's higher-margin development activities.

- Typically cash positive
- Contracting revenue received regularly, as the project progresses
- Lower margins achieved

Our business model

The key stakeholder relationships and resources we rely on

People

Having the right people is vital and we look to recruit, develop and retain the right individuals from diverse talent pools.

See Our people p49

Our impact We develop our people so they can progress their careers. We reward them appropriately, promote inclusion and diversity, and work hard to keep everyone healthy and safe. We have a Group-level health and safety policy, common minimum standards, within which each business adopts a tailored approach, and award-winning wellbeing and safety programmes.

Our approach Each of our businesses recruits and develops its own talent, while collaborating on Group-wide initiatives such as wellbeing and agile working, which help us to attract and retain a more diverse workforce.

5,184 people employed across the Group at the year end.

13,975 training days delivered to staff.

Customers and clients

Each of our businesses is committed to delivering high levels of customer service.

Our impact Our customers and clients trust us to deliver high-quality homes, buildings and infrastructure that form the fabric of our society.

Our approach Rigorous procedures, including The Linden Way, define our approach to housebuilding. In Construction and Partnerships & Regeneration, quality control is embedded in our Business Management Systems, policies and procedures.

Four stars in the NHBC customer satisfaction survey for Linden Homes, while operating at four stars for Partnerships too.

77.7% net promoter score in Construction.

67% repeat business in Construction.

Communities

Our positive impact on communities is significant both through the way we work and the legacy we leave in the form of homes, buildings infrastructure and other assets.

See Stakeholder relationships p24

Our impact We deliver homes, buildings and infrastructure that benefit the people living in and around them, whether by providing homes to buy or rent, schools for education, offices to work in or transport or recreational facilities.

Our approach We manage our community relationships through our local businesses and use the Considerate Constructors Scheme to measure and assess the impact of our sites.

25 Considerate Constructors Scheme awards.

£85m+ committed to communities through planning obligations.

180+ schools and hospitals built in the past five years.

Partners

All three of our businesses work with carefully chosen Joint Venture (JV) partners on selected projects.

See Stakeholder relationships p24

Our impact Working with other organisations allows us to take on a broader range of projects, share risk and rewards and reduce our capital investment, compared with undertaking the project alone.

Our approach We choose financially strong partners who share our values. We work closely together in critical areas such as health and safety, so we maintain the high standards we target in our own business.

£249.7m share of joint ventures' revenue.

Natural and manufactured resources

Our building processes use natural resources including land, materials and energy. We also employ plant and equipment on our sites.

See Environment and climate change p51

Our impact We reduce our environmental impact by reducing our carbon emissions year-on-year, maximising the waste diverted from landfill and using timber verified as coming from legal and sustainable sources. We support jobs and local economies through our supply chain.

Our approach We have national preferred suppliers, which we manage through our procurement function, as well as a locally managed subcontractor supply chain. In Construction, we collaborate with strategic subcontractors through our Advantage through Alignment programme. Dedicated teams manage land purchases and strategic land.

95% waste diverted from landfill.

92.1% of the timber we use is FSC®/PEFC certified.

Financial resources

We invest in land and development using cash generated by contracting and different types of debt financing.

Our impact Carefully managing our financial resources helps to ensure that shareholders benefit from rising earnings and dividends, while we reinvest for growth.

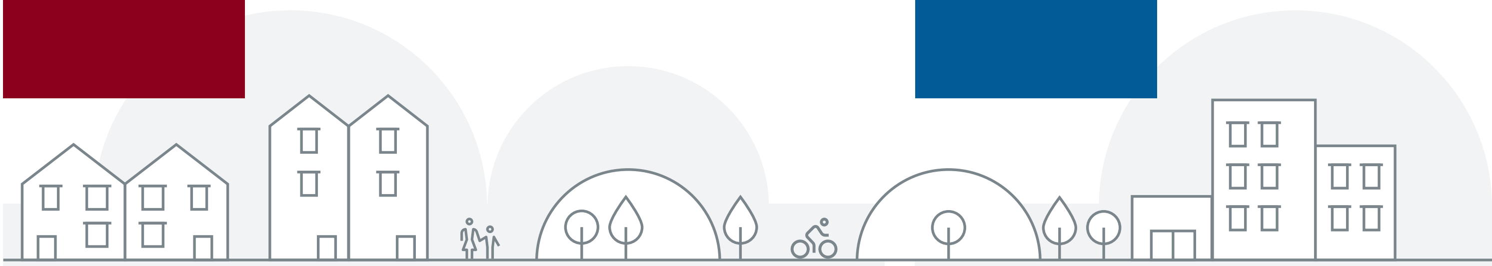
Our approach Each business's finance team is responsible for day-to-day financial decisions. We also have a Group finance function, including specialists in areas such as treasury and tax.

22.1% Pre-exceptional Group return on net assets.

Our business model

How each of our businesses creates value for us

Linden Homes



Key activities

Invest
Maintain a landbank of prime plots in good locations, giving us around three years of visibility.

Design and plan
Create new communities through careful master planning using standard house types, with the ability to alter elevations to complement the local vernacular.

Build
Construct high-quality, sustainable homes, ensuring a strong health and safety culture.

Sales and aftercare
Deliver a consistent customer journey and high standards of customer service.

Who our customers are

- Primarily first-time buyers and families, who want mid-market homes in vibrant and sustainable communities.
- Registered Providers (providers of social housing registered with the regulator, such as housing associations), who typically buy the affordable housing elements of our developments.

How we engage with our customers

- 'The Linden Way' sets out the procedures and processes we follow throughout the purchasing journey and ensures we share best practice across the business. Our Customer Charter explains our service commitment and what our customers should expect from us. Each development typically has an on-site sales team and show home, supported by traditional and digital marketing.
- We maintain strong relationships with Registered Providers through our regional offices. We adopt a partnering approach, often selecting a partner before starting development to ensure the timely delivery of low-cost homes alongside our open-market homes.

Our strengths

- Our people are key. The business's structure and culture devolves responsibility and ownership throughout the workforce, with our site teams playing a pivotal role.
- Standardising layouts and streamlining processes allows our people to focus on delivery and the customer journey. This supports our ability to grow our operating margin and unit numbers sustainably. Approximately 87% of homes on our sites with planning consent are based on our standard layouts.
- Some sites require bespoke designs. We retain the skillsets needed for these projects, which helps to differentiate us from other housebuilders. The discipline created by our standard processes helps us to deliver these developments successfully.
- We are increasing our investment in strategic land, which is expected to provide around 13,240 plots over the coming years.
- As a responsible developer, we deliver public spaces that support sustainable communities. This can range from streetscapes that reduce vehicle speeds to incorporating cycle routes, woodlands and recreational areas within our developments.

See Strategy in action p18 and Stakeholder relationships p24

Partnerships & Regeneration

Key activities

Evaluate opportunities
Rigorously review each opportunity to ensure an appropriate balance of risk, return and cash generation or investment.

Develop solutions
Identify local housing demand and assemble the right combination of tenures and financing partners to meet it.

Design
Design housing that suits the local area and creates communities with a strong sense of place.

Build and sell
Use housebuilding and contracting skills to deliver solutions.

Who our clients and customers are

- Registered Providers, local authorities and financial institutions, depending on the project and the tenure of the housing.
- Consumers, who buy the homes we develop for private sale.

How we engage with our clients and customers

- Our regional businesses give us excellent local knowledge, which enhances our client relationships.
- Across our many developments, we use the Linden Homes brand and sales and marketing expertise. We follow The Linden Way to offer excellent customer service.

See Strategy in action p20 and Stakeholder relationships p24

Construction

Key activities

Manage risk
Carefully select work, emphasising quality over quantity, and effectively identify and manage risk at every stage.

Work with our supply chain
Build successful, long-term relationships to support delivery.

Deliver
Focus on quality, using expertise and technology to deliver superior projects safely.

Client and community focus
Seek clients who value collaboration and create strong community relationships.

Our strengths

- Our breadth of capabilities across contracting, land-led commissioning and joint venture development is unique in the market, making us an attractive partner and opening up more opportunities. It also allows us to invest in development using cash generated by contracting and commissioning.
- We are one of the fastest-growing regeneration businesses in the country and have a strong track record of performance. We have been highly successful at recruiting and developing people to support our growth.
- Ten regional offices give us broad geographic coverage, so we can respond to client needs across most of England. We also have plans to expand into new areas.
- Our long-term partnering arrangements are a significant strategic asset. These relationships allow us to unlock the capacity among our clients, securing work for the present and future. We work with around 68 housing associations.

Who our clients are

- Public sector and regulated organisations, as well as major private sector companies.

How we engage with our clients

- We aim to become our clients' long-term partners. Our collaboration approach has been accredited to ISO 44001 and our Delivering Excellence framework helps us to achieve high levels of client satisfaction.
- Our network of regional offices gives us in-depth knowledge of local markets and enables us to build strong local and national client relationships.

Our strengths

- Our national scale with local delivery is an important strength. It enables us to combine our deep local knowledge and supply chain with expertise from all over the country.
- Our focus on the public and regulated sectors and our presence on numerous frameworks allows us to learn about our clients' needs and become experts in delivering repeat projects for them, reducing our risk profile.
- We employ skilled, talented and professional people who reflect our values. We prioritise their retention, ensuring we develop them, provide the tools they need, and protect their health, safety and wellbeing.
- We build successful relationships with our supply chain partners. Our Advantage through Alignment scheme increases engagement with key supply chain members, improves communication and gives them insight into our pipeline of work and operations. It also allows them to benefit from our training programmes and practices, including our award-winning health and safety programme.

See **Strategy in action p22** and **Stakeholder relationships p24**

Chairman's statement

A smooth transition, and strategic stability

The Group's underlying business operations continue to perform well and the successful management transition has ensured stability and continuity, as we make further progress towards our strategic goals. We have taken quick action to reshape Construction and position it for better performance.

Peter Ventress
Chairman

Performance and dividend

The Group continued to trade well during the year. Linden Homes enjoyed steady sales and robust margins. Partnerships & Regeneration has a highly attractive market and delivered strong top-line growth and increased profitability. In Construction, the core business is doing well but there were challenges with both legacy and some current projects, as announced in the write-down reported on 21 May 2019 (page 34). Following a strategic review, we are taking decisive action to address these issues. This will simplify Construction and focus it on markets and sectors where it has real strengths, resulting in a more stable and profitable business. More information about Construction can be found in the Chief Executive's review on page 12 and the Construction business review on page 44.

The Board has proposed a final dividend of 35.0p per share to give a total dividend per share of 58.0p (2018: 77.0p), in line with our policy of paying a dividend which is 2.0x covered by pre-exceptional earnings. The final dividend will be paid on 4 December 2019 to shareholders on the register on 8 November 2019.

Management changes and the Board

In March 2019, we announced that Peter Truscott had stepped down as Chief Executive and left the business to pursue other opportunities. On behalf of the Board, I thank Peter for his contribution to the Group. We were pleased to have a smooth transition, with Finance Director Graham Prothero becoming Chief Executive. Andrew Duxbury, who was Finance Director of Linden Homes and formerly the Group's Financial Controller, joined the Board as Graham's successor. These appointments were the result of careful planning, work and mentoring to ensure both Graham and Andrew had the requisite skills and experience to take on these roles if they became available.

A key benefit of this great example of our approach to succession planning was that it ensured stability in the business and continuity of the strategy, without the changes in direction that often result from external appointments. It also means that the Executive Directors begin their new roles with a deep knowledge of the business, accumulated over years within the Group, as well as showcasing how we grow our own talent. The Board will now focus on rebuilding the succession plan.

There was one other change to Board responsibilities during the year. As previously announced, Marisa Cassoni was appointed Chair of the Remuneration Committee in February 2019, replacing Terry Miller as interim Chair. Terry remains a member of the Audit, Nomination and Remuneration Committees, as well as serving as Chair of our new Employee Forum and Stakeholder Steering Committee (see below).

We have recently completed an externally facilitated review of the Board's effectiveness, which demonstrated substantial improvement in the quality and performance of the Board in the three years since the last external review. Galliford Try is well governed, with a strong company secretarial function and a focus on the right areas of risk, strategy, performance, people and culture. See pages 59 and 60 for more on the evaluation's findings.

Each October, the Board spends two days assessing the Group's strategy with the executive team, so we can test the strategy in detail and ensure it remains appropriate. The Board has also increased its regular scrutiny of strategy, with time devoted at each Board meeting to discussing the Group's strategic progress. This gives us assurance that the strategy is the right one and that management is pursuing it in a sensible way.

In-depth engagement with our workforce

The Board is conscious of the critical importance of having the right people and culture within the Group. We regularly discuss key areas such as health, safety and wellbeing, diversity and people development; we meet divisional management, and hold three meetings a year at a Group project, enabling us to interact with site-level teams.

Additionally, in line with the 2018 Corporate Governance Code, which will apply to us from the 2020 financial year, the Board has designated Terry Miller as the Non-executive Director with responsibility for engaging with the workforce as part of our new Employee Forum.

This, combined with other feedback channels as described on pages 24 and 25, gives us a good understanding of how our people feel about Galliford Try and we see first-hand the positive culture in the business.

We are also pleased to have established a Stakeholder Steering Committee, a committee of the Main Board, the purpose of which is to review and manage relationships with the business's key stakeholders, including engaging with stakeholders, collating stakeholder views and reporting these views to the Board.

This Committee is also chaired by Terry. Underpinning this, we were pleased to refresh our Code of Conduct, Doing the right thing, which reinforces our values and our responsibilities to our stakeholders as a business, and our duty, across the Group, to upholding them.

Looking ahead

We are positive about the future for Galliford Try. The Group has the right strategy and the review of Construction will put the business on a secure footing, enabling it to deliver the margins we are targeting by 2021. I thank the Board and all of our employees for their commitment once again this year.

Peter Ventress
Chairman

Creating value for our stakeholders

Our work creates long-term financial and non-financial value for our stakeholders, as shown by our achievements over the last five years.

27,000+
homes delivered by Linden Homes and Partnerships & Regeneration.

£4.8bn
of contracts undertaken for public and regulated sector clients.

67,129
training days provided to our people.

£85m+
committed to communities through our planning obligations.

£2.1m+
donated to charities through time, money and materials.

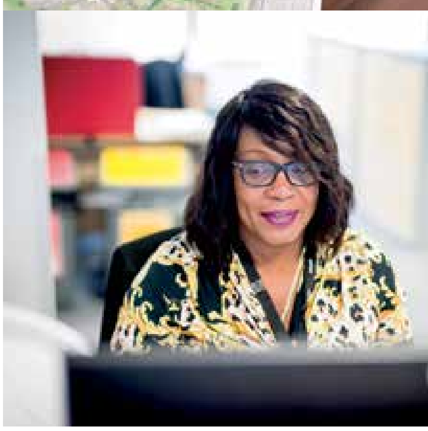
£275m+
of corporation and other taxes paid.

£321.7m
of dividends paid to shareholders.

See **Stakeholder relationships p24**








Chief Executive's review

Well positioned for future performance

I am pleased to be reporting to you for the first time as Chief Executive. Galliford Try has three great businesses, supported by a talented team in Group Services, which are all making good progress with their respective strategies. This will deliver further operational improvements, helping us to perform whatever market conditions we face.

Graham Prothero
Chief Executive

Performance

The Group delivered good underlying performance during the year. Linden Homes continued to improve its operational efficiency, as it reaped the benefits of its focus on standardisation and process rationalisation. This protected its operating margin in the face of modest inflationary cost pressures, which have not been mitigated by house price inflation. We maintained our strategic shift towards mid-market standard house types and refocused our geographical coverage from existing business units, with less emphasis on the South East. This resulted in a lower average selling price as expected. The business ended the year with an order book of £375m (2018: £366m) and 100% of the land it requires for 2020.

Partnerships & Regeneration made outstanding progress, with impressive growth in both contracting and higher-margin mixed-tenure revenues. It recorded a number of excellent wins, including with Homes England and the Borough of Enfield. In July, it strengthened its position in Yorkshire with the acquisition of Strategic Team Group. At the year end, Partnerships & Regeneration had a contracting order book of £972m (2018: £1,196m) as some of the larger schemes from the previous year mobilised. It had mixed-tenure sales in hand of £184m (2018: £160m).

We believe that the Construction business is potentially very strong, but it had a frustrating year. While the business again achieved a good underlying performance, the overall result was substantially affected by some legacy contract resolutions, as announced in the write-down reported on 21 May 2019 (page 34), and issues with several current contracts, primarily in one business unit. We have a clear understanding of these issues and have implemented changes to address them (see below). At the year end, Construction had an order book of £2.9bn (2018: £3.3bn), giving us visibility of 88% of planned revenue for the current financial year (2018: 87%).

Strategic review of Construction

In April 2019, we announced a strategic review of Construction, including an assessment of operational progress and contract positions throughout the business. As a result, we have simplified the business and its management structure. We ceased bidding for major projects on a fixed-price, all-risk basis in 2016. We have now further reduced peripheral activities, and will focus on areas where we have core and proven strengths, namely in Building, Water and Highways. We see long-term growth and appropriate margins in these markets.

The changes we made resulted in approximately 300 people leaving the business and a one-off cost of £5m, covering restructurings. Construction's annual revenue target will reduce to approximately £1.3bn. The restructuring is expected to accelerate progress towards an operating margin target of 2%.

Implementing the Group strategy

Our people

Good people giving their best is what delivers a great service to our clients and customers, and I have made a personal commitment to ensure Galliford Try is an employer to be proud of, and a great place to develop a career.

We have to make more progress in achieving a diversity of talent at all levels too and I am proud that this year, we reported a mean gender pay gap of -0.2% and median pay gap of 5.4% across our early careers population. This is well below the national median pay gap of 17.9%. Early careers are the focus of many of our recruitment activities, allowing us to grow our own talent, and so this measure provides a good indicator of the direction we are taking at grassroots level.

We are committed to promoting equality, diversity and inclusion across our business, recognising that a variety of views, approaches and experiences enrich our culture as a business and help us to be innovative.

Our approach to people and our stakeholders is underpinned by our Code of Conduct, 'Doing the right thing', an ethos we all champion at Galliford Try.

Driving operating efficiencies

The ultimate success of our strategy will not be measured by the volumes we achieve, which depend in part on market conditions, but by whether we can get the business performing to its potential through self-help. In this respect, we made further good progress.

I was delighted to invite Andrew Hammond to take on the role of Chief Executive of Linden Homes, recognising the excellent operational improvements he has led in the business over the last three years. I am confident that he will continue to sharpen the focus of the business and enhance its performance.

The business further increased the proportion of homes delivered using The Linden Collection standard house types, which we reviewed and refined during the year. Linden Homes also continues to rationalise its processes and to progress its strategic land programme, both of which support strong margin performance.

In Partnerships & Regeneration, we reviewed the management structure to ensure we have the capacity this fast-growing business needs. This included introducing three regional managing directors, replacing the single Chief Operating Officer role. The business has invested in land to support its growth and is implementing a number of business improvement initiatives, which will boost productivity and growth.

Following the strategic review, Construction remains focused on improvements in key areas of its operations, in particular further enhancing our risk management and commercial control, and having the right talent in the right sectors, developing that talent, ensuring high levels of quality and customer satisfaction, and using technology to enhance safety and efficiency.

While our strategy to 2021 remains unchanged, I see opportunities for us to explore and exploit, such as technological advances, which can improve our operating efficiency and our sustainable approach.

Maintaining capital discipline

We have consistently focused on maintaining a robust balance sheet and tightly controlling our use of capital. During 2019, we continued to do a good job in difficult circumstances. The Aberdeen Western Peripheral Route legacy contract was completed in the first half but was a drain on cash. The joint operation continues to negotiate on the significant claim with the client. Ensuring timely payments

Q&A

Why was it decided to completely close the Infrastructure business in Scotland rather than to reduce turnover?

The pressures within Construction have meant that tough decisions have had to be made, concentrating on where we see a long-term future. We have tried to avoid 'quick-wins' in favour of focusing on a strategic plan. We didn't want to be in a situation where we degraded our business in the hope of better things to come, when we have no clear sight of when that market would improve.

Business review p44
Financial review p33

Group highlights

6,507
new homes built by Linden Homes and Partnerships & Regeneration
(2018: 6,193)

£1,531m
of sales order books in Linden Homes and Partnerships & Regeneration
(2018: £1,722m)

£186m[1]
average net debt

58.0p
full year dividend payment per share
(2018: 77.0p), covered 2.0x by pre-exceptional profits.

22.1%
pre-exceptional return on net assets
(2018: 29.2%)

1 Average of month-end net debt balances.

from some Construction clients is an ongoing challenge, while the sector remains under pressure to ensure we pay the supply chain on time.

In these circumstances we have kept our discipline and rigorously managed our cash position, as demonstrated by our average net debt, which was in line with our guidance at £186m. We also benefit from strong support from our banks and other lenders and look to be transparent and consistent in our relationships with them.

Operating sustainably
Being a good corporate citizen produces better results for all our stakeholders, by making Galliford Try a place where people want to work and do their best.

I am keenly aware that optimising performance needs diversity of thought, which requires a broad cross-section of the population to be represented in our decision-making. Initiatives such as agile working and our focus on wellbeing help us to attract and retain people and are central to increasing the diversity of our workforce.

Health and safety is an absolute priority and our performance this year was good. We have strengthened our Safety, Health, Environment & Leadership Team (SHELT), which I chair, with an Executive Board member from each of our three businesses, in addition to divisional health and safety representatives. The purpose of this Group-level committee is to rigorously examine our performance, strengths and weaknesses, and opportunities to improve. The committee is responsible to the plc Board. We have also made great progress on capturing near misses, giving us further invaluable information to learn from.

Continuously improving customer service is a focus across the Group. Linden Homes retained its four-star status in the National House Building Council (NHBC) customer satisfaction rating. Partnerships & Regeneration was rated as three stars in October 2018 but its work to improve service means it is operating at a four-star level. Construction continues to achieve high levels of customer satisfaction and maintained an excellent net promoter score of 77.7%, as well as good levels of repeat work.

Our suppliers and subcontractors are a vital part of our team, providing many of the people who work on our sites. The Advantage through Alignment programme promotes strong relationships with our strategic partners in Construction and Partnerships. Conditions in the supply chain are relatively benign, with no significant shortages of labour or materials, reflecting the strength of the relationships we have built with our supply chain.

Our environmental performance is robust and we continue to focus on reducing our carbon footprint and waste production. Galliford Try aims to achieve high standards in this area and we will look to improve further.

In recent years, we have relocated many support functions into the businesses, so they can tailor their services to the needs of each business. However, it is also important that we retain the benefits of operating as a Group, where this makes sense, and have the right balance between working at Group and business level. For example, platforms such as SHELT enable us to set and mandate policy with the input of the businesses.

All of these aspirations and commitments are motivated by our desire and responsibility to do the right thing, and underpin the sustainability of our business, as set out in our refreshed Code of Conduct.

Looking ahead

I am excited about the potential for all three of our businesses to achieve greater things, supported by Group. We are instilling a culture of being a well-run and profitable business, which draws on the enthusiasm and creativity of our highly-skilled and motivated people to deliver great products and benefit our communities.

We remain dependent on the skills and commitment of our people and on behalf of the Board I thank them for their ongoing contributions.

Graham Prothero
Chief Executive

Key trends

Responding to key trends within our markets is critical

A number of significant trends are driving long-term demand in our markets.

Structural under-supply of housing

Context

The UK's population is steadily rising and is predicted to reach nearly 73 million by 2041 (source: ONS https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2016basedstatisticalbulletin).
This continues to drive demand for new homes. The UK has consistently built too few homes to meet this demand, resulting in rising prices and significant unfulfilled need for affordable housing. The Government estimates that 300,000 new homes are needed each year, but while output has increased and reached 222,190 units in 2017/18, new supply is still insufficient.

Our response

Linden Homes and Partnerships & Regeneration delivered 6,507 new homes this year. Linden Homes is responding to the market and is building fewer larger homes and is focusing on properties, which are more affordable for a wider range of buyers. Partnerships & Regeneration is working with a growing number of partners to deliver an increasing number of affordable homes across a range of tenures, helping more people to secure the housing they need.

Government policy and planning

Context

All of the main political parties support the building of more affordable homes in the UK. There is also widespread recognition that to meet the 300,000 annual target, there must be a significant contribution from affordable homes. However, s106 agreements with developers will not deliver sufficient affordable homes and more direct commissioning of homes is required.

In response, the Government has removed borrowing caps and increased financial freedoms for local authorities, to enable them to directly commission. Homes England has also introduced strategic partnerships with Registered Providers, giving them flexibility around tenures and visibility of funding in return for increased output. This is supported by £2bn of additional funding from Government. Registered Providers were already consolidating to boost their capacity to deliver new homes and the Government's actions have encouraged further consolidation in this sector. These Registered Providers rely on the private sector to deliver new homes for them.

In addition, the Government continues to support the housing market through Help to Buy, which is expected to continue to 2021 in its current form and will then be available only to first-time buyers until its scheduled end date in 2023.

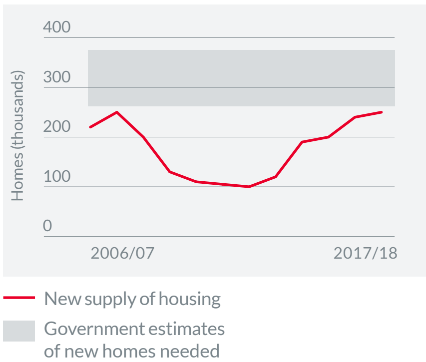
The planning process for housing developments remains slow and hinders the achievement of the Government's housing target. The system can also favour differentiated designs, which is inconsistent with using standardised models and off-site production to increase output and efficiency. There have been no new initiatives to improve the planning environment in the last 12 months.

Our response

We continue to invest in growing Partnerships & Regeneration, so we can take advantage of the favourable conditions in the affordable housing market. We have strong relationships with a wide range of Registered Providers and support their delivery plans through long-term partnering arrangements. Our capabilities across contracting, land-led solutions and development make us a highly attractive partner.

We have a collaborative approach to planning, selecting projects and designs which respect and enhance the existing community while delivering much-needed new homes at pace. We continue to participate in the Government's Help to Buy and other assistance schemes.

Housing supply in England



Source: Commons Briefing papers CBP-7671 (December 2018).

Significant need for infrastructure investment

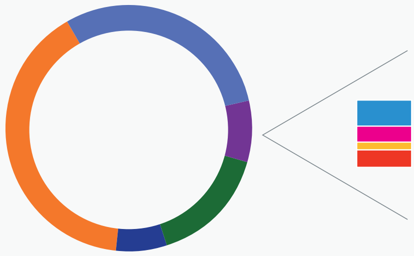
Context

The UK needs to upgrade its social and economic infrastructure, with the extent of the spending required shown by the 2016 National Infrastructure Delivery Plan, which sets out a five-year £100bn investment programme. Investment in infrastructure is one of the most efficient ways of stimulating economic growth and has to happen, regardless of Brexit or the performance of the wider economy.

Our response

Our Construction business specialises in critical areas in need of investment, including health, education, defence, water and highways. These sectors are each headed up by sector leads, enabling us to better hone our approach in each area. The revised focus of the business following the strategic review means we will concentrate on those areas that we are best able to deliver. We have positions on numerous frameworks (page 23), which ensure a pipeline of attractive work.

Infrastructure investment by sector,
(spend from 2016/17 to 2020/21)



Source: Infrastructure & Projects Authority, Major Infrastructure Tracking Unit (March 2016).

- Transport £88.4bn
- Energy £117.4bn
- Communications £6bn
- Flood and Coastal erosion £2.7bn
- Science & Research £5.5bn
- Water & Waste £19.7bn
- Social Infrastructure £46.6bn
- Housing & Regeneration £9bn

Constraints on the labour supply

Context

Skilled and experienced people are in demand across the industry. London and the South East are particularly reliant on EU nationals to meet this demand. The UK's post-Brexit immigration regime remains unclear but has the potential to limit the labour supply. The relative weakness of sterling also makes the UK a less attractive destination for overseas workers.

Our response

We develop long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer when resources and materials are in short supply.

We seek relationships that deliver mutual benefits by offering access to training such as our award-winning behavioural safety programme. We aim to provide our partners with greater visibility of our pipeline of projects.

Beyond that, we ensure we actively promote our industry to school and college leavers, graduates and experienced people through platforms such as Open Doors, school presentations and visits to our sites.

Initiatives such as agile working and our focus on wellbeing make Galliford Try a more attractive employer and will help us to attract more diverse applicants for roles, broadening the pool of potential recruits we can choose from.

Our investment in training and development ensures we have the skills we need across the Group.

Strategy to 2021, targets and performance

A three-part strategy for sustainable growth

In 2017, we set out our strategy for sustainable growth over the period to 2021, focusing on three priorities: operational efficiency, capital discipline and operating sustainably.

The Group is making good progress towards these operational objectives. Following the announcement on 10 September 2019 regarding the proposed sale of the Group's housebuilding businesses, the Group is currently reviewing the targets and intends to publish revised medium-term targets in Spring 2020.

1

Drive operating efficiencies

To increase margins, respond faster to changing market conditions and have strong foundations for delivering further sustainable growth.

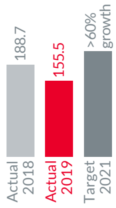
Group

Strategy
Streamline our operations across the Group to make us leaner and more resilient, while supporting our ability to grow.

Progress
Simplified the Construction business to focus it on core markets, while continuing to deliver operational improvements in Linden Homes and to grow Partnerships & Regeneration.

Targets and performance

Pre-exceptional profit before tax £m



2

Maintain capital discipline

To appropriately invest in growth opportunities, maintain a robust balance sheet and continue to pay strong dividends.

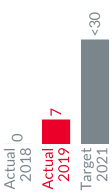
Group

Strategy
- The Group has a resilient and flexible balance sheet. We will continue to manage capital prudently and intend to continue paying good dividends while reinvesting appropriately in growing the business.

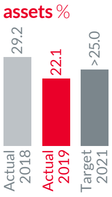
Progress
- Invested £991m in developments in Linden Homes and Partnerships & Regeneration.
- Rigorously controlled cash and debt levels to keep average net debt in line with guidance at £186m.
- Paid a total dividend of 58.0p per share, in line with our policy of having a dividend that is 2.0x covered by pre-exceptional earnings.

Targets and performance

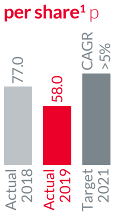
Gearing %



Pre-exceptional return on net assets %



Dividend per share[1] p



- A five-year CAGR (Compound Annual Growth Rate) on dividend of at least 5%.
- Rebuild dividend cover to 2.0x.

3

Operate sustainably

To create longer-term value by balancing financial performance with our obligations to all our stakeholders.

Group

Health and safety

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

Progress
- Strengthened Safety, Health, Environment & Leadership Team (SHELT) chaired by Chief Executive with divisional executive representation.
- Launched a digital platform for our behavioural safety programme Challenging Beliefs, Affecting Behaviour in Construction; and created a tailored version in Partnerships.
- Now operating divisional-specific health and safety management systems, under overall guidance of SHELT.

People

Strategy
- Implement policies and procedures aiming to ensure we have competent and capable employees who demonstrate our values.
- Engage with our employees to identify training and development needs and opportunities to improve business performance.
- Implement awareness and training programmes based on our Code of Conduct to drive fairness, inclusion and respect across the Group.

Progress
- Refreshed our Code of Conduct, Doing the right thing, and continued to embed this within our business.
- Established an Employee Forum to ensure the employee voice is represented at Board level.
- Reviewed all our policies with a diversity lens and continued to support diversity such as through the support of Women in Construction/Property events and initiatives in all three businesses.
- Updated our e-training courses.

Performance

Accident Frequency Rate

Performance

Employee churn rate %

Linden Homes

A

Increase standardisation of layouts and processes.

Progress
Reviewed and refined The Linden Collection of standard layouts. 87% of units in planning are now using standards designs in line with plan.

Introduced industry-leading IT system to further standardise operational processes and produce consistent powerful reporting across all disciplines.

B

Grow volumes and operating margins from existing and new geographies.

Progress
Slightly reduced unit numbers, from 3,442 in 2018 to 3,229, reflecting market conditions and desired gearing level. Operating margin was stable, with supply chain inflation offset by ongoing operational improvements.

C

Maintain an appropriate landbank commensurate with market conditions, while increasing delivery from strategic land and reducing average sales values.

Progress
Maintained landbank at 3.5 years' supply (11,900 plots) replenished at attractive hurdle rates and continued to add value through our strategic land programme, with a focus on progressing sites through the planning process.

Partnerships & Regeneration

A

Grow national footprint by expanding into new geographies.

Progress
Consolidated our fast-growing regional network, and strengthened control with new management structure.

Opened a new office in Yorkshire, winning initial contracts.

Acquired Strategic Team Group in July 2019, a well-established contracting and land-led developer in the North of England to expand our regeneration offering and help accelerate delivery in Yorkshire and the North West.

B

Drive margin improvement by leveraging mixed-tenure expertise.

Progress
Continued to deliver strong growth in mixed-tenure revenues (up 55% to £192m), which now represent 31% of the business. Increased the blended margin from 5.0% to 5.6%.

C

Unlock partners' capacity in sub-markets.

Progress
Continued to work with partners in newer markets such as the private rented sector.

Construction

A

Retain existing platform for sustainable growth.

Progress
Simplified the business to focus it on core markets with long-term growth prospects and appropriate margins.

B

Improve operations to drive margins.

Progress
In addition to the restructuring, continued to invest in people, systems and processes to support operational improvement and productivity.

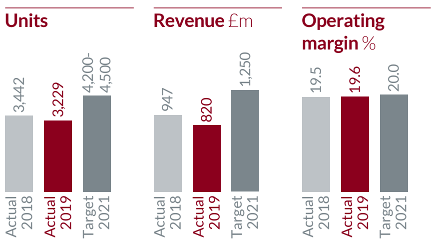
C

Deliver strong, predictable cash flows and margin improvement.

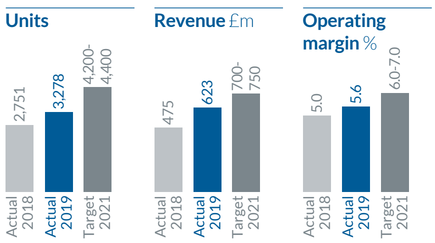
Progress
Maintained our disciplined approach to bidding.

Margins and cash held back by issues on legacy and some newer contracts but the business is now positioned to deliver improved financial performance.

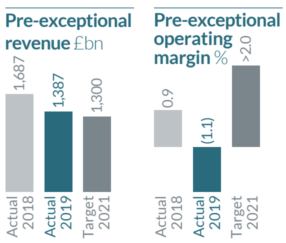
Targets and performance[2]



Targets and performance[3]



Targets and performance[4]



1 As a result of the rights issue in April 2018, the five-year CAGR on dividend of at least 5% was rebased with the 2016 reference dividend per share recalculated using the revised number of shares.

2 As announced in our half year results in 2018, Linden Homes, reflecting market conditions, is now focused on delivering more prudent volume growth, but a stronger improvement in margins. The volume target was therefore adjusted from 4,750-5,000 to 4,200-4,500 units. The business has already reached its 2021 margin target (19-20%). The revenue target is £1,250m (previously £1,250m to £1,350m).

3 As announced in our half year results in 2018, Partnerships & Regeneration expects to exceed its original revenue target, which increased from £650m to £700m-£750m. The volume target range increased from 4,200 to 4,200-4,400.

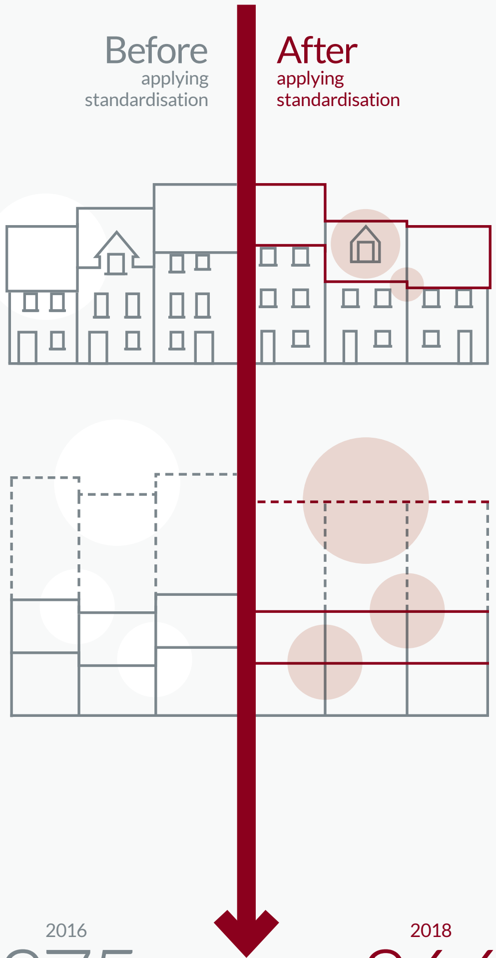
4 As a result of the restructure within Construction to refocus on key strengths in markets and sectors with long-term growth and profitability potential, the business's target annual revenue will reduce to approximately £1.3bn. The cash target is as originally announced.

Strategy in action
Linden Homes

Linden Homes made further strong progress this year, delivering on its strategic objectives, achieving record financial performance, and preparing for further growth and margin progression.

Before applying standardisation

After applying standardisation



Varying eaves heights – complex scaffolding

Timber replaces masonry – quicker, less expensive

Minimal eaves height differences

Varying plot depths – lost land

Standardised plot depths – efficient use of land

Complicated ridge lines

Steps and staggers – build delays/expensive

Steps and staggers removed

Simple plot substitution – footprint identical on three housetypes

2016		2018
£75	Build cost (per sq ft)	£66
25	Build time (weeks)	20

Target production delivery of Linden Collection in 2021

80%

See Business review p38

A

INCREASE STANDARDISATION OF LAYOUTS AND PROCESSES

Efficiency, speed, quality and value

Our strategy
Standardisation represents the core of Linden's strategy to 2021. We recognise the simple idea that repeat delivery of similar units leads to higher margins. This approach also helps us to attract and retain staff and subcontractors, benchmark performance and increase customer satisfaction.

Our progress
We continue to increase the use of standardised layouts and improve processes, allowing our teams to build more efficiently, quickly, to a higher quality, at a lower cost and with shorter lead times. Build times on typical homes are down by 20% and build costs are down by 12%. Additionally, we are now building more homes than at the start of our strategy period. Plotting efficiencies have also made us more competitive in the land market.

Looking forward
Around 26% of our completions are being delivered through The Linden Collection. As we deliver more, and as we continue to review, enhance, and fine-tune The Collection, further benefits will start to come through, such as lower professional fees and product familiarisation helping to attract and retain our supply chain.

Hear what our staff say about the benefits of standardisation. Scan the QR code or visit gallifordtry.co.uk

B

GROW VOLUMES AND OPERATING MARGINS FROM EXISTING AND NEW GEOGRAPHIES

We have the right people in the right places

Our strategy

We have the capacity to deliver our strategic growth plans from our existing office locations. While our main focus is on increasing our operating margin, there is a commitment to growing volume from all of our businesses, within their own geographies and structure.

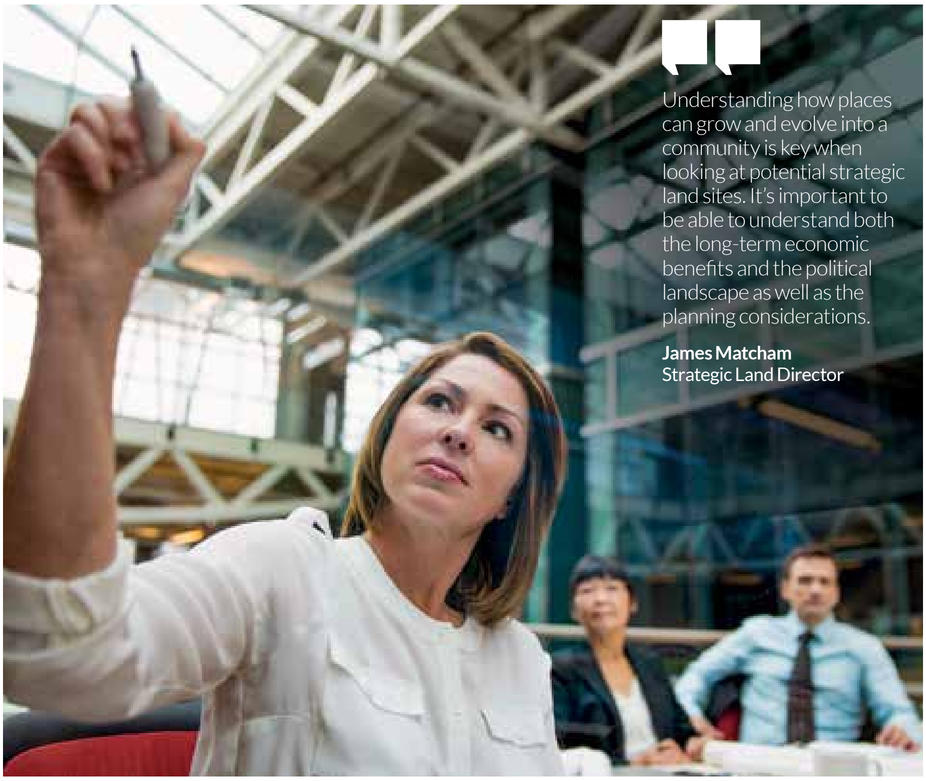
We also see scope to extend our geographical coverage, although this is not necessary to achieve our targets to 2021 and will therefore be led by market conditions and opportunity.

Our progress

Each one of our businesses is now focused on volume delivery from a standardised product in good locations. We have seen a slight reduction in volume as our business units move away from bespoke schemes and high-rise apartments to a more standardised delivery model. This is particularly the case in the South and South East. We have been active in the land markets in locations outside of the M25 and these outlets will start to deliver production in the short to medium term.

The housing market is dynamic and reacts to the wider economy. This is reflected in the way we assess land opportunities as we continue to focus on controlled growth. However, market demand must play a large part in where we look to create new communities in the best locations.

Yuved Bheenick
Land and Planning Director



Understanding how places can grow and evolve into a community is key when looking at potential strategic land sites. It's important to be able to understand both the long-term economic benefits and the political landscape as well as the planning considerations.

James Matcham
Strategic Land Director

C

IMPLEMENT OUR LAND STRATEGY

A strategic, collaborative approach to acquiring land

Our strategy

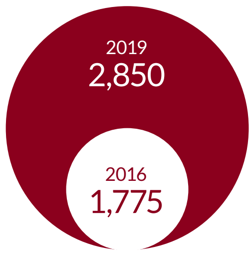
In current market conditions, we continue to believe a landbank of between 3.0 and 4.0 years is appropriate. We have a target for 20–25% of our plots to be delivered from our strategic land portfolio by 2021. We will also continue to selectively use joint ventures, with Registered Providers and other development partners. This decreases our capital commitment in any given market and provides coverage over a larger number of developments, using the same level of investment.

Our progress

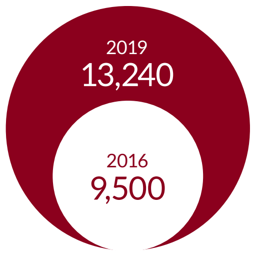
The year-end landbank was 11,900 plots (2018: 11,400 plots), representing around 3.5 years' supply and in line with target. The strategic land programme is progressing well and is delivering sites at very good margins. While the strategic land team has continued to be active in the market, we have now moved into a phase of promotion through the planning system on those assets already under our control.

Strategic land growth and delivery

Acres



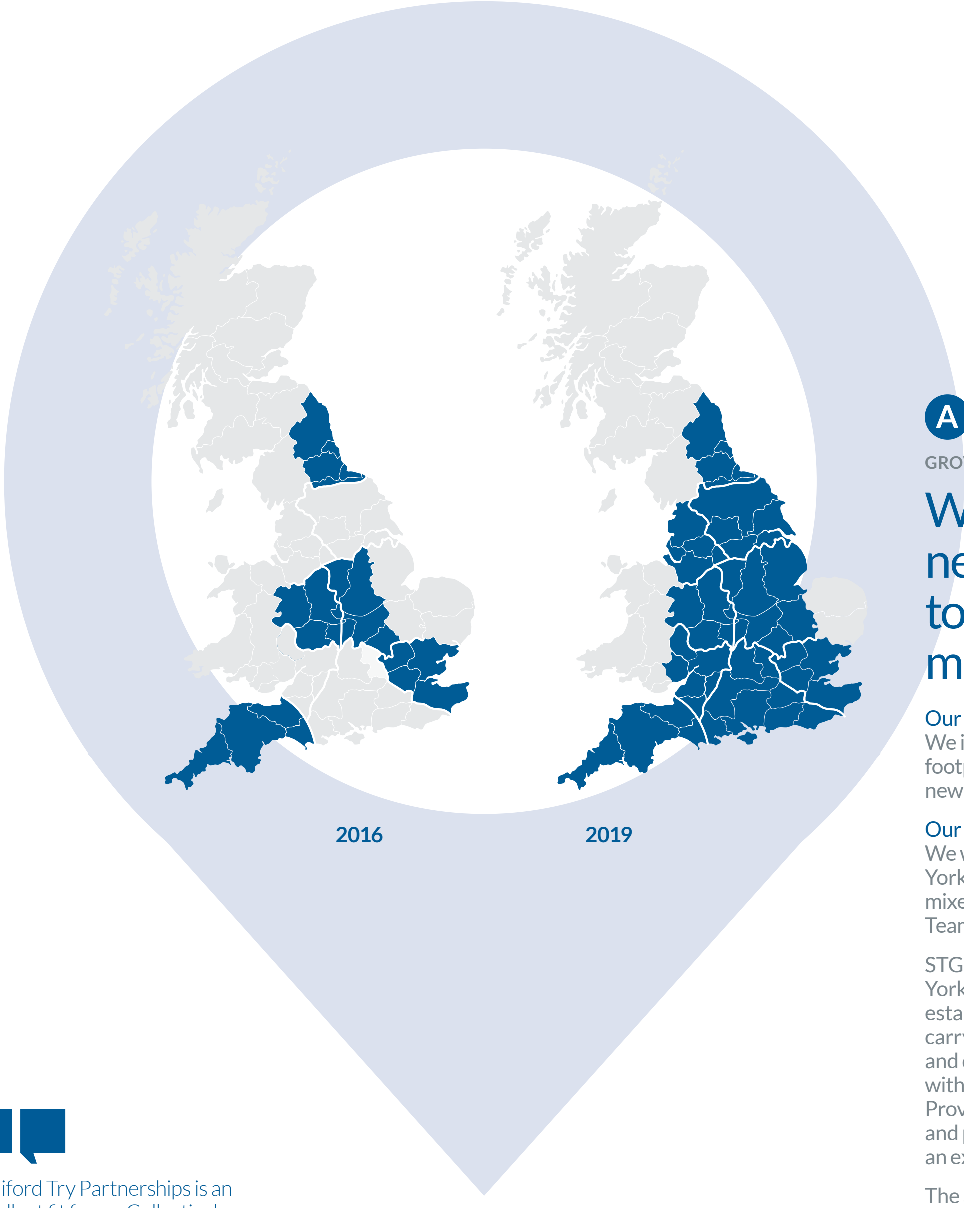
Plots



Strategy in action

Partnerships & Regeneration

Partnerships & Regeneration continued to successfully implement its strategy during the year, helping the business to deliver impressive growth and an improved margin.



A

GROW NATIONAL FOOTPRINT

We are entering new markets to sustain our momentum

Our strategy
We intend to increase our national footprint by expanding into new geographies.

Our progress
We were pleased to acquire Yorkshire-based contracting and mixed-tenure developer Strategic Team Group (STG) in July 2019.

STG, which operates from offices in Yorkshire and Cheshire, has been established for almost 20 years, carrying out residential contracting and development work in partnerships with local authorities, Registered Providers, healthcare authorities and private clients. The business is an excellent fit for our Group.

The acquisition expands Partnerships' national footprint, accelerating growth across the North West.

Galliford Try Partnerships is an excellent fit for us. Collectively, it will enable us to expand our regeneration offering and help accelerate delivery in Yorkshire and the North West, delivering growth in areas where we see real opportunity for housing supply, helping to achieve development objectives for clients.

Andy Watson
Managing Director of STG, now Partnerships Yorkshire

See Business review p41

B

DRIVE MARGIN IMPROVEMENT BY LEVERAGING MIXED-TENURE EXPERTISE

Our unique capital structure gives us an advantage

Our strategy

We will grow our mixed-tenure development revenues by continuing to partner with Registered Provider clients and leveraging Linden Homes' brand and development skills. To fund these developments, we will use cash generated by our contracting activities, along with external debt.

Our progress

We work with our partners to unlock the value of sites and provide the right mix of affordable homes, whether that is shared ownership, affordable rent or affordable homes for sale. A prime example of this is our Brunel Street Works site in London, one of the largest regeneration sites underway in the capital.

Brunel Street Works will provide a mix of tenures over 975 homes, with community spaces that add to the neighbourhood's sustainability and vibrancy. One-third of the site is being delivered as build to rent, one-third as affordable homes and one-third offered as homes for sale. To complement the homes, the scheme includes various commercial elements including a 152 bed Premier Inn Hotel, a local food store as well as a range of other commercial units and local business workshops.

This high-profile regeneration project is revitalising a Greater London Authority (GLA) disused site, close to a major transport hub. The development is being delivered by Opal, a joint venture between Galliford Try Partnerships and Metropolitan Thames Valley Housing. Additional partners in the project include L&Q, Fizzy Living and Linden Homes.

See how we are developing the Brunel Street Works site.

Scan the QR code or visit gallifordtrypartnerships.co.uk

975
total homes

343
affordable homes

C

UNLOCK PARTNERS' CAPACITY IN SUB-MARKETS

Sharing risk is the smart move

Our strategy

We aim to access the markets for specific tenure products by joining with partners who have the capacity to fund projects, allowing us to share risk. Areas of opportunity include the private rented sector, private affordable housing, public sector direct commissioning and housing solutions for older people.

An example of our success

The development agreement we recently signed with Ealing Council enables us to work together in support of the Council's aim to deliver a substantial number of affordable homes in the borough. Under the agreement, we will create a new mixed-use scheme at Perceval House, delivering 470 new homes, alongside council offices and other community facilities.

The proposed development, worth an estimated £275m, includes 50% affordable homes, with more than half of these homes provided at social rent and London living rent.

The plans include a new council headquarters building, a new library and customer services centre, new retail premises and residential and commercial parking areas.

The construction of the new civic centre comes at no cost to council tax payers, as the receipts from the sale of the land and residential units will offset the cost of building the new headquarters.

Strategy in action

Construction

The three elements of our Construction strategy complement each other. We made good progress with retaining and improving our platform this year, with higher margins coming through on new work.

Our strategy

A

RETAIN OUR SOLID PLATFORM FOR SUSTAINABLE GROWTH

We intend to build on our strengths, including our skilled people, health and safety record, national coverage with local delivery, excellent position on frameworks, and focus on the public and regulated sectors.

B

IMPROVE OUR OPERATIONS TO DRIVE MARGIN PROGRESSION

To support our margin progression, we will continue to: improve our risk management; attract, retain and develop a diverse workforce; further enhance our systems and communication tools; and align our supply chain with our operations.

C

DELIVER STRONG, PREDICTABLE CASH FLOWS AND MARGIN IMPROVEMENT

Ensuring we only bid for high-quality work with appropriate margins, while continuing to improve the way we work, will enhance our margins over the period to 2021. This, in turn, will help us to deliver consistent and growing cash flows.

Our progress

Our focus on our people has seen us roll out more than 100 career paths across 17 disciplines. The career paths are job specific, with training and development initiatives attached demonstrating career progression across the business. Our approach is underpinned by our Leadership Framework, which defines the values and behaviours that are important to us.

Construction has also continued to embrace technology and to digitise its business processes and procedures, giving employees quick and easy access to the information they need to carry out their roles and spend less time completing paperwork. In particular:

> We have relaunched our Business Management System (BMS), which comprises tools for planning, monitoring and controlling all areas of operations. The BMS now uses new process maps that outline the business functions each member of staff is involved in as part of their daily duties. It highlights interactions between all departments and individuals to support effective collaboration. The new system also ensures that all business units operate consistently and within our governance framework and quality controls.

> We have digitised our behavioural safety programme Challenging Beliefs, Affecting Behaviour to provide our staff with easy access to all its resources from their mobile phones.

> We have also continued to expand the use of virtual reality in health and safety training, introducing a new programme relating to falling objects.

> We held an Innovation Day for leaders across Galliford Try, with presentations from Microsoft, Oracle and other digital partners, exploring technological opportunities across the Group. We are already well advanced using robotic process automation at Group.

Taking the robot out of human

We have introduced Robotic Process Automation (RPA) in our Shared Service Centre, which among other things processes significant amounts of data such as 400,000 invoices per annum.

RPA works with software applications in the same way as a person would in that it can mimic keyboard strokes and mouse clicks. Its software application is agnostic in that it can work with any of our software products in isolation or jointly, for example, Excel, Outlook, Word and Oracle.

We are currently using RPA for repetitive, time-consuming processes such as running and saving reports and undertaking simple reconciliations, freeing our staff to work on more complex tasks.

To date, we have a number of processes running, saving in the region of 18,000 hours per annum.

18,000

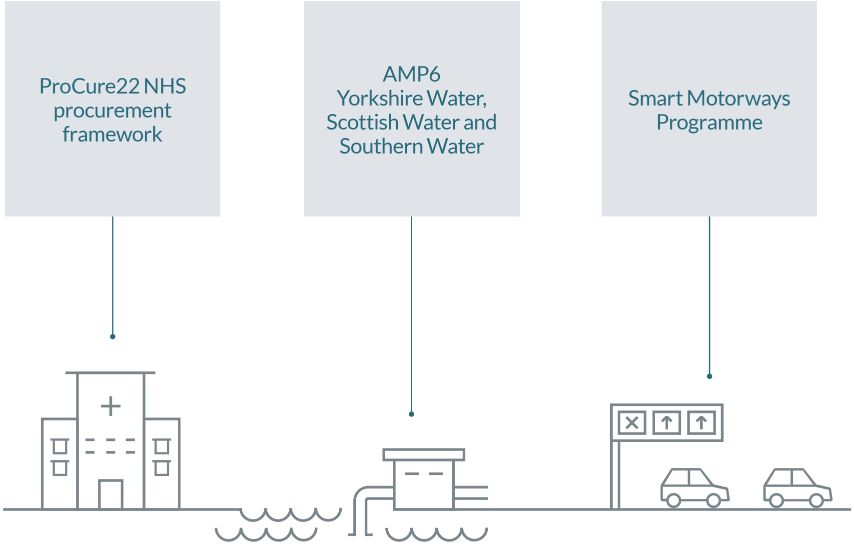
hours saved per annum

See Business review p43

Key framework positions

We look to form long-term partnerships with our clients, aligning their needs on a project-to-project basis with their long-term ambitions and requirements, and are consequently a valued partner on many key frameworks.

- Education and Skills Funding Agency's school building framework (six lots).
- Next Generation Estate Contracts (NGEC) Regional Capital Works Framework with Defence Infrastructure Organisation (DIO) and Crown Commercial Service (CCS) Capital Works Frameworks.
- ProCure22 NHS procurement framework.
- hub North Scotland, hub South East Scotland, hub South West Scotland and hub West Scotland.
- Scottish Procurement Alliance.
- Southern Construction Framework (South West, South East and London), North West Construction Hub and YORbuild.
- University of Strathclyde major building works framework.
- Highways England Collaborative Delivery Framework.
- Manchester Airports Group Capital Delivery Framework.
- Gatwick Airport's Capital Delivery Framework.
- Environment Agency's Water and Environmental Management Framework and Natural Resources Wales.
- AMP6 – Yorkshire Water, Scottish Water and Southern Water.
- North East Procurement Organisation.
- Smart Motorways Programme.
- Highways England pavements framework.
- Midland Highways Alliance.
- Network Rail Control Period 5.
- Urban Vision.
- South Tyneside Council highways programme.



Top
We are an established construction provider within the defence sector, providing solutions for both the Ministry of Defence (MoD) and its specialist supply chain.

Above
Partnerships such as our one with hub North Scotland allow us to work collaboratively to deliver exceptional schemes such as Kirn Primary School, one of Argyll and Bute Council's flagship projects.

Stakeholder relationships

Stakeholder interests are a critical factor in the decisions we make

Galliford Try is committed to doing business in the right way, proactively considering the interests of all our stakeholders in the decisions we make.

We recognise the importance of our stakeholders' views and actively listen and respond to their concerns at all levels of the organisation to ensure we consider and respond to their interests. Engagement is extensive and tailored at both project level and at Group/division level. Some of the ways that we engage are shown to the right.

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the company for the benefit of its shareholders and to also have regard to how the Group's activities and decisions taken by the Board will impact on its stakeholders.

We have taken into account our approach to understanding the views of stakeholders, how we can engage more effectively with them and the extent to which engagement feedback from stakeholders is to be fed back to the Board. The introduction of both a Stakeholder Steering Committee and Employee Forum underlines our commitment to ensuring that there is an effective mechanism in place for gathering the views of our employees and our other stakeholders and feeding them back to the Board. This ensures that the Board has an overview of the totality of the engagement that the Group undertakes to inform whether it is sufficient for the purpose of informing discussion at the Board.

Throughout 2019, the Board will continue to build on the work that has been undertaken to review the effectiveness of engagement with the Group's stakeholders. We will report on our progress in the Group's next annual report.

As reported on page 12, in April 2019, we announced a strategic review of Construction. In making this difficult decision, the Board carefully reviewed the impacts that the implementation of the operational changes would have on all affected stakeholders and how they could be mitigated as much as possible.

Employees

We employ 5,184 people, who we rely on to deliver our activities.

Interests

- Culture, vision, values and pride in job.
- Health, safety and wellbeing.
- Career development.
- Rewards and benefits.
- Sustainability.
- Equal rights.
- Opportunities to achieve their potential.
- Flexible working.
- Pensions.
- Job security.
- Company performance.

Associated risks

The ability to attract, develop, retain and build relationships with a diverse range of high-quality employees affects every level of the Group, from developing and building our products to succession planning.

A skills shortage would make it difficult to deliver projects for our clients and customers.

A significant safety incident at one of the Group's developments or a general deterioration in the Group's H&S standards could put the Group's employees, subcontractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to the Group's reputation.

How we engage

- Induction process.
- CEO Roadshow and emails from the Executive.
- Employee magazine and local staff newsletters.
- Training and e-learning modules.
- Intranet, websites, social media and Yammer.
- Performance Development Reviews.
- Conferences.
- Employee Forum and staff briefings.
- Employee survey.
- Toolbox talks.
- Graduate programme and welcome.
- Apprenticeships and work experience.
- Employee Assistance Programme.
- Careers fairs, school and college visits.
- Open Doors and other initiatives.
- Whistleblowing hotline.
- External feedback sites such as Glassdoor and JobCrowd.
- Specific newsletter feedback and exit interviews.

Clients and customers

Satisfied clients and customers are essential for a sustainable and profitable business.

Interests

- Ability to deliver.
- Health and safety.
- Cost and value.
- Quality.
- Service.
- Reputation.
- Innovation.
- Financial stability.
- Collaboration.
- Relationships.
- Responsiveness.
- Environmental impact.
- Achieving their sustainability targets.

Associated risks

Failure to meet the build quality and service expectations of our clients or home buyers may damage our reputation and therefore have an adverse effect on our private sales rates, or ability to win new work, especially in markets where we are reliant on repeat business with key clients.

How we engage

- Ongoing engagement with key clients and bodies such as the Ministry of Housing, Communities and Local Government and Homes England.
- Websites.
- Press coverage.
- Social media.
- Email and telephone.
- Contract negotiation and management.
- Information packs.
- Client and customer meetings.
- Exhibitions.

Suppliers and subcontractors

We rely on our supply chain to deliver our housebuilding, construction and regeneration projects.

Interests

- Health, safety and wellbeing.
- Pipeline of work.
- Fair treatment.
- Prompt payment.
- Collaborative relationships.
- Relationships.
- Access to training and learning opportunities.

Associated risks

A lack of capacity in key subcontractor trades or materials markets can cause delays in construction programmes, reduced quality and increased costs.

We recognise that slavery and human trafficking are significant human rights issues and are committed to taking appropriate and proportionate steps to mitigating the risk of these occurring within our business and our supply chain.

How we engage

- Advantage through Alignment.
- Meet the Buyer events.
- Social media.
- Subject Access Requests.
- Meetings.
- Workshops.
- Conferences.
- Email and telephone.
- Toolbox talks.
- Trade associations.
- Whistleblowing hotline.
- Contract negotiation and management.

Shareholders

We must act in the interests of our shareholders and investors to maintain the capital needed to fund our activities.

Interests

- Strategy and progress.
- Financial performance and trading.
- Impact of Government policy.
- Reputation.
- Operating markets.
- Dividend policy.
- Remuneration.
- SAYE schemes.
- Risks to the business.
- Succession planning.
- Corporate governance.
- Culture.
- ESG matters.

Associated risks

Lack of confidence from shareholders and investors could result in divestment from the business and reduce shareholder value.

How we engage

- Results presentations.
- Capital markets days.
- Webcasts.
- Conference calls.
- Annual Report.
- Annual General Meeting.
- Regulatory announcements.
- Analyst briefings.
- Website and video.
- Meetings and roadshows.
- Site visits.
- Press coverage.

Communities

We build homes, buildings and infrastructure in existing communities and must meet their needs so we are welcomed and can carry out our work.

Interests

- Meeting housing need.
- High-quality buildings, homes and infrastructure.
- Employment opportunities and use of local labour.
- Supporting local causes.
- Environmental concerns.

Associated risks

Not building relationships with the communities we work in would adversely impact our reputation and could result in communities not wanting us to build where they are.

How we engage

- Town hall meetings.
- Local newsletters.

- Website and social media.
- Exhibitions.
- School and college visits.
- Open Doors and other initiatives.
- Supporting charities and sponsoring events.
- Providing work experience.
- Complying with Considerate Constructors Scheme principles.

Local authorities and housing associations

Local authorities and housing associations allocate funding/capital for many social housing projects. Local authorities also grant planning permission.

Interests

- Meeting housing need.
- Quality of product and services for the communities they serve.
- Creating employment and use of local labour.
- Supporting local causes.
- Making a positive impact on communities.

Associated risks

A lack of funding or poor relationships would impede our ability to secure funding and planning for our developments.

How we engage

- Ongoing engagement.
- Meetings.
- Email and telephone.

Landowners, agents, development partners

We must work successfully with these groups to ensure we are able to acquire and promote land needed to build our homes on.

Interests

- Ability to deliver.
- Cost.
- Quality.
- Reputation.
- Local community.
- Environment.

Associated risks

An inability to buy land at the right prices would impact our ability to ensure we have the right supply of land to deliver our ambitions.

How we engage

- Meetings.
- Information packs.
- Contract negotiation and management.

Principal risks

Delivering sustainable growth through effective risk management

The ability to identify, assess and manage risks and uncertainties is critical to achieving our strategy of sustainable growth and is an integral element of our management processes.

Our approach to risk and internal controls

Risks and uncertainties are inherent in what we do. In Construction & Investments and Partnerships & Regeneration we deliver value to our clients by managing complex construction projects that require us to co-ordinate many different stakeholders and manage a diverse range of risks. Our housebuilding businesses are also exposed to the housing market risk and the additional risks associated with being a consumer-facing business. All our businesses operate in a dynamic environment where changes in regulation, Government policy or technology can have a significant impact on our business.

The Board has overall responsibility for maintaining oversight of the Group's processes for identifying, assessing, managing and reporting on principal risks and the system of internal controls designed to manage them. The Board has reviewed the principal risks and uncertainties, including those that would threaten its business model, future performance, solvency or liquidity, together with the key mitigations in place, and the most significant risks are presented on pages 28 to 31. There may be other risks and uncertainties besides those listed which may also adversely affect the Group and its performance.

The Audit Committee has reviewed the risk management process and internal control framework, together with the findings of the Internal Audit function over the past year, which may indicate weaknesses that have had, could have had, or may have in the future, a material impact on the results, and remedial actions taken. Based on these assessments, the Board is satisfied with the effectiveness of the Group's systems of risk management and internal control, as detailed on page 62.

Risk appetite

Our risk appetite, defined as the nature and level of risks that we are prepared to be exposed to is discussed and agreed by the Board and is expressed in our Group strategy. This attitude to risk is then applied by the businesses and business units in their annual business plans and day-to-day operations. For example, at Group level, we have stated that we will not bid for major projects on a fixed-price, all-risk basis. At the business unit level, this appetite informs how opportunities are assessed and is enforced through the governance and review controls over bidding.

Emerging risks

During the year, we have developed our approach to identifying and managing emerging risks. Although this remains an evolving process, we have agreed the following key design features of our approach:

- At a Group level, the emerging risk process is aligned to the strategic planning cycle. Emerging risks are identified and assessed as part of the annual strategy away day and at the Group's Risk Committee, and mitigating responses incorporated into the strategic plan.
- At a divisional level, the emerging risk process is aligned with the annual business planning cycle with strategic responses incorporated into annual business plans.
- At a business unit level, management continue to focus solely on principal risks, although these may include risks that are longer term and less certain in nature.
- Emerging risks are assessed in terms of timeline and velocity as opposed to impact and likelihood.

In addition to developing our proposed approach, we have also performed an initial exercise to identify key emerging risks. While there are differences between the three businesses, some of the more common emerging risk themes are:

- Potential for new competitors with radically different business models to enter the market.
- Failure to make the right strategic decisions in relation to the investment in and adoption of modern methods of construction.
- Radical reform of land and planning regulation.
- Increased frequency of extreme weather conditions.
- Uncertain evolution of the structure of the construction value chain and the role of tier one contractors.
- Failure to adapt to the changing expectations of the workforce of the future.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board has assessed the prospects of the Group over a period of three years in line with its typical business planning and risk management review period.

The Group's budget includes information in relation to the Group's revenues, profits, cash flows, dividends, net debt and other key financial and non-financial metrics. The plan considers the potential impact of the principal risks to the business as described from pages 28 to 31, the cyclical nature of the markets in which the Group operates, and incorporates an appropriate level of flexibility to mitigate against these risks. This is achieved through the preparation of sensitivity analyses on a range of scenarios, including variations in revenue, house prices, sales rates, build costs, cash generation and access to financing.

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

Risk management governance structure and process

The Group's risk management and governance structure is designed to facilitate both a bottom-up and top-down view of risk.

Audit Committee

Responsible for keeping under review the adequacy and effectiveness of the group's risk management processes and systems of internal control, and for reviewing and approving statements included in the Annual Report concerning internal controls, risk management and the Viability statement.

Risk and Internal Audit

Facilitates the identification, reporting and management of risk throughout the governance structure.

Executive Risk Committee

Chaired by: General Counsel and Company Secretary. Managed by: Director of Risk and Internal Audit. Meets three times a year and reviews the latest versions of each of the three divisional risk registers.

Regularly attended by non-executive directors.

plc Board

Sets out frameworks to identify, report and manage risks.

Executive Board

Responsible for implementing risk management and internal control, together with their day-to-day operation.

Divisional Risk Registers

Linden Homes

Galliford Try Partnerships

Construction & Investments

Group Services

Business unit Boards

Review the risk register twice a year

One review is facilitated by the Group Risk and Internal Audit function and includes an assessment of the likelihood and impact of each risk.

The same process is used to identify and assess key risks at a divisional level.

Business unit Risk Registers

Captures the principal risks applicable to that business, the key mitigations in place and what further action is required to manage the risk.

Principal risks
continued

Across our 12 principal risks, we have assessed the following six risks as increasing.

Economic

Movement in the year ↑

Link to strategy

1 2 3

The Group's businesses could be adversely affected by any macro-economic factors that reduce sales prices or transaction volumes in the UK residential property market or cause a reduction or deferment in construction activity.

Movement in the year

- During the second half of the year, the housing market has been constrained by low consumer confidence, largely driven by the ongoing uncertainty over Brexit. However, most market forecasts predict a recovery in consumer confidence once the uncertainty has reduced. The market fundamentals of shortage in supply and good availability and affordability of mortgage finance remain supportive of continued consumer demand and sustainable house price growth.
- Within our Construction & Investments markets, there is some evidence of reduced opportunities and delays in project starts, also driven largely by ongoing Brexit uncertainty.

Mitigation

- We manage the potential impact of an economic downturn by building a strong order book and maintaining an appropriately-sized landbank.
- Hurdle rates on land acquisitions are strictly applied and are regularly reviewed.
- Where appropriate, we use joint arrangements to reduce capital employed and share risks.
- We manage our financial gearing by setting a maximum period-end level of net debt, and minimum facility headroom buffers, at all times, which we monitor continually.

Key risk indicators

- Interest rate increases.
- Consumer spending decreases.
- Unemployment increases.

Actions in 2018/19

- Continued to monitor the likelihood of interest rate rises, sales rates and visitor levels.
- Developed and rolled out standard house types to reduce costs and protect margins.
- Maintained capital discipline with average net debt well within facility levels.

Government

Movement in the year ↑

Link to strategy

1 3

A reduction in direct Government spending on infrastructure projects such as schools, hospitals and transport, a reduction in indirect funding of social housing development or the withdrawal of schemes such as Help to Buy would directly affect our businesses. Other Government policy initiatives, such as reform of the planning system, changes to public sector procurement or changes in tax policy also have the potential to cause disruption in our markets and increase the cost of doing business.

Movement in the year

- Developments during the year have helped to provide clarity on the direction of Government policy in a number of areas, most notably, the extension of Help to Buy to 2023.
- However, the political climate remains highly volatile and there is the potential for a wide range of developments and outcomes. This could result in unexpected shifts in Government policy, particularly in relation to planning and housing which could have a significant adverse impact on our housebuilding businesses.
- Uncertainty in relation to the Government's post-Brexit fiscal policy could result in the cancellation and/or delay of publicly-funded construction and infrastructure projects.

Mitigation

- The Group regularly engages with the Government and Homes England, both directly and via our membership of industry bodies. Prudent pricing models, increased hurdle rates and other contingencies are built into our land appraisal process, including the removal of any Government support.

Key risk indicators

- Removal of the Help to Buy scheme.
- A slowdown in public sector tenders.

Actions in 2018/19

- Ongoing engagement with key clients and bodies such as the Ministry of Housing, Communities and Local Government and Homes England to feed back on emerging policy and potential and current issues.
- Undertaken a strategic review of the Construction & Investments business to simplify the structure and concentrate on sub-sectors and markets with long-term growth and profitability potential.

Commercial

Movement in the year ↑

Link to strategy

1 3

A failure to agree appropriate commercial terms or to manage fixed-price contracts effectively can result in costs not being recovered from our clients and therefore reduced profits or, in some cases, losses on projects.

Movement in the year

- Failure to manage commercial performance of projects continues to be an inherent risk across all businesses, particularly on work for clients in Construction and Partnerships. A more adversarial approach to the management of contracts by some clients and subcontractors has increased the risk of disputes, delays in cash recovery and reduced project margins.

Mitigation

- We continue to provide management focus on our existing fixed-price contracts, no longer undertake infrastructure contracts on a fixed-price all-risk basis, and have robust review and approval controls for bids and contracts of this kind. We use a risk-based heat map tool to support contract selection and bid approval.

Key risk indicators

- Profit margins.
- Slow or difficult cash recovery.

Actions in 2018/19

- Simplified the management structure in our Construction & Investments business in order to provide senior management with greater visibility of contract performance.
- Strengthened our Commercial functions and introduced a programme of project commercial audits overseen by the Group Internal Audit function.

1
Drive operating efficiencies
To increase margins, respond faster to changing market conditions and have strong foundations for delivering further top-line growth.

2
Maintain capital discipline
To appropriately invest in growth opportunities, maintain a robust balance sheet and continue to pay strong dividends.

3
Operate sustainably
To create longer-term value by balancing financial performance with our obligations to all our stakeholders.

Supply chain and joint arrangement partners

Movement in the year ↑

Link to strategy
1 3

A lack of capacity in key subcontractor trades or materials markets can cause delays in construction programmes, reduced quality and increased costs. Failure of joint arrangement partners could impact programmes, costs and liability.

Movement in the year
- The availability of key consultants and trades has not changed significantly, with bricklaying and design consultants continuing to be the main areas where lack of capacity can be an issue. There has been an increase in subcontractor insolvency in the construction sector in the past year which could result in project delays and additional costs which may not be recovered from our clients.
- There is a potential risk to our supply chain in the event of a no-deal Brexit if we are unable to get imported materials into the country.
- Longer term, the end to freedom of movement and the lower value of sterling may reduce the number of EU nationals working in the UK which could result in labour shortages and therefore cost inflation, particularly in London and the South East.

Mitigation
- The Group aims to develop long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer if and when resources and materials are in short supply.
- The Advantage through Alignment programme in our Construction business facilitates greater engagement with our key supply chain partners and provides them with greater visibility of our pipeline of projects.
- We ceased bidding for major fixed-price, all-risk contracts that would typically be undertaken in joint arrangements.
- All proposals to enter joint arrangements are scrutinised by management with the required due diligence undertaken on the project and partner.

Key risk indicators
- Material and trade shortages.

Actions in 2018/19
- Established a Stakeholder Steering Committee to manage our actions relating to key stakeholders such as customers and clients.
- Engaged with our principal supply chain partners to seek reassurances in relation to their preparedness for a no-deal Brexit.
- Continued to embed Advantage through Alignment.

Balance sheet strength

Movement in the year ↑

Link to strategy
1 2 3

Given the nature of our three businesses, cash forecasting inevitably includes subjective estimates which carry intrinsic risk of error. Poor cash forecasting can impact business planning, investments and reporting of financial information.

Movement in the year
- Delays in receiving cash continues to be a risk, particularly on some of our Construction contracts where the timing of cash recovery is dependent on the outcome of claims or adjudication processes which can be protracted.
- Tightening of requirements around subcontractor and supplier payments under the Prompt Payment Code.

Mitigation
- Each business unit reviews its cash forecast monthly and the Group prepares a detailed daily cash book for the following eight-week period to highlight any risk of intra-month fluctuations. These forecasts are reviewed at business unit, business and Group level.

Key risk indicators
- Monthly/weekly cash forecasts prove to be inaccurate.

Actions in 2018/19
- Put in place an action plan optimising our systems and processes to meet the Prompt Payment Code's newer requirements.

Latent defects

Movement in the year ↑

Link to strategy
1 2 3

Significant liabilities and costs may arise from the requirement to rectify latent defects identified several years after practical completion and handover to the client. This includes, but is not limited to the cost of rectifying any cladding or fire protection systems that are no-longer compliant with revised building regulations post-Grenfell.

Movement in the year
- The risk of claims arising from latent defects is a growing risk for our Construction and Partnerships businesses. This is partly driven by the knock-on effects of the Grenfell Tower fire as clients review their cladding and fire-protection systems, but also a more general rise in clients appointing consultants to identify potential defect claims, especially just before the liability period ends.

Mitigation
- We select competent designers and contractors to work with and use specialist consultants at key review stages.
- We are embedding 'Delivering Excellence' principles into all stages of project delivery.

Key risk indicators
- Frequency and value of defect claims.

Actions in 2018/19
- Refreshed BMS to allow better control and delivery of projects.
- Taken tighter control of build quality.
- Working more closely with a more robust supply chain.

Principal risks
continued

Across our 12 principal risks, the following six risks remain unchanged.

Health and Safety (H&S)

Movement in the year

Link to strategy
3

A significant safety incident at one of the Group's developments or a general deterioration in the Group's H&S standards could put the Group's employees, subcontractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to the Group's reputation.

Movement in the year
- H&S is a significant and ever-present risk in the construction sector and as such, the inherent risk remains largely unchanged. However, the trend towards larger fines for breaches in H&S legislation means that the potential financial penalties in the event of conviction are increasing.

Mitigation
- We have operational controls in place, including an H&S site risk assessment for every site. Compliance with our H&S policies and procedures is assessed through regular audits and the safety performance on our sites is monitored at all levels in the organisation.
- Both the 'Golden Rules' and H&S database and the award-winning Challenging Beliefs, Affecting Behaviour safety programme help to reduce risk in this area.
- We have developed and implemented a mental health awareness programme and promote the resources available to our staff through the construction sector's 'Mates in Mind' mental health charity.

Key risk indicators
- Increase in near misses and injuries.

Actions in 2018/19
- The Safety, Health and Environment Leadership Team (SHELT), is now chaired by the Chief Executive, and attended by members of the Executive Board for each business, and provides oversight of health and safety policy and performance.
- The devolved structure that was introduced in 2017/18 is bedding in well and the divisional functions are providing a more targeted service that meets the needs of the different businesses across the Group.

Legal and regulatory

Movement in the year

Link to strategy
3

The legal and regulatory environment in which the Group operates is complex with the business required to comply with the legislation in relation to a wide range of areas, including bribery and corruption, competition, money laundering, health and safety, data privacy and building regulations.

Movement in the year
- While this remains a complex area of risk, there have been no significant new legal or regulatory changes during the year and our compliance activities have continued to evolve.

Mitigation
- The Group has comprehensive policies and guidance at every level including the Group's Code of Conduct, mandatory e-learning for all employees, regular legal updates and briefings, six-monthly compliance declarations, and conflicts of interest registers and authorisations. In addition, an anonymous and independent whistleblowing helpline is available to all staff.

Key risk indicators
- Increases in whistleblowing.
- Increases in health and safety near misses.

Actions in 2018/19
- Updated and re-launched our Code of Conduct with supporting communications and e-learning modules.
- Changed the remit of the GDPR steering group to focus on monitoring ongoing compliance.

Customer satisfaction and quality control

Movement in the year

Link to strategy
1 2 3

Failure to meet the build quality and service expectations of our clients or home buyers may damage our reputation and therefore have an adverse effect on our private sales rates, or ability to win new work, especially in markets where we are reliant on repeat business with key clients.

Movement in the year
- The inherent risk remains unchanged and customer service continues to be an area of focus across all businesses, particularly where we have repeat business with key local and nationwide clients.

Mitigation
- There are rigorous quality control procedures in place in all three of our businesses. The Linden Way defines our approach to delivering an excellent customer experience at each stage in the housebuilding process. Within our Construction and Partnerships & Regeneration businesses, quality control is embedded within the business management system policies and procedures.

Key risk indicators
- Customer satisfaction scores decline.
- Failure to hit key milestones in project plan.
- Decreased level of client retentions.

Actions in 2018/19
- Continued the focus on customer satisfaction in all divisional and business unit Board meetings.
- Established a Customer Service Improvement Forum in our Partnerships & Regeneration business with representatives from all business units and departments.
- Continued to make progress with our 'Delivering Excellence' programme for clients.
- Established a Stakeholder Steering Committee to manage our actions relating to key stakeholders such as customers and clients.

1

Drive operating efficiencies

To increase margins, respond faster to changing market conditions and have strong foundations for delivering further top-line growth.

2

Maintain capital discipline

To appropriately invest in growth opportunities, maintain a robust balance sheet and continue to pay strong dividends.

3

Operate sustainably

To create longer-term value by balancing financial performance with our obligations to all our stakeholders.

People

Movement in the year

Link to strategy

1 3

The ability to attract, develop, retain and build relationships with a diverse range of skilled employees impacts every level of the Group, from developing and building our products to succession planning for the Board.

Movement in the year

- This risk is particularly significant for the Partnerships & Regeneration business as it continues to grow and bring new people into the business. Across the rest of the Group, this risk is relatively stable although the strategic review within the Construction & Investments business has increased the risk of disengagement and staff churn in that business.

Mitigation

- The Group has an established HR strategy based on best practice principles and relevant legislation which, among other things, includes the regular review of remuneration and benefits packages to ensure we remain competitive. Our succession planning and talent management processes enable continuity and identification of future leaders.
- Launched an Employee Forum and Stakeholder Steering Committee to provide representation of the employee voice at Board level.
- We operate graduate and trainee programmes to develop our own pipeline of talent.

Key risk indicators

- Increase in staff churn.

Actions in 2018/19

- Successfully deployed existing succession plans to ensure a smooth transition in a number of Board and senior management roles.
- Continued to grow and increase the capability of our in-house recruitment teams and reduce the use of agency staff.
- Developed a 12-month onboarding plan within the Partnerships & Regeneration business.
- Overhauled our senior and middle management training programmes, to continue to develop our teams.
- Continued to promote our Agile Working and Be Well programmes.

Cyber security

Movement in the year

Link to strategy

1 2 3

Loss of data from or loss of access to our IT infrastructure and applications, especially our financial system, through either natural disaster or a malicious cyber-attack, may affect our ability to carry on day-to-day business.

Movement in the year

The threat from cyber attacks continues to grow and become more sophisticated. However, we have made good progress in implementing tools to protect and monitor our networks and data.

Mitigation

- Disaster recovery plans are in place and are regularly reviewed and tested, including the performance of penetration testing.
- A mandatory cyber security e-learning module has been developed and rolled out to all staff.
- Tools to protect and monitor our networks and data such as scanning of email attachments to detect and intercept malware.

Key risk indicators

- Increased system down time.
- Number of attacks on the network.

Actions in 2018/19

- Performed an audit of our cyber security governance and control framework using specialist cyber security auditors.
- Introduced dual factor authentification.
- Introduced additional network monitoring and threat identification tools.
- Strengthened corresponding section of Code of Conduct and refreshed e-learning module.

Growth

Movement in the year

Link to strategy

1 2 3

The strong growth of the Partnerships & Regeneration business, in terms of revenue and geographic footprint, may increase the risk of quality issues or non-compliance with controls due to the pressure on resources and the limited capacity of management to provide the same level of oversight.

Movement in the year

- The risks associated with growth in the Partnerships & Regeneration business remain as the business continues to grow both organically and through the acquisition of the Strategic Team Group. However, as the business grows, new management structures and more standardised systems and processes are being implemented to manage these risks.

Mitigation

- Strong management teams are in place within each business to ensure that growth plans are well-managed. In addition, the Executive Board and plc Board regularly monitor the financial performance of each business.

Key risk indicators

- Failure to achieve growth targets.
- Poor customer satisfaction scores.

Actions in 2018/19

- Implemented a regional management structure to facilitate continued growth while maintaining senior leadership and oversight.
- Updated and relaunched the Business Management System.
- Continued to recruit effectively into senior leadership positions.

Our business
Strategic review
Business review
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Principal risks
continued

Monitoring Brexit, and planning for possible disruption

> We have looked closely at the various risks that arise from the many possible permutations of Brexit, and have a plan to mitigate them.

The terms on which we leave the EU are still uncertain and a 'no-deal scenario' remains one possible outcome. Throughout the year, the Board has monitored the developments in the withdrawal process and updated its assessment of the potential impacts of a no-deal Brexit for our businesses, reviewed the actions already taken and assessed what further action should be taken to prepare for this outcome.

The nature of this risk is such that the potential impacts are difficult to predict with a high degree of certainty. However, there are broadly three ways in which the business could suffer a significant negative impact in the event of a no-deal Brexit, as detailed below in addition to the risks described on pages 28 to 31.

A significant reduction in the volume and price of house sales

The short-term disruption to existing trade and regulatory arrangements, uncertainty around the long-term relationship with the EU and the potential political fall-out from a no-deal Brexit, are all likely to contribute to reduced levels of investment and output in the UK economy. In this context, it is possible that reduced consumer confidence will exacerbate the current challenging conditions in the housing market, possibly leading to a downturn, which clearly would have an adverse effect on volumes, revenue and margins in our housebuilding businesses.

Although a no-deal Brexit may trigger a reduction in activity in the housing market, a downturn in the market would not be a new risk for the business. The potential strategic and tactical responses to protect margin in a difficult market are well-understood by our housebuilding businesses and are under constant review. Therefore, although this is likely to have the biggest impact, it is not necessary to define any specific Brexit-related actions, over and above the actions we are already taking to manage the housing market risk as part of the business as usual management process.

Programme delays due to disruption to our supply chains

The precise effect of leaving the single market and customs union and reverting to trade based on World Trade Organisation rules is uncertain. However, most commentators are predicting that some degree of disruption to the transit of goods entering the UK from the EU would be likely, due to the requirement to introduce additional checks at either the EU or UK border. This could result in delays to our build programmes if either we, our subcontractors or their suppliers are unable to get imported materials into the country and on to our sites when required.

Cost increases due to tariffs, devaluation of sterling or alternative sourcing

There is a risk that the cost of materials we import from EU27 countries increases due to the imposition of customs duties, a devaluation in sterling or possibly the pass-through of increased customs administration costs. Even if we seek to source these materials from UK suppliers, we may not be able to do so at the same or lower cost than the comparable EU alternatives.

In addition to the above three risks, there are longer-term impacts of leaving the EU, either with or without a withdrawal agreement. For example, the effect of the end of free movement of labour on the availability of skilled tradesmen in our supply chain.

Actions taken

In the event of a no-deal Brexit, the Board has taken proportionate and targeted actions to ensure that we have understood the potential risks and, where appropriate, put in place contingency plans. Examples of the actions we have taken include:

- Communicating the details of the Government's Settled Status scheme to all directly-employed and subcontractor staff through our 'Get Settled' communications programme.
- Ongoing engagement with our key supply chain partners to understand the status of their no-deal contingency plans, specifically in relation to the import of materials from the EU.
- Assessing the risk on a project by project basis and where appropriate, stockpiling sensible levels of materials that are critical to the build programme.

Financial review

A strong financial position

Our strong financial position can be attributed to operational improvements, our disciplined approach and maintenance of a strong, flexible balance sheet.

Andrew Duxbury
Finance Director

Highlights

- Solid financial performance at the pre-exceptional level, with impressive growth in Partnerships & Regeneration and strong margins in Linden Homes.
- Construction performance held back by previously announced £40m of restructuring costs and write-offs against legacy and current contracts, of which £33m is classified as exceptional.
- Maintained a strong balance sheet, with year-end net debt of £56.6m and average net debt during the year of £186m, compared with total debt facilities of £550m.
- Rigorous control of investment in working capital, to support business growth.

Results

Group

Revenue for the year was £2,863m (2018: £3,132m). Group revenue, which excludes our share of joint ventures and includes revenue from part-exchange properties, was £2,711m (2018: £2,932m).

Pre-exceptional profit from operations, which excludes our share of joint ventures' interest and tax, was £177.8m (2018: £213.1m). Pre-exceptional profit before income tax was £155.5m, compared with £188.7m in 2018. After exceptional costs (note 4 and Exceptional items on page 34), profit before income tax was £104.7m (2018: £143.7m).

Pre-exceptional profit before income tax is an alternative performance measure and a key metric we use to monitor our performance. The table below reconciles it to statutory profit before income tax.

	2019 £m	2018 £m
Profit before income tax	**104.7**	143.7
Exceptional charge	**50.8**	45.0
Pre-exceptional profit before income tax	**155.5**	188.7

We use other alternative financial performance indicators to monitor our performance. These are included throughout this report, alongside standard measures, and are designed to be useful to investors by providing a balanced view of our operations. An explanation of these measures and reconciliations to the corresponding statutory measures are included in note 38.

Average net debt during the year was £186m, in line with our guidance and well within our £550m of borrowing facilities, reflecting our continued rigorous approach to cash management. Average net debt in 2018, excluding the proceeds from the rights issue in 2018, was £227m. Year end net debt was £56.6m (2018: net cash of £98.2m) with the movement reflecting the use of proceeds of the rights issue on the Aberdeen Western Peripheral Route and investment into housebuilding working capital.

Linden Homes

Linden Homes saw lower unit numbers at 3,229 and reduced its average selling price from £310,000 in 2018 to £284,000 in 2019, in line with its strategy to refocus the business away from London and the South East and to build fewer large homes. This led to a 13% reduction in revenue to £820.4m (2018: £947.3m). Revenue included sales of land into joint ventures of £4.4m (2018: £8.6m).

Linden Homes' gross margin was 24.0%, up from 23.6% in 2018 and demonstrates the continued benefit of standardisation in the face of some build cost inflation.

Profit from operations was £160.5m, representing an operating margin of 19.6% (2018: £184.4m and 19.5%). Continued operational efficiency helped maintain a low level of overheads at 4.4% of revenue (2018: 4.1%).

Return on net assets in Linden Homes was 26.4%, compared to 30.5% in the previous year.

Partnerships & Regeneration

Revenue grew by 31% to £623.2m (2018: £475.2m), reflecting continued growth in both contracting and mixed-tenure revenue. Contracting revenues increased from £351.3m in 2018 to £431.7m, which was growth of 23%. Revenue from mixed-tenure developments was 55% higher at £191.5m (2018: £123.9m).

Increased revenues, a rising margin and robust control of overheads meant profit from operations was up by 47% to £34.8m (2018: £23.6m). The blended operating margin was 5.6% (2018: 5.0%), underpinned by the growing proportion of higher-margin mixed-tenure work.

Investment in mixed-tenure developments is supported by a modest level of net debt in the business, which stood at £9.3m at 30 June 2019 (30 June 2018: £41.8 m). The capital invested in the business continued to generate excellent returns, with return on net assets in the year of 51.0% (2018: 48.2%).

Financial review
continued

Q&A

Is cash flow or margin a priority for Construction?

Cash flow and margin are both important to any business. Through the decisions we have made with the restructure in Construction and Investments, we have already signalled our commitment to reduce our turnover to concentrate on securing better margins in sectors that are more profitable for our business and securing and managing our cash appropriately is clearly a priority for us.

Strategy in action p22

Group financial performance

Revenue £2,863m
(2018: £3,132m)

Pre-exceptional profit before tax £155.5m
(2018: £188.7m)

Profit before tax £104.7m
(2018: £143.7m)

Pre-exceptional Group return on net assets 22.1%
(2018: 29.2%)

Exceptional charge of £50.8m
(2018: £45.0m)

Strong financial position maintained, with Group year-end net debt of £56.6m
(2018: net cash of £98.2m)

Equity down by £24.8m to £751.7m
(2018: £776.5m)

Net tangible assets down by 4% to £580.3m
(2018: £601.6m)

Construction and Investments

Revenue fell by 18% to £ 1,386.8m (2018: £1,687.4m) as the business implemented its strategy of strict risk management, selective bidding and focus on margins. This approach will be strengthened by the strategic review, which has focused Construction on markets where we are best able to manage risk and the scale of individual contracts is smaller. The pre-exceptional loss from operations was £15.0m (2018: profit of £15.9m), representing a margin of (1.1)% (2018: 0.9%) and reflecting write-downs on a number of contracts. The loss from operations was £(61.5)m (2018: £29.1m), after exceptional costs of £46.4m relating to the restructuring, legacy fixed-price infrastructure write-offs and expected credit losses under IFRS 9 (see Exceptional items below). The underlying portfolio of newer contracts is performing well, with margins that reflect their associated risk profile.

Construction has two significant estimated claim recoveries assumed at 30 June 2019. The Group, through its joint arrangement, is continuing to negotiate a significant claim against the client on the Aberdeen Western Peripheral Route (AWPR) contract, construction of which was concluded in early 2019, whilst preparing to pursue this through formal dispute resolution before December 2019 should these not reach a satisfactory conclusion. Over the last three financial years, we have recorded £152m of exceptional losses in relation to AWPR. Consultants have advised an expected recovery of around £100m to Galliford Try, although the total assessed value in respect of the claims under the contract is over twice that level. Consistent with 30 June 2018, in assessing the final losses on this contract, we have assumed recoveries from our share of the claims against the client. The contract recovery recorded in our balance sheet is determined from the consultant's estimate referred to above. Negotiations remain in progress with our client but the final outcome is unknown and when concluded could result in a material difference to the position assumed. There are also claims against other parties including designers and insurers against which no value is recognised in the balance sheet due to our accounting policy on downstream claims (note 1).

Separately, the Group has submitted claims of £54m, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Costs were significantly impacted by client-driven scope changes, and our work on these three contracts formally ceased on the termination of our contracts in August 2018. We remain confident of our entitlement following two favourable adjudications, and have assessed recoverability in accordance with IFRS 15. We have also assessed the expected credit loss provision in accordance with IFRS 9 which was adopted by the Group on 1 July 2018 (note 1).

The Building division generated a pre-exceptional loss from operations of £9.5m (2018: profit of £11.6m), at a margin of (1.1)% (2018: 1.1%). Infrastructure's pre-exceptional loss from operations was £5.5m (2018: profit of £4.3m), representing a margin of (1.0)% (2018: 0.7%). After the exceptional charge, the divisions recorded an operating loss of £10.5m and £51.0m respectively (2018: profit of £11.6m and loss of £40.7m respectively).

PPP Investments reported revenue of £31.5m (2018: £21.7m), with a profit from operations of £4.5m (2018: £6.8m).

Exceptional items

Exceptional items in the year totalled £50.8m. Of this, £32.3m was in relation to additional costs to complete the Aberdeen Western Peripheral Route (AWPR) contract, construction of which was concluded in early 2019 (see above). Once the claim referred to above is settled, this is expected to provide an upside to the Group's cash position. In addition, the exceptional charge included £6.7m against another legacy contract, £4.6m in respect of the restructure completed within the Construction business which has simplified the business and management structure and £2.8m reflecting the IFRS 9 expected credit loss impairment charge as detailed in note 1. The remainder of our write downs announced in our Construction business on 21 May 2019 have been recognised in pre-exceptional operating costs.

During the year, the High Court issued its judgment in the Guaranteed Minimum Pension (GMP) equalisation case with Lloyds Bank Plc. This resulted in an increased obligation in two of our defined benefit pension schemes via an amendment to the scheme benefits. This has been treated as a plan amendment and therefore a past service cost, resulting in an exceptional charge of £3.5m. Additionally, in July 2018 the Galliford Group Special Scheme completed a £7m insurance bulk annuity buyout transaction, securing its pensioner liabilities. The premium paid was £0.9m higher than the IAS 19 liabilities discharged and resulted in an exceptional charge of £0.9m. Further detail of these two items is included in note 32.

In 2018, an exceptional charge of £45.0m was incurred, in respect of additional costs on the AWPR contract.

Taxation

The effective tax rate pre-exceptional items was 17.6% (2018: 18.0%), which compares with the standard corporation tax rate of 19.0%. We believe our effective tax rate will remain just below the headline rate of corporation tax for the foreseeable future, due to the accounting treatment of tax incurred by joint ventures. Taking into account the tax paid by joint ventures, our effective tax rate in 2019 was 17.9%. After exceptional items, the effective rate was 17.0% (2018: 17.7%).

Our tax strategy is available from our website at www.gallifordtry.co.uk. In summary, we look to comply with both the letter and spirit of relevant regulations and to pay our fair share of tax. The Group is a substantial contributor to public finances, through its payments of corporation tax and stamp duty land tax.

Maintaining capital discipline

Maintaining capital discipline is a fundamental part of the Group's strategy. There are three elements to our approach: ensuring we have the right funding in place, allocating capital to the right projects in the right parts of the business, and day-to-day financial control.

Funding and facilities

The Group is funded by ordinary shares, a single bank facility, a debt private placement and cash and liquid resources that arise directly from its operations.

The Group's total debt facilities stand at £550m, providing substantial headroom for peak debt requirements during the year. We have a target of period-end gearing of no more than 30%.

We take a prudent approach to managing our interest costs, while accepting a degree of interest rate risk. The private placement has a fixed interest rate and we have also locked in a low interest rate on £100m of our bank debt, through an interest rate swap at 1.4%, which runs until 2020.

We have rigorous controls to ensure we maintain acceptable levels of borrowing. Each day, we obtain the most advantageous offset arrangements and interest rate by aggregating the bank balances or borrowings in all the Group's operating companies into a total cash or borrowing figure.

The directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 30 June 2019. Further information can be found in notes 23 and 27 to the financial statements.

Working capital and equity

Total working capital employed at the year end was £636.9m (2018: £503.4m). Working capital in Linden Homes was £759.2 (2018: £623.1m), while Partnerships & Regeneration had working capital of £57.0m (2018: £64.7m), showing its ability to grow rapidly without large quantities of additional capital. Construction and PPP Investments largely have modest working capital requirements, while the Group's central working capital position was £(207.9)m (2018: £(247.1)m.

Total equity decreased by £24.8m to £751.7m (2018: £776.5m), primarily due to the transition adjustments in respect of IFRS 9 and IFRS 15, noted previously, while tangible net assets were £21.3m lower at £580.3m (2018: £601.6m). Net assets per share at 30 June 2019 were £6.77 (2018: £6.99) while tangible net assets per share were £5.23 (2018: £5.42).

Cash

Net debt at the year end was £56.6m (2018: £98.2m cash). Group average net debt was £186m (2018: £227m, excluding the proceeds of the rights issue in 2018).

Cash is a key focus in Construction and we prioritise cash profile as part of our contract bidding process. The business had an average net debt balance of £72m during the year. At the year end, net debt balances in Construction stood at £15.8m (2018: £26.0m).

Financial review
continued

Earnings and dividend

Pre-exceptional earnings per share decreased by 27% to 115.7p (2018: 158.4p). Statutory earnings per share were 78.5p (2018: 121.1p). Details of the calculation of earnings per share can be found in note 10 to the financial statements.

The directors are recommending a final dividend of 35.0p per share which, subject to approval at the AGM, will be paid on 4 December 2019 to shareholders on the register at 8 November 2019. Together with the interim dividend of 23.0p per share paid in April, this will result in a total dividend in respect of the year of 58.0p per share (2018: 77.0p per share). The total dividend was 2.0 times covered by pre-exceptional earnings per share (2018: 2.0 times), in line with our policy.

The cost of the final dividend is £39m, resulting in a total dividend cost relating to the year of £64m (2018: £78m).

Return on net assets

Return on net assets is an important indicator of Group performance and we monitor it for each project and business. It is calculated as profit before tax, finance costs and amortisation, divided by average net assets.

Our pre-exceptional return on net assets was 22.1% (2018: 29.2%), while on a reported basis it was 16.6% (2018: 24.9%).

Balance sheet and working capital

We continue to maintain a strong balance sheet.

Total non-current assets grew by £118.7m to £542.9m. Non-current trade and other receivables increased by £89.5m, being largely increased loans to our housing joint ventures. Investments in joint ventures, being our share of their net assets on an equity accounting basis, increased to £67.0m and goodwill and intangible assets decreased to £171.4m.

Net capital employed in developments and joint ventures at 30 June 2019 was £828m in Linden Homes (2018: £753m) and £163m in Partnerships & Regeneration (2018: £139m). We continue to purchase land on deferred payment terms where possible. Land creditors increased to £217m (2018: £144m). These movements were primarily due to the acquisition of the remaining 50% share of Linden Homes (Sherford) LLP on 28 June 2019 (note 15) which resulted in consolidating all of that entity's balances.

Developments, which includes land and housing work in progress across both Linden and Partnerships, increased from £724.9 to £876.7, also impacted by the acquisition of Linden Homes (Sherford) LLP as well as investments in other new sites. Current trade and other receivables decreased by £84.3m to £754.3m of which £42.9m was a transition adjustment on the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Customer Contracts on 1 July 2018 (as noted on page 37 and note 39). The IFRS 9 impact was in respect of the assessment of the expected credit loss on recoverable balances, whilst following clarification provided by IFRS 15, certain recoveries from third-parties were assessed to have not reached the more stringent requirement of 'virtually certain' and will now be accounted for in future periods in line with IAS 37 (see note 39). There was an increase in current trade and other payables of £78.5m principally due to the increase in development land payables as the Group was able to take advantage of favourable payment terms. Net working capital continues to include balances in respect of our project in Aberdeen and the three contracts with entities owned by a major infrastructure fund. Year end net debt was £56.6m.

Pensions

The Group has a defined contribution pension scheme which is open to all employees. It also has three closed defined benefit schemes. As noted under Exceptional items above, one of these schemes – the Galliford Group Special Scheme – was subject to an insurance bulk annuity buyout transaction during the year. Further details of the Group's pension arrangements can be found in note 32.

The total pension cost charged to the income statement was £22.4m (2018: £19.3m).

Under IAS 19 'Employee Benefits' there is a net surplus in the Group's final salary pension schemes. This was calculated at 30 June 2019 by an independent actuary. The gross surplus recognised on the balance sheet at the year end was £7.0m (2018: £7.0m).

The triennial valuation of the Galliford Try Final Salary Scheme as at 30 June 2018 was completed in the year. The valuation showed a deficit of £5.5m. The valuations of the Group's other schemes showed a deficit of £1.5m. The Group has constructive dialogue with the trustees of the Final Salary Scheme to ensure it is appropriately funded and has a viable plan to achieve self-sufficiency in the medium term. The Group made annual deficit funding payments of £7.2m to the schemes.

Prompt Payment Code

We were disappointed to be suspended from the Prompt Payment Code (PPC) for not paying at least 90 per cent of invoices within 60 days. This newer requirement of the Code came directly on the back of a drive from Government to impose a tough new compliance regime and a number of contractors, suppliers and well-known companies have also been suspended.

We are committed to pursuing a collaborative and open approach with all our supply chain and have already taken steps to address the issues that have led to this suspension. We consider this to be temporary and are instigating changes to our procedures and processes to ensure we are, once again, recognised as a signatory of the Code as soon as possible.

Contingent liabilities

The directors ensure that contingent liabilities are appropriately assessed, documented and monitored. More information can be found in note 34.

Going concern and viability statement

The Group's statement of going concern, together with further related information, can be found in the Directors' report on page 78.

The Group's viability statement can be found on page 26.

Critical accounting policies and assumptions

The Group's principal accounting policies are set out in note 1 to the financial statements, together with a description of the key estimates and judgments affecting the application of those policies and amounts reported in the financial statements.

IFRS 15 Revenue from Contracts became effective for the 2019 financial year. We have reviewed our recognition of certain claims in light of this standard. In addition, IFRS 15 requires us to gross up revenue for part-exchange property transactions in Linden Homes. While this increases reported revenue, it has no impact on the Group's profits. More information can be found in note 1.

IFRS 9 Financial Instruments became effective for the 2019 financial year. On adoption, this resulted in the revised assessment of any expected credit losses on the Group's assets resulting in an impairment charge of £11.2m (see page 34 and notes 4 and 25). Additionally, it resulted in a small fair value increase in our PPP and other investments and an equivalent increase in equity. More information can be found in note 1.

IFRS 16 Leases will be effective for the 2020 financial year and will result in the grossing-up of certain lease-related items in the balance sheet. The Group's banking covenants are calculated before the impact of IFRS 16 and will not be affected. See note 1 for more information.

Andrew Duxbury
Finance Director

Business review

Linden Homes

Linden Homes had another solid year as it continued to enhance its operational performance and achieve strong margins.

Highlights

Operating margin
19.6%
(2018: 19.5%)

Completions
3,229
(2018: 3,442)

Revenue
£820m
(2018: £947m)

Sales per outlet per week
0.56
(2018: 0.59)

Landbank plots
11,900
(2018: 11,400)

Land secured:
to 2020
100%
to 2021
85%
(2018: 100% and 81%)

Performance

	2019	2018
Revenue (£m)	**820.4**	947.3
Profit from operations (£m)	**160.5**	184.4
Operating profit margin (%)	**19.6**	19.5
Completions (units)	**3,229**	3,442

Steady sales to first and second-time buyers

Completions in the year amounted to 3,229 units (2018: 3,442 units), of which 2,227 were private housing (2018: 2,587) and 1,002 were affordable housing (2018: 855). Excluding our joint venture partners' share, completions were 2,781 units (2018: 2,903).

Mortgage availability remained strong with increasingly attractive terms being available across all market sectors. This, coupled with Help to Buy, helped maintain activity in the first-time buyer and first or second trade-up sectors. Aspirational buyers looking at properties with higher average selling prices were more cautious against a backdrop of economic uncertainty, leading to lower reservation levels in this sector. While our exposure to sites within the M25 continues to reduce, this was particularly noticeable on our remaining schemes in the capital.

The average selling price across all units was £284,000 (2018: £310,000), in line with our plan. Average selling prices for private housing reduced from £367,000 to £351,000 (down 4%), while the average selling price for affordable housing was £134,000 (2018: £134,000).

There were 80 active selling sites (2018: 85), with sales per site per week of 0.56 (2018: 0.59). Cancellation rates were 18% (2018: 19%). Sales in hand at the end of the financial year were £375m (2018: £366m), reflecting the lower average selling prices and reduced unit numbers.

Getting better at standardisation

We introduced The Linden Collection, our third generation of standard layouts, in the previous financial year. With all of these layouts now having been built, we took the opportunity to review and optimise the range. Around 80% of our planning applications now use standard product, and we are already achieving the target we had set for the end of our plan period.

While we utilise our standard footprints wherever possible, we are not rigid in terms of our elevational treatments or the choice of external materials. This enables us to design schemes which blend with the local vernacular and the requirements of local planning authorities, enabling us to achieve planning consents more quickly. We also retain the ability and expertise to deliver non-standard housing, such as refurbishment and high-rise schemes. We will continue to operate selectively in these markets only when we identify opportunities with attractive margins.

Building the whole Linden Collection range has also enabled us to analyse and benchmark the costs of delivering these standard house types across all 10 of our business units, leading to significant reductions in our build costs. We have also been able to identify best practices in the construction of our homes, leading to a reduction in build times and an increase in the quality of the homes we build.

Suitable geographical coverage, and a favourable land market

We are assessing the geographical coverage of our business units to ensure we efficiently cover the regions we currently operate in, as well as considering the possibilities for expansion into markets where we are not currently represented.

Conditions in the land market remain favourable, with good availability at attractive hurdle rates. The year end landbank was 11,900 plots (2018: 11,400 plots) representing around 3.5 years' supply, in line with target. The strategic land programme is progressing well and is delivering sites at very good margins. While the team has continued to acquire further options over strategic land, the focus has moved more towards working assets through the planning system. At 30 June 2019, the strategic land portfolio comprised 2,850 acres, sufficient to generate 13,240 plots (2018: 2,730 acres and 13,270 plots).

Applying our land expertise to deliver homes in great locations

This land acquisition comes after nearly 16 years of promoting the site through the planning system and working collaboratively with the local authority and local stakeholders. The land market continues to offer great opportunities to acquire sites such as this, and is a good example of our ongoing strategy to secure sites in prime locations that are attractive to first-time and family buyers.

Phil Chapman
Divisional Managing Director of Linden Homes

Linden Homes has worked with Miller Homes to acquire a key site in the sought-after location of Chichester, which attracts buyers from a wide catchment due to the range of quality amenities, transport links and education provision available.

The purchase of the land will enable the delivery of 750 new homes in Chichester by 2028 in a joint arrangement. The development will provide 30% affordable homes, together with a community building, a new medical centre, a primary school, a country park, children's play areas, allotments and sports pitches and associated facilities.

The homes comprise the first phase of the wider Whitehouse Farm development, part of Chichester District Council's adopted Local Plan, and on completion will deliver a mixed-use development totalling 1,600 new homes, together with employment land, a local centre and public open space.

16
years promoting the site

750
new homes to be delivered by 2028

30%
affordable homes

Business review
Linden Homes
continued

Addressing the skills shortage with our trainee programme

Our trainee programme is going from strength-to-strength and we continue to increase the number of people we take on. The first group of trainees, who joined us four years ago, are now starting to take up operational roles and have the potential to move up through the business over time. We have also created a management development programme. During the year, we reviewed our succession planning and this resulted in the internal promotion of a number of people to departmental heads supported by individual development plans. This will lead in time to their promotion to business unit directors.

Doing more to keep our customers happy

We retained our four-star rating in the NHBC customer satisfaction survey and continue to strive for five stars. To continue to improve the customer journey, we have introduced an online modular approach to training and development for the sales team. This allows us to track their progress, review performance and identify opportunities for coaching and development. The COINS IT system, which we piloted last year, is also making a substantial difference to customer care, giving us powerful analytics and enabling us to track every stage of the customer journey. It is currently in place in half the business units and will be rolled out across the business by the end of this calendar year.

Inflationary pressure

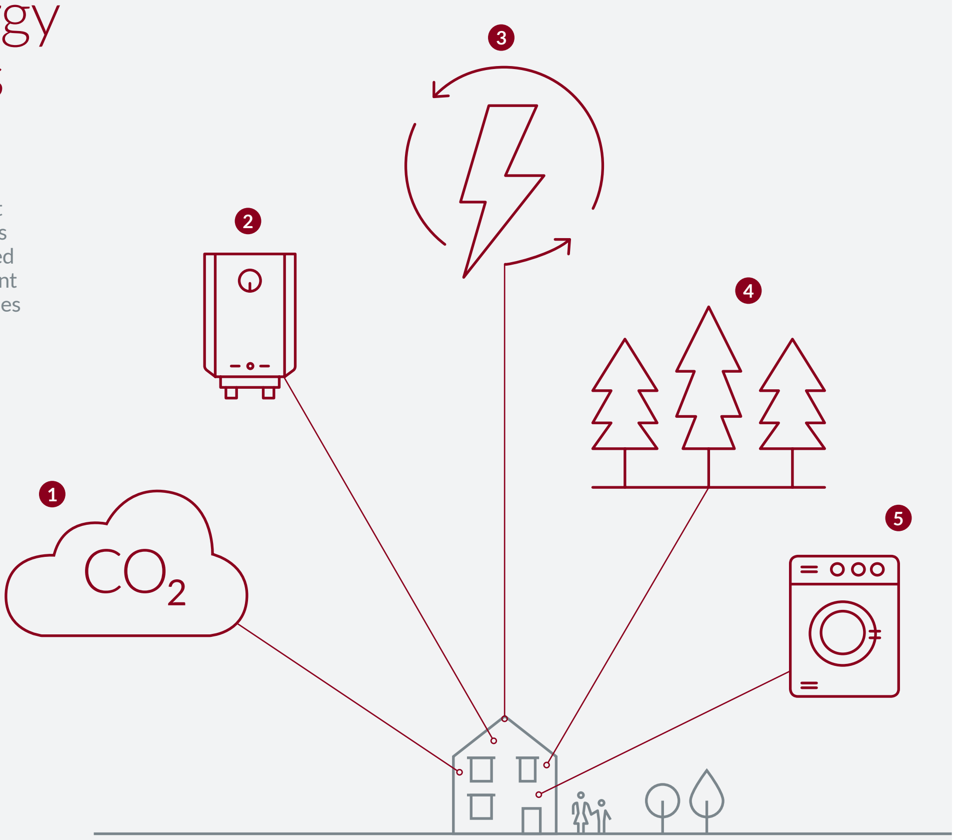
There are modest inflationary pressures in the supply chain, primarily in respect of materials rather than labour, where availability is less constrained than it was. There has been some Brexit-related stockpiling further down the supply chain, which has contributed to price increases.

Outlook

Brexit-related uncertainty and its impact on consumer confidence is likely to remain the primary influence on the housing market, at least in the short term. Linden Homes will continue its programme of operational improvement, helping to protect its operating margin against build cost inflation in the absence of rising house prices.

Delivering energy efficient homes for less

We use a series of innovative designs that mean on average our homes use 30%* less water than older properties which coupled with the energy saving appliances, efficient boilers and insulation, means Linden homes are roughly 50% cheaper to run than an equivalent Victorian house.



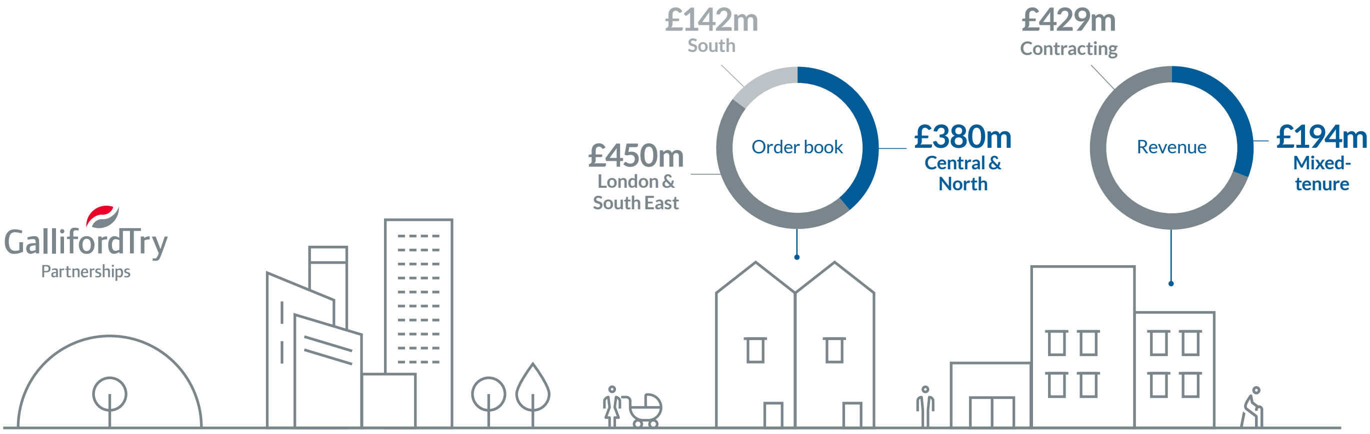
1. All of our floor joists are made in the UK using a carbon negative process and sustainably sourced timber.
2. The boilers heating our houses are some of the most efficient available, saving money and minimising carbon dioxide emissions.
3. Over 90% of our waste is recycled or converted into energy.
4. Every piece of timber in our houses is sustainably sourced. This means that new trees are planted to replace those cut down.
5. Wherever possible the appliances fitted in our homes are 'A Rated' or higher for energy performance.

> New homes currently built in the UK are roughly 50% cheaper to run per year than the equivalent Victorian house. That could mean an annual saving for a four-bed detached house of £1,410.
>
> **HBF Why Buy New Guide**

Business review

Partnerships & Regeneration

This was an excellent year for the business, during which it substantially increased its revenue and profits, won significant contracts and further expanded its joint venture platform.



Highlights

Mixed-tenure revenue up
55%
to £192m, from 1,178 completions
(2018: £124m and 751 completions)

Contracting revenue up
23%
to £431m
(2018: £351m)

Operating margin improved to
5.6%
(2018: 5.0%)

Landbank
5,300
plots
(2018: 3,300)

Contracting order book of
£972m
(2018: £1,196m)

Mixed-tenure sales carried forward of
£184m
(2018: £160m)

Performance

	2019	2018
Revenue (£m)	623.2	475.2
Profit from operations (£m)	34.8	23.6
Operating profit margin (%)	5.6	5.0
Completions (units)	1,178	751
Equivalent contracting units	2,100	2,000
Order book (£m)	972	1,196

Strong growth, in a vibrant market

Partnerships & Regeneration continued to grow its mixed-tenure business, completing 1,178 units at an average selling price of £217,000 (2018: 751 units and £220,000). Mixed-tenure sales carried forward at the year end stood at £184m (2018: £160m). The number of equivalent contracting units completed rose from 2,000 in 2018 to 2,100 and the year end contracting order book was £972m, giving the business a total order book of £1.2bn (2018: £1.4bn). This provides strong visibility of future work. At the year end, a further £1.3bn of work was at preferred bidder or land acquisition stage.

The business's strong growth reflects the quality of its offer as well as its values, culture and experience of successful delivery. Market conditions are also highly positive, with the UK in real need of more affordable homes. Important contributions to growth came from the Drew Smith business in the South, which we acquired in 2017, as well as the Bristol region, the Midlands and in London.

Sourcing our own land

Both the contracting and mixed-tenure sides of the business benefit from our strength in land-led solutions and we have a target of 70% of all the homes we build being on land we have sourced. We substantially increased our landbank during the year, with 5,300 plots at the year end (2018: 3,300 plots), with a gross development value of £1.4bn. We also standardised our land acquisition process, giving us the key data required to assess individual sites, forecast build costs and understand local sales values.

Winning across the board

Partnerships & Regeneration secured a number of major wins during the year. These included a partnership with Homes England to deliver 850 homes across the UK, under the Delivery Partner Panel. Homes England is looking to speed up the release of public land and incentivise housing providers to deliver homes more quickly. We were also selected by Enfield Council to build the first 725 homes at the £6.0bn Meridian Water development in the Lea Valley and signed a development agreement with Ealing Council to create a new mixed-use scheme, including 470 homes.

The new Yorkshire business worked with existing clients on new opportunities in the region. The business was substantially enhanced with the acquisition of Strategic Team Group, a well-established contracting and land-led developer in the North of England on 1 July 2019. The purchase supports Partnerships' ambitious growth strategy, targeting growth in key regions around the country to increase the supply of new homes. We will continue to review any opportunities which align with our existing strategy in Eastern England.

Investing to build a stronger team

We continue to invest in our people, resulting in improved employee retention. During the year, we made significant internal promotions, including three new regional managing director roles. The business also strengthened its executive team, bringing in an executive director to focus on its land supply across the country.

More generally, we are successfully attracting new people who want to work in an exciting growth business and who value our important social contribution. We became more visible to potential recruits through social media and we are looking to reduce agency spend by recruiting more directly. We have introduced new academy and apprenticeship routes into the business and held a graduate assessment centre during the year. New training initiatives include our Leaders in Regeneration programme and a new mentoring framework. We are increasing our gender and ethnic diversity, as well as recruiting from a broader range of professional backgrounds. In 2020, our focus will be on attraction and retention, and developing our apprentice pathways.

Business review
Partnerships & Regeneration
continued

Better processes help us to put customers first

Customer service was a key focus area this year. For the first time, we reported our customer service scores under the NHBC star system. We received a three-star rating in October 2018 and the impact of our business improvements means we are currently achieving a four-star rating. During the year, we introduced a mandatory third-party pre-handover inspection for all completed units to ensure the building is handed over defect-free. This has significantly reduced the number of rectifications required and improved client and customer satisfaction. We have also adopted digital technologies in contracting, for example to record the construction of buildings and ensure work is completed to a uniformly high standard. During the 2020 financial year, we will be rolling out a 'Putting the customer first' campaign, concentrating on reducing programme delays, zero defects at handover, and customer communication and perception.

Our other business improvement initiatives in the year included introducing standardised floor layouts, which build on The Linden Collection. This will help to improve our efficiency and speed of build. In addition, we have completed a number of research projects into modern methods of construction, which is an area of particular focus for the future.

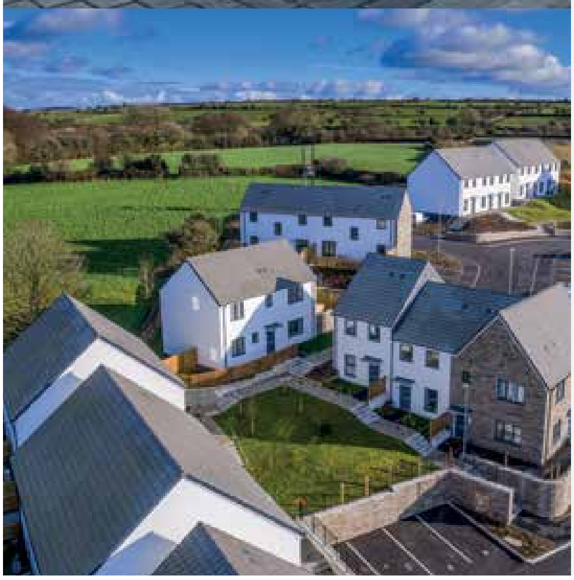
Improving our supplier and partner relationships

We spend considerable time building relationships with our strategic supply chain partners and subcontractors, giving them sight of our order book. The scale of our business makes us an increasingly important customer for our supply chain, encouraging them to work with us, ensuring they have the capacity to support our growth and providing benefits on materials pricing.

Joint ventures with Registered Providers and other clients are a key part of our business model, both for Partnerships & Regeneration and Linden Homes. The joint venture platform has a gross development value of £1.5bn. We entered two new partnerships in the year and contracted into six joint ventures in total.

Outlook

Partnerships & Regeneration's market is highly positive, with sustained growth and strong political support from all parties. The business continues to win new work with public and private partners and its order book and pipeline give it high visibility of future revenues. It is therefore well placed to continue its progress towards its 2021 revenue and margin targets.



Strategic partnerships delivering housing where it's needed most

Our relationship with Homes England demonstrates the importance we place on building strategic partnerships and how we use them to accelerate the delivery of much-needed new homes across the UK.

We are delighted with our extension of work in partnership with this strategic client to build more than 850 new homes in Redcar, Cheshire, Staffordshire and Dorset.

The national partnership forms part of Homes England's initiative to build new housing at pace, and, as preferred delivery partner, we will deliver:

- 360 homes in Redcar.
- 330 homes in Sandymoor, Runcorn, including a 100 home extra-care development.
- 116 homes in Cannock.
- 60 homes in Blandford Forum.

The projects will deliver a mixture of housing tenures including open market housing, affordable rent, shared ownership, private rented sector and an extra-care development, with the first homes being delivered in 2020.

£110m
of direct grant programmes with Homes England

68
housing association clients

50
relationships with the top housing associations

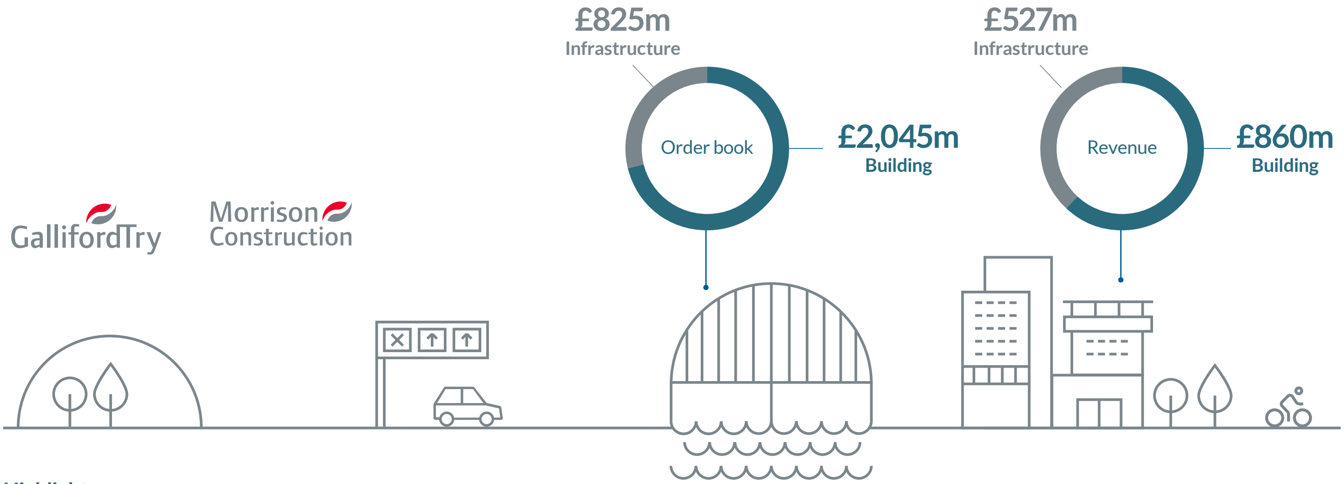
£3.4bn
joint venture platform

11
retirement villages built across the UK for ExtraCare Charitable Trust

Business review

Construction

This was a difficult year for Construction, with good underlying performance held back by issues on a number of contracts. Refocusing of the business on its core strengths will position it to realise its potential.



Highlights

Strategic review of Construction completed

Order book of
£2.9bn
(2018: £3.3bn)

Secured
88%
of this year's planned revenue
(2018: 87%)

Pre-exceptional margin of
(1.1)%
(2018: 0.9%)

Pre-exceptional revenue of
£1,387m
(2018: £1,687m)

Net debt of
£15.8m
(2018: £26.0m)

Exceptional charge of
£46.4m
(2018: £45.0m)

Construction performance

	Pre-exceptional	
	2019	2018
Revenue (£m)	**1,386.8**	1,687.4
(Loss)/profit from operations (£m)	**(15.0)**	15.9
Operating profit margin (%)	**(1.1)**	0.9
Order book (£bn)	**2.9**	3.3

	Statutory	
	2019	2018
Revenue (£m)	**1,383.8**	1,687.4
(Loss)/profit from operations (£m)	**(61.5)**	(29.1)
Operating profit margin (%)	**(4.4)**	(1.7)
Order book (£bn)	**2.9**	3.3

A simpler construction business

As described in the Chief Executive's review on page 12, we have reviewed the business and its management structure, refocusing on key strengths in markets and sectors with long-term growth and profitability potential.

Construction's revised focus includes us withdrawing from the Scottish infrastructure market, while retaining the highly successful Building business in Scotland. This will leave the Infrastructure division specialising in highways and water. The rail and aviation business unit will also be refocused so it provides sectoral support to our local Building business units, offering expertise in these sectors to help them deliver projects adjacent to the rail environment and on the landside of airports. This brings rail and aviation into line with other sectors such as health, education and defence, while ensuring continuity for clients and leveraging our strength in local delivery. These changes result in a simpler business, operating in areas where we have the core skills to deliver successfully and safely, while earning an appropriate margin.

Growing our order book

Our reputation with clients remains strong and both the Building and Infrastructure divisions won new work during the year. In total, they were appointed to contracts and frameworks worth more than £1.1bn. At 30 June 2019, our order book was £2.9bn (2018: £3.3bn). Of this, 79% was in the public sector (2018: 75%), 5% was in regulated industries (2018: 10%) and 16% was in the private sector (2018: 15%). The business has secured 88% of planned revenue for the 2020 financial year. Frameworks generate a high level of repeat business for us and they provided 79% of our year end order book (2018: 73%).

Coming to the end of legacy contracts

Construction has continued to work through its legacy contracts, with the Aberdeen Western Peripheral Route project achieving practical completion and discussions continuing on the settlement of our outstanding claim (further details are given in the financial review on page 34). A number of older frameworks will come to an end during the 2020 financial year and we are bidding for replacement frameworks at improved margins.

Making Galliford Try the best place to work

The market for people remains competitive but we continue to attract skilled employees. We benefit from a reputation for being values-driven, progressive and people-oriented, making Galliford Try an attractive place to work. We aim to have an inclusive culture, recognising that inclusivity is essential for attracting and retaining a more diverse workforce.

During the year, we finalised our learning and development framework, which shows people across the business how their careers can progress and the attributes they will require to do so. This is supported by training plans with a wide range of modules to ensure our people can develop the skills they need. We also revamped our recruitment team, ran recruitment skills workshops for managers to ensure familiarity with best practice, and reviewed and revitalised our succession planning process. In addition, we appointed an early careers manager to update our recruitment approach for graduates, trainees and apprentices, and revised our assessment centres for graduates to provide opportunities for a wider pool of candidates.

Business review
Construction
continued

Review of Construction – responding to market conditions

> With the restructure of the Construction business now complete, the business is firmly focused on its core strengths of regional building operations, together with profitable operations in highways and water, all of which are now performing effectively.
>
> **Bill Hocking**
> Chief Executive of Construction & Investments

As an organisation, we have to focus on our strengths and where we perceive our long-term future to be best served.

In April, we announced we were undertaking a strategic review of our Construction business to allow us to reduce its size with a view to focusing on our key strengths in markets and sectors with sustainable prospects for profitability and growth, where we have a track record of success.

That strategic review identified that conditions continued to be challenging in the infrastructure market, particularly in Scotland, and as a result, we responded by simplifying our structure and concentrating on those areas of the business with long-term growth and profitability potential:

- Continue broadly as organised with our Highways business unit.
- Consolidate all Water activities in Scotland under our Environment business unit.
- Close our Infrastructure business unit in Scotland.
- Continue selective rail and aviation projects on a sector-led basis.
- Cease our presence in the international market with the potential sale of our Falklands business.
- Review the support functions to align to the proposed new, simplified structure in Infrastructure.

This has involved taking some difficult decisions, but we have a responsibility to all our stakeholders to make sure our business is pursuing the most productive paths.

Diversity and inclusion remains a key focus for 2020, including a review of recruitment activity and job descriptions, to make them more inclusive.

Agile working is increasingly popular with our people. Our collaboration and communication tools are generating significant savings in time and travel costs, improving productivity and people's quality of life, while delivering environmental benefits.

We embrace technology and have launched an app that supports our Challenging Beliefs, Affecting Behaviour safety programme. This provides people with tools to work more safely and effectively and share best practices.

A stable supply chain

Conditions in the supply chain are stable and we continue to benefit from strong relationships with our strategic supply chain partners, supported by our Advantage through Alignment programme. We are not yet seeing any notable shortages of EU labour.

Maintaining client satisfaction

We continue to achieve good levels of client satisfaction, with a score of eight out of ten in our client feedback surveys (2018: eight) and a high net promoter score of 77.7% who recommend us to other clients. Client satisfaction is linked to quality and we have created a new assurance director role, covering both safety and quality. We are also increasing the use of technology to record and track site inspections, ensuring each element of a project is completed to the required high standards.

Outlook

The outlook for Construction is encouraging. Focusing on our core markets will give us stable, predictable out-turns, particularly as around 85% of our work comes from the public and regulated sectors. The business has a robust order book and a good pipeline of work with appropriate margins and risk profiles. However, the current political uncertainty may see some new public sector bids being slow to reach contract award.

Building performance

	Pre-exceptional	
	2019	2018
Revenue (£m)	**859.8**	1,038.0
(Loss)/profit from operations (£m)	**(9.5)**	11.6
Operating profit margin (%)	**(1.1)**	1.1
Order book (£m)	**2,045**	2,423

	Statutory	
	2019	2018
Revenue (£m)	**859.8**	1,038.0
(Loss)/profit from operations (£m)	**(10.4)**	11.6
Operating profit margin (%)	**(1.2)**	1.1
Order book (£m)	**2,045**	2,423

Building overview

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

Infrastructure performance

	Pre-exceptional	
	2019	2018
Revenue (£m)	**527.0**	649.4
(Loss)/profit from operations (£m)	**(5.5)**	4.3
Operating profit margin (%)	**(1.0)**	0.7
Order book (£m)	**825**	876

	Statutory	
	2019	2018
Revenue (£m)	**524.2**	649.4
(Loss)/profit from operations (£m)	**(51.0)**	(40.7)
Operating profit margin (%)	**(9.7)**	(6.2)
Order book (£m)	**825**	876

Infrastructure overview

Infrastructure won contracts and positions on frameworks worth over £497m during the year. This included winning two places on the Highways England Delivery Integration Partnership, on lot four in the South West, valued at £800m over six years, alongside one other supplier, and lot seven in the East of England, valued at £2.8bn alongside two other suppliers.

PPP Investments performance

	2019	2018
Revenue (£m)	**31.5**	21.7
Profit from operations (£m)	**4.5**	6.8
Directors' valuation (£m)	**41.6**	32.6

PPP Investments overview

During the year, we invested £22.7m in equity and sold investments that generated an aggregate profit on disposal of £6.9m (2018: £5.5m). The secondary market was strong during the year, with good interest in acquiring our investments. At the year end, the directors' valuation of our PPP portfolio was £41.6m, equivalent to the fair value included in the balance sheet following the implementation of IFRS 9 on 1 July 2018 (and a value invested of £34.9m) (2018 valuation: £32.6m, value invested: £26.1m).

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

The market for investment in new projects remains slow. The Scottish Government has recently announced that the regional hubs should no longer be used to procure investment projects and it is currently unclear in what form the Scottish Government will procure such projects. In England, it is similarly unclear what private finance model will be used, following the Chancellor of the Exchequer's announcement that PF2 was being scrapped.

In Wales, the Mutual Investment Model is generating a pipeline of projects and these are expected to come to market in the third quarter of 2019. The forthcoming projects are primarily schools and colleges, which play to Galliford Try's strengths and experience in the education market.

With little public-private partnership activity in the year, PPP Investments focused on progressing development style projects. At the year end it was preferred bidder on four private rented sector schemes, with a total capital value of around £175m. Once secured, these will provide additional work for the Construction business. PPP Investments also continues to review opportunities in the student housing market.

Operating sustainably

Sustainability is central to our strategy

Becoming a more sustainable business is one of the three principal elements of our strategy to 2021. We must balance financial performance with our obligations to all our stakeholders, so we can create value over the long term.

Our strategy to 2021

1

Drive operating efficiencies

To increase margins, respond faster to changing market conditions and have strong foundations for delivering further top-line growth.

2

Maintain capital discipline

To appropriately invest in growth opportunities, maintain a robust balance sheet and continue to pay strong dividends.

3

Operate sustainably

To create longer-term value by balancing financial performance with our obligations to all our stakeholders.

Our approach

Our approach is guided by our Sustainability and Social Value Policy, the aim of which is to assess our sustainability risks and opportunities, and thereafter take appropriate steps to mitigate negative impacts and enhance positive impacts. The Executive Board owns the policy and it is implemented through the businesses, which adopt their own specific approaches while remaining in line with the policy.

The policy focuses on our sustainability impacts in relation to six fundamental areas. These areas cover the manufactured, intellectual, human, social and relationship, and natural capitals.

Our performance

Our overall performance as a responsible business is reflected by our membership of the FTSE4Good Index, an exclusive investor index consisting only of companies that effectively manage their environmental, social and governance risks. We were independently assessed to have achieved a score of 3.2 out of 5 (2018: 3.5). While this score is slightly lower than last year, we were pleased we are firmly well above the sector average score of 2.4 out of the companies that were assessed.

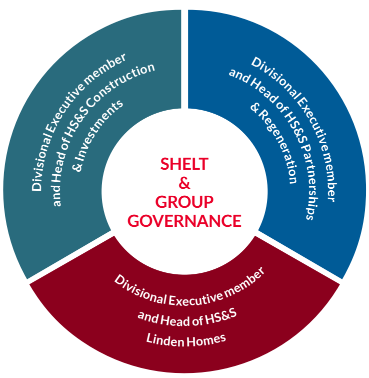
We have Gold status in the Supply Chain Sustainability School.

Sustainability governance

Each of our businesses has its own head of Health, Safety and Sustainability (HS&S) reporting to their respective divisional Board.

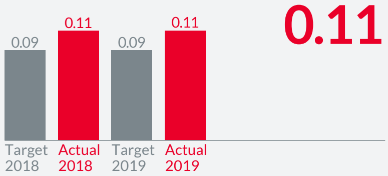
The heads of HS&S are members of the Safety, Health and Environmental Leadership Team (SHELT), which is chaired by the Chief Executive and includes an Executive Board member from each of our three businesses. SHELT ensures the businesses maintain our core Group mandates, policies and minimum standards, and facilitates collaboration and best practice sharing between our businesses.

Safety, Health & Environmental Leadership Team structure



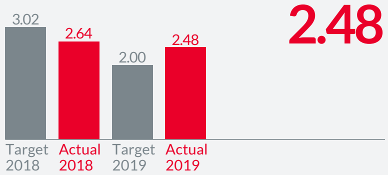
Health and safety

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



0.11

Accident Incident Rate
(RIDDORs per 1,000 people)



2.48

Key Performance Indicators

51
reportable RIDDOR accidents
(2018: 59)

104,386
Safe Behaviour Discussions
(2018: 90,661)

433
employees completed 'Challenging Beliefs, Affecting Behaviour' training
(2018: 957)

1,746
director health, safety and sustainability tours
(2018: 1,898)

1
prohibition or improvement notices received
(2018: 0)

Health and safety is our top priority and we continue to focus on further improving our performance.

Our policies

The Group's Health and Safety Policy establishes our commitment to effectively managing all aspects of health and safety, and to taking all reasonably practicable measures to continually improve. The policy determines the roles and responsibilities of the Executive Board, divisional Boards and business unit management in delivering health and safety. It also expresses the Group's commitment to ensuring that our people's behaviour is consistent with an improving safety culture.

In addition, we have an Employee Wellbeing Policy, which recognises that our duty of care extends to our people's physical and mental health.

Ensuring compliance

We ensure our polices are widely communicated, through inductions for new employees, internal training sessions, site notice boards and via our intranet.

HS&S advisors are aligned to each business unit, to provide support and advice. They visit sites regularly to ensure compliance with policies and procedures, and produce a Safety, Security and Environmental Report, which is communicated to appropriate levels in the business through a database. Any non-compliance identified requires a corrective action plan, including the date by which it will be completed. Statistics and trends in non-compliance are reported to business unit and divisional Board meetings each month. Health and safety performance is also discussed regularly at all levels of the business, from business units to Board level. Further assurance is provided by audits against the requirements for OHSAS 18001, the standard for Occupational Health and Safety Management.

Performance

The Group maintained its health and safety performance, with the Accident Frequency Rate maintained at 0.11 (2018: 0.11) and a reduction in the Accident Incident Rate to 2.48 (2018: 2.64).

A Prohibition Notice was issued to our specialist subcontractor for unsafe working on one of our projects. We were simultaneously issued with an Improvement Notice to review of our health and safety arrangements. The matter was promptly addressed and closed with the Health and Safety Executive. Furthermore, a detailed internal Corrective Action Plan was developed.

Service strikes have been an issue for the industry. Linden Homes has organised a working group chaired by its Chief Executive, and with representation from site operatives and site-based supervisors from across the business to identify trends in this area, with the findings to be distributed via SHELT. Partnerships & Regeneration issued golden rules for detecting, protecting and avoiding service strikes. In Construction, enhanced measures are being developed for plant movements and falling objects to provide more robust control including the use of innovative virtual reality training.

Operating sustainably
continued

Health and safety

Ensuring employee wellbeing is key in so many ways – not only is it the right thing to do but it also means we can be more successful as an organisation. It makes us more attractive as an employer, so we attract and retain a talented, healthy and engaged team.

Vicky Wilson
Wellbeing Lead

Top Electronic site boards are one channel we use to communicate key information to staff.
Above and left Senior management Board visits enable us to demonstrate the importance we place on health, safety and wellbeing.

Safety tours by directors are an important part of providing visible leadership, with each director required to complete at least 12. During the year, we completed 1,746 tours in total (2018: 1,898).

Initiatives

Devolving responsibility for health and safety through SHELT has delivered a number of benefits. These include enabling them to tailor standards and systems to suit their business needs and risks, faster decision-making, closer relationships between the business units and the HS&S team and improved standards across sites.

Each of the businesses has worked to adapt our Challenging Beliefs, Affecting Behaviour safety programme during the year. For example, Linden Homes developed 'Think Safe-Act Safe' training material and adapted it for presenting to our supply chain. Partnerships & Regeneration introduced a number of changes, including adding new material to training modules and new tools for coaching and developing a module aimed at engaging the workforce. Construction has developed an app and website to make accessing information easier and for sharing best practice.

The businesses also introduced a range of other initiatives in the year. Linden Homes produced an HS&S operations manual specific to housebuilding and implemented an OHSAS 18001 compliant management system. The business identified key training requirements for specific disciplines, resulting in a significant increase in training, and developed an electronic site induction. Its plans for 2020 include ensuring compliance with the operations manual, enhancing the safe behaviour culture and increasing mental health awareness.

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

Our people

Key Performance Indicators

13,975
training days delivered
(2018: 14,388)

2.69
training days per employee
(2018: 2.62)

17.5%
employee churn rate
(2018: 16.6%)

5,184
employees at the year end
(2018: 5,485)

5.5%
of the workforce are graduates/trainees/apprentices
(2018: 7.6%)

Bottom Our Chief Executive Graham Prothero shares his ambitions for the Group, progress and priorities at his annual roadshow, as well as focusing on key themes such as doing the right thing, our people and innovation.

> Our new Employee Forum will provide a fantastic communication channel between individuals in each of our businesses and the Board, enabling us to strengthen the employee voice at Board level and ensure our people can shape the way we work.

Terry Miller
Senior Independent Director and Chair of the Employee Forum

Below and left Board visits to site and our Employee Forum are just two ways in which the Board engage with our teams.

There is strong competition for talented people across our markets. We therefore look to continually improve our employee offering, so we attract and retain talented people, and are able to develop our people across the organisation through defined career paths and succession planning.

Our policies

Our Code of Conduct, entitled Doing the Right Thing, defines the behaviours we expect in the workplace, the strong ethical standards we adhere to and how we make decisions that maintain our integrity. It applies to our employees and our supply chain partners, and was refreshed during the year. We also have a range of supporting policies, covering areas such as recruitment; parental leave; equality, diversity and inclusion; flexible working; and learning and development These provide specific rules governing how we manage our people and what they can expect from us.

Ensuring compliance

We make all of our people aware of our policies on joining, within contracts of employment, inductions and new starter packs, and make the policies available through our intranet. Any new or updated policies are communicated through news alerts.

Our people can raise issues of non-compliance with their line manager or Human Resources (HR). We also have an independent whistleblowing line, which allows people to report concerns anonymously. An authority and approvals matrix gives HR and senior management sight of offers of employment and other areas requiring approvals, such as expenses claims. HR input into disciplinary, grievance or redundancy situations ensures that managers follow the appropriate policies.

We have a number of online compliance training modules, which ensure people understand our values and how to deal with ethical dilemmas. Completion of these modules is monitored weekly and followed up where needed.

Performance

The employee churn rate is a key performance indicator for the Group and shows the proportion of our employees who voluntarily leave during the year. It was 17.5% for 2019, compared with 16.6% in 2018.

The Group delivered a total of 13,975 training days during the year (2018: 14,388), the equivalent to 2.69 days per employee (2018: 2.62).

Initiatives

Our businesses face a number of people-related issues, including tackling skills shortages, succession planning, attracting and retaining a diverse workforce (see overleaf) and the potential for a Brexit-related decline in EU workers. To meet these challenges, they implemented a wide range of initiatives during the year, which are described in the Business reviews on pages 38 to 45.

Additionally, the introduction of our Employee Forum will ensure the employee voice is represented at Board level. We intend to run a pulse employee survey in the 2020 financial year that will combine with this to ensure we are responsive to employee feedback.

Our Stakeholder Steering Committee also reviews and manages relationships with the Group's key stakeholders including current and potential staff, collating their views and reporting these views to the Board.

> We were delighted to be recognised as both a 'Top Graduate Employer' and 'Top Apprentice Employer' in the Construction & Civil Engineering sector, once again appearing in TheJobCrowd's league table – the UK's only graduate and apprentice employer ranking system based on employee feedback.

Graham Prothero
Chief Executive

Operating sustainably
continued

Our people

We have built a highly-talented team so when we moved offices we wanted to make it a seamless transition and retain our staff. We introduced flexible working between 7am to 7pm with core office hours from 9:30am to 4pm. The idea is to give everyone the ability to plan their working days to best suit their out-of-work commitments. The arrangement has been a real success.

Stuart Brodie
Regional Managing Director
Partnerships & Regeneration
London South East

Above Each Galliford Try Partnerships Skills Academy is designed to encourage people who are no longer in the education system and who are not working or being trained back into work by offering work placements, full-time employment and apprenticeships.

Right Our Agile Working programme empowers our employees to choose how they work and when they work, allowing us be a more inclusive employer attracting a more diverse workforce.

Diversity and inclusion

To be successful, we draw on a diverse range of skills and talents, and look to recruit from all sectors of the community. We firmly believe that every employee has an equal right to opportunities within the Group and we reward employees based on merit. We value difference and promote respect and dignity for all regardless of an individual's race, colour, religion, nationality, ethnic origin, gender, sexual orientation, age or any other attribute or quality. All our people must complete a refreshed course covering 'Diversity in the Workplace' when joining the business.

This year we sponsored the Women in Construction Summit hosted in London, 2018's Inspire Summit which encourages women into our industry, and the Women in Property National Student Awards. We are proud to be a Disability Confident Employer, an accreditation given to organisations that pledge to actively seek out and hire skilled disabled people, and to positively change attitudes, behaviours and cultures, within their businesses, supply chain and local communities.

Our progress was noted by the Investors in Diversity (IiD) standard by the National Centre for Diversity, which conditionally awarded our Highways team with its accreditation.

Anti-bribery and corruption

Our policy

Our approach is governed by our Corruption and Fraud Prevention Policy and Guidelines. This makes clear our zero tolerance approach to bribery, corruption and fraud of all kinds when dealing with clients, suppliers or any other partners, and describes the obligations for all our people to meet the expected standards of conduct and to report any suspected policy breaches.

Ensuring compliance

Our approach to anti-bribery and corruption and to gifts and entertainment is explained in our refreshed Code of Conduct, which has been distributed to all of our people and the supply chain. Every six months, management across the Group are required to sign a declaration to the Chief Executive that the people they are responsible for are aware of the policy and the Code of Conduct, comply with their contents, and that any issues have been reported.

Every three years, all employees must complete an online course on the Bribery Act, which is also a topic covered in employee inductions. Any employees not completing mandatory courses are escalated to the Executive Board.

We require any suspicious activity to be reported either through the advertised whistleblowing line or to legal services. We subject our internal control systems and procedures to regular audits, to provide assurance that they are effective in countering bribery and corruption.

Performance

No material issues were reported or identified through our audits.

We have a 99% pass rate for the Bribery Act computer-based training course.

Initiatives

We keep everyone aware of their duty to report any suspicious activity. We also need to ensure we protect against identity theft and cyber fraud. We therefore have ongoing communications to remind our people to do the right thing, including articles in the employee magazine, posters and desktop wallpapers about cyber security.

Gender balance

We aim for gender balance at all levels within the Group.

	Gender[1]		Ethnicity		
	Male	Female	White	BME[1]	Unknown
Senior grades[2]	233	26	192	6	61
Other employees	2,601	1,324	2,881	238	1,806
Total	3,834	1,350	3,073	244	1,867

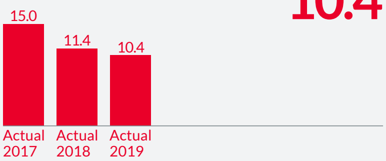
1 Black and minority ethnic.

2 Senior grades are defined as senior managers and directors, excluding Board directors. See pages 54 and 55 for information on the Board's composition and gender diversity.

Environment and climate change

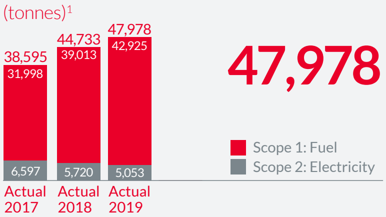
Waste per £100,000 revenue
(tonnes of construction and demolition waste)

10.4



Carbon dioxide equivalent emissions
(tonnes)[1]

47,978



1 Carbon dioxide equivalent emissions are reported by calendar year and since 2014 have been externally certified to ISO14064-3. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (for example diesel on site) as per the Greenhouse Gas Protocol definitions of Scope 1 and 2 emissions (including our share of emissions from joint ventures).

890
employees completed environmental training (2018: 797)

95%
of construction and demolition waste diverted from landfill (2018: 97.1%)

1.54
tonnes of Scope 1 and 2 carbon dioxide equivalent emissions per £100,000 revenue (2018 1.4)

0
environmental prosecutions or fixed penalties (2018: 0)

92.1%
of timber supplied with FSC®/PEFC certification (2018: 92.5%)

98.4%
of timber verified as coming from legal and sustainable sources (2018: 99.8%)

We are committed to effectively managing our environmental performance, so we minimise the impact of our business processes on the natural environment and the community at large.

Our policies

We have an Environmental Policy, which sets out our commitment to integrating the assessment, management and control of environmental issues into the management of our business. We also have an Energy Policy, which recognises the impact of energy use on climate change and commits us to effectively and efficiently managing our energy use, and a Biodiversity Policy, which commits us to protecting and, where appropriate enhancing, biodiversity during our construction activities. Our Responsible Sourcing Policy requires us to consider our preferred suppliers' environmental impacts, among other issues.

Ensuring compliance

We identify, manage and mitigate our environmental impacts from project to business level through our ISO 14001 certified management system. We make our people aware of our policies through our intranet, new employee inductions and environmental training.

Compliance with our environmental policies is assessed through the same process as for health and safety, which is described on page 47. We also monitor performance using key performance indicators (for example covering waste and timber), which are regularly reviewed and variations investigated. Any incidents or visits (for example by the Environment Agency) are logged in databases and reported to divisional Boards each month.

Performance

We were pleased to reduce our waste per £100,000 from 11.4 tonnes per year to 10.4, and 95% of waste is diverted from landfill.

While there was an increase in our Scope 1 and 2 carbon emissions (intensity of 1.54 up from 1.4 in 2018), this was solely due to consumption of on-site fuel, in particular, some large remote infrastructure projects. When these are excluded from our carbon and cost performance metrics, the performance improvement in terms of carbon dioxide emissions is akin to performance reported over the last few years. We still had a reduction of carbon dioxide equivalent emissions of 55% from 2011 (2018: 58%).

Initiatives

The businesses have continued to work hard to improve their environmental performance. In Linden Homes, the new operations manual, management system, training programme and electronic induction also cover environmental matters and are described under health and safety on page 47. The Group has moved to a renewable energy provider for office electricity, which will save more than 900 tonnes of carbon dioxide emissions. In addition, Construction and Partnerships have continued to participate in the National Community Wood Recycling Project, which reuses or recycles waste wood. The business also takes part in the Community RePaint Scheme, which distributes unused paint to people, communities and charities in need.

Biodiversity net gain will be a mandatory requirement under the forthcoming Environmental Bill and will require developers such as Linden Homes and Partnerships & Regeneration to ensure wildlife habitats are left measurably better than pre-development. This will be a focus area for 2020, along with continuing to reduce carbon dioxide emissions and managing waste. The Group will also look to ensure it continues to comply with the Energy Saving Opportunity Scheme.

Operating sustainably
continued

Human rights and the supply chain

As a housebuilding, regeneration and construction business operating in the UK, the key human rights risk associated with our business is slavery and human trafficking. The main areas of our business that could be affected are our directly-hired employees, agency workers working on our behalf, subcontractor operatives working on our sites, and the workforce of our supply chain who supply materials to our business.

Our policies

Our Code of Conduct sets out our commitment to upholding human rights and to taking steps to prevent slavery and human trafficking. Our annual Modern Slavery and Human Trafficking Statement sets out the procedures we employ to mitigate these risks among our own employees, agency workers, subcontractors and the supply chain. The Responsible Sourcing Policy also requires our preferred suppliers to have policies and procedures that protect employee rights.

Ensuring compliance

We verify our employees have the right to work in the UK and make them aware of their rights and entitlements through our employee handbook.

We aim to engage only with agency workers on a preferred supplier list, who ensure their workers have the right to work in the UK, who do not charge workers a work-finding fee and have procedures to minimise the risk of recruiting forced or compulsory labour.

We work with subcontractors who share our values and procure the majority of our directly sourced materials from UK-based organisations that are required to comply with UK laws on forced labour.

Our whistleblowing procedure allows any employee or third party to confidentially raise a concern.

Performance

We are not aware of any human rights issues in our own business or the supply chain.

Social and community matters

We recognise that our business can have both positive and negative impacts on society as a whole and the communities around our sites. We look to manage our impacts to maximise the overall value we create.

Our policies

Our Sustainability & Social Value Policy sets out our commitment to assessing sustainability risks and opportunities, and taking appropriate steps to mitigate negative impacts and enhance positive impacts. Our Code of Conduct also explains our approach to being a good neighbour and the requirement to treat all our stakeholders with respect, courtesy and consideration.

Ensuring compliance

The businesses have a range of mechanisms for identifying and managing community impacts. These include sustainability steering groups, sustainability route maps, planning (for example covering community benefits and social value), and dedicated roles covering areas such as corporate responsibility and community liaison. Partnerships & Regeneration has a project-specific approach to community and social value, setting targets and key performance indicators in line with its client or partner's requirements and reporting to the business unit executive on a monthly basis.

We also take part in the Considerate Constructors Scheme (CCS), which assesses sites on criteria including being considerate of local neighbourhoods and the public.

Performance

The Group achieved an average CCS score of 39.2 (2018: 37.4), which continues to exceed the industry average. We also won 25 CCS awards this year. We donated £258,769 in time, materials and money to charitable causes (2018: £487,000).

We were pleased that charity CRASH, which assists homelessness and hospice charities with construction-related projects, honoured our support over the last 20 years as a Patron Partner, at the Annual Patrons' Reception & Above and Beyond Awards in June.

We also contribute to communities by spending a significant portion of our turnover with subcontractors, most of which are local small and medium-sized enterprises.

Initiatives

There are a number of initiatives under way across the Group. Examples include improving employment prospects for young people through our training schemes, and community volunteering, with each employee entitled to take two days of paid leave each year. In total, our people took 337 days to volunteer during the year.

Above We recognise the importance of our stakeholders' views and actively listen and respond to their concerns at all levels of the organisation. Engagement is extensive and tailored at both project level and at Group/divisional level.

Non-financial information statement

The information required to be included in our non-financial information statement, under sections 414CA and 414CB of the Companies Act 2006, can be found in the following places in the Strategic report:

	Location
Business model	Pages 6 to 9
Principal risks	Pages 26 to 32
Non-financial key performance indicators	Pages 16 to 17 and pages 46 to 52
Environmental matters	Page 51
Employees	Pages 46 to 52
Social matters	Page 52
Human rights	Page 52
Anti-bribery and corruption	Page 50

Directors and Executive Board

Our Board

Peter Ventress
Chairman

Graham Prothero
Chief Executive

Andrew Duxbury
Finance Director

Terry Miller
Senior Independent Non-executive Director

Gavin Slark
Non-executive Director

Jeremy Townsend
Non-executive Director

Marisa Cassoni
Non-executive Director

Executive Board

Kevin Corbett CEng MICE MIStructE
General Counsel & Company Secretary

Andrew Hammond
Chief Executive, Linden Homes

Bill Hocking
Chief Executive, Construction & Investments

Stephen Teagle
Chief Executive, Partnerships & Regeneration

Board composition

Balance of non-executive and executive directors	
Non-executive	5
Executive	2

Length of appointment	
0-2 years	3
2-5 years	2
5-10 years	2

Diversity	
Male	5
Female	2

Key

- A Audit Committee
- N Nomination Committee
- Denotes Chair of respective Committee
- R Remuneration Committee
- E Executive Board

As at 30 June 2019.

For updates to the Board since 30 June 2019, please see page 56.

Our Board

Peter Ventress
Chairman

Appointment date: Peter Ventress joined the Board on 30 April 2015 and was appointed Chairman on 11 November 2016.

Career and experience: Peter was appointed as a Non-executive Director and Chairman designate of Bunzl plc, the specialist international distribution and services group, on 1 June 2019. He will assume the role of Chairman of the Board at the conclusion of Bunzl plc's Annual General Meeting in April 2020. He is also a Non-executive Director of Softcat plc and BBA Aviation plc. He was formerly a Non-executive Director of Premier Farnell plc and Staples Solutions BV and was Chief Executive Officer of European textile service business Berendsen plc from 2010 to 2016. Prior to this, he held several senior executive roles, including International President of Staples Inc and Chief Executive Officer of Corporate Express N.V. In 2008, he was appointed head of all Staples' activities outside the United States and Canada. Aged 58.

Graham Prothero
Chief Executive

Appointment date: Graham Prothero was appointed to the Board on 1 February 2013, initially as Finance Director before being appointed as Chief Executive on 26 March 2019.

Career and experience: Graham was previously with Development Securities plc, a listed property developer and investor in the UK, where he was Finance Director from November 2008. From 2001 until 2008, Graham was a partner with Ernst & Young. Graham is a Fellow of the Institute of Chartered Accountants in England and Wales and previously held the position of Finance Director with Blue Circle Properties and Taywood Homes. Graham is a Non-executive Director and Chair of the Audit Committee of Marshalls plc. Aged 57.

Andrew Duxbury
Finance Director

Appointment date: Andrew Duxbury joined the Board on 26 March 2019 as Finance Director.

Career and experience: Andrew joined Galliford Try in March 2012 as Group Financial Controller and from 2016, held a number of operational finance roles, including Finance Director of Linden Homes. Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales and, prior to joining Galliford Try, worked for PwC. Aged 44.

Terry Miller
Senior Independent Non-executive Director

Appointment date: Terry Miller was appointed to the Board on 1 February 2014.

Career and experience: Terry is a Non-executive Director of Goldman Sachs International and Goldman Sachs International Bank, part of the multinational investment bank and financial services company Goldman Sachs Group. She is also a Non-executive Director of insurance company Rothesay Life.

Terry was also a Trustee of the Invictus Games Foundation. She was previously General Counsel for the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG). Prior to her LOCOG appointment, Terry was International General Counsel for Goldman Sachs, having spent 17 years with Goldman Sachs based in London. Aged 67.

Gavin Slark
Non-executive Director

Appointment date: Gavin Slark was appointed to the Board on 13 May 2015.

Career and experience: Gavin is currently Chief Executive Officer of Grafton Group plc, a publicly quoted distributor of building materials operating in the merchanting markets in the UK, Ireland, the Netherlands and Belgium, in the DIY retailing market in Ireland and in the mortar manufacturing market in Britain. He joined Grafton Group in April 2011 and was appointed Chief Executive Officer in July 2011. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors. Aged 54.

Jeremy Townsend
Non-executive Director

Appointment date: Jeremy Townsend was appointed to the Board on 1 September 2017.

Career and experience: Jeremy is currently the Chief Financial Officer of Rentokil Initial plc following his appointment in August 2010 and is a Fellow of the Institute of Chartered Accountants in England and Wales. Previously, Jeremy was Finance Director at Mitchells & Butlers plc and prior to that held various finance roles at J Sainsbury plc including Corporate Finance Director. Jeremy began his career in audit and corporate finance at Ernst & Young. Aged 55.

Marisa Cassoni
Non-executive Director

Appointment date: Marisa Cassoni was appointed to the Board on 1 September 2018.

Career and experience: Marisa is a chartered accountant with more than 40 years' experience as a finance professional. Her previous roles include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. Marisa has over 20 years' experience as an Executive Board member and is currently a Non-executive Director of AO World plc and Ei Group plc. Marisa was also formerly a Non-executive Director of Skipton Building Society. Aged 67.

Executive Board

Kevin Corbett CEng MICE MIStructE
General Counsel & Company Secretary

Appointment date: Kevin Corbett joined the Executive Board on 1 February 2012 and was appointed General Counsel and Company Secretary on 1 March 2012.

Career and experience: Kevin was previously Chief Counsel Global for AECOM. Aged 59.

Andrew Hammond
Chief Executive, Linden Homes

Appointment date: Andrew Hammond was appointed to the Executive Board on 6 September 2016, initially as Chairman for the West Division of Linden Homes before assuming the role of Chief Executive of Linden Homes in April 2019.

Career and experience: Andrew joined the Company in April 2015 from Persimmon Homes where he held the position of Regional Chairman. Aged 49.

Bill Hocking
Chief Executive, Construction & Investments

Appointment date: Bill Hocking was appointed to the Executive Board as Managing Director of Construction on 1 September 2015 and assumed the role of Chief Executive of Construction & Investments with effect from 1 August 2016.

Career and experience: Bill joined the Group from Skanska UK plc, where he held the position of Executive Vice President on the Executive Management Team of Skanska UK from 2008, having initially joined the Company in 1990. Aged 55.

Stephen Teagle
Chief Executive, Partnerships & Regeneration

Appointment date: Stephen Teagle was appointed as Chief Executive of Partnerships & Regeneration on 1 July 2016, joining the Executive Board on 6 September 2016.

Career and experience: Stephen has over 25 years' experience in the regeneration and affordable housing sectors, joining Galliford Try from Registered Provider DCH, where he was Group Director of Investment and Managing Director of development subsidiary Westco Properties. Aged 59.

Chairman's review

Ensuring stability as we deliver on our strategic objectives

> Strong governance, together with the benefits of effective succession planning and focus on our areas of strength, will support the delivery of our strategy.

Peter Ventress
Chairman

On behalf of the Board, I am pleased to present the Group's Corporate Governance report and to have the opportunity to report on the Board's activities during 2019.

The Board takes its corporate governance responsibilities very seriously and I am pleased to confirm that the Company has fully complied with the provisions of the 2016 UK Corporate Governance Code (the 2016 Code) during the 2019 financial year. Following the Financial Reporting Council's publication of the 2018 UK Corporate Governance Code in July 2018 (the 2018 Code) applicable to financial years beginning on or after 1 January 2019 and the Guidance on Board Effectiveness, the Board has carried out a detailed review of how the 2018 Code's principles have been applied, together with the processes and procedures that have been adopted by the Company to support the 2018 Code. The Board is fully engaged with these matters and committed to ensuring that we continue to meet our obligations under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of shareholders but also with regard to the interests of all of our stakeholders.

Board and Committee changes

There were a number of changes to the Board and its Committees during the year. On 1 September 2018, Marisa Cassoni joined the Board as a Non-executive Director and became Chair of the Remuneration Committee following the publication of the Group's half year results on 13 February 2019 as planned.

With effect from 26 March 2019, Graham Prothero was appointed as Chief Executive to succeed Peter Truscott who stepped down from the Board. At the same time, Andrew Duxbury, who was Finance Director of Linden Homes and previously Group Financial Controller, succeeded Graham as Finance Director and joined the Board. Further information can be found in the Nomination Committee report on page 64.

Board performance evaluation

In accordance with the requirements of the 2016 Code to have an externally facilitated evaluation at least every three years, an external evaluation of the Board and its Committees was completed in April 2019. The evaluation was undertaken by Independent Audit Limited, a specialist company entirely independent of the Group.

The outcome of the evaluation was positive and full details of the evaluation methodology and its outcome are set out on page 60. In addition, an update on the internal performance evaluation carried out in April 2018 can be found on page 59.

Stakeholder engagement

The Group recognises the importance of our stakeholders' views and actively listens and responds to their concerns at all levels of the organisation. The 2018 Code requires companies to demonstrate how they are engaging with stakeholders and understand their views, to consider their approach to stakeholder engagement and ensure that companies are communicating and consulting with stakeholders in a consistent manner. The Board established a Stakeholder Steering Committee in May 2019 which is chaired by Terry Miller, Senior Independent Non-executive Director and comprises representatives from the businesses as well as representatives from procurement, health and safety and HR. The remit and focus of this Committee are to oversee the management of relationships with the businesses' key stakeholders, reviewing arrangements for engaging with stakeholders, collating stakeholder views and reporting these views to the Board. We will be focusing on how the Board assesses stakeholder engagement as well as reviewing stakeholder feedback. One of our key stakeholder groups is our employees. We have launched an Employee Forum to reflect the emphasis of the 2018 Code on listening to the employee voice.

UK Corporate Governance Code

Under the 2018 Code, Boards are required to consider the way in which they carry out their role. Directors must explain how they have applied the principles in terms of practices, process and actions and under section 172 of the Companies Act 2006, they must have regard to the interests of certain stakeholders and demonstrate that these have been considered at Board level. At the heart of the Code's principles are the strengthening of the employee voice and engagement with a broader range of stakeholders. In addition, the 2018 Code emphasises the Board's role in establishing the Company's purpose, values and strategy and that these are aligned to the Company's culture. During the year, the Board has considered how best to implement the new requirements of the Code. The Board has undertaken a detailed gap analysis of its current governance processes and identified key actions required to enhance our governance within the Group.

The Board has set out a plan for the next 12 months showing the tasks to be completed, and work undertaken to date includes:

- refreshing the Group's Code of Conduct, Doing the Right Thing, published in May 2019;
- reviewing and refreshing the Board Committees' terms of references to address the 2018 Code requirements;
- establishing a Stakeholder Steering Committee in May 2019, comprising representatives from our three businesses as well as representatives from procurement, health and safety and HR; and
- establishing an Employee Forum made up of employee-nominated representatives and chaired by a non-executive director.

We are very pleased with the progress that we have made in addressing the new requirements of the 2018 Code and we will continue to undertake further work to ensure that the Board continues to operate to the highest standards of corporate governance.

Governance developments

In March 2019, the Group published its second Gender pay report. The gender pay gap within our early careers population was reported for the first time. We are pleased to report that within this key population within our Group, we have a mean gender pay gap of -0.2% and median pay gap of 5.4% across our graduates, apprentices and trainees. We have also seen a significant reduction in the overall median gender bonus gap from 41% to 27.1% and the mean gender bonus gap reduced from 33% to under 25% across all populations. However, we acknowledge that there is more work to do to address the pay gap between men and women.

Watch our video to learn how we are promoting and supporting Women in Construction. Scan the QR code or visit www.gallifordtry.co.uk

Director site visits such as the one to Project Apple in July enable our Board to shape the Group's culture, and set and promote the behaviours we want to see in Galliford Try.

The Board remains committed to addressing such under-representation and we have seen some encouraging progress this year in increasing representation of women in our workforce, including senior positions. The report shows that there has been a slight increase in the number of women represented in the higher two pay quartiles within the Group. In addition, we have continued to develop our range of programmes to focus on the key areas of attraction, retention and progression. The Group has continued to support the promotion of careers in construction through participating in the Women in Construction Summit and supporting the Women in Property National Student Awards for the fourth year running. We have continued to develop our targeted recruitment campaigns, and promote initiatives such as agile working arrangements, career breaks and women returners' programmes, and inclusive development and coaching programmes (page 50).

The third report by the Hampton-Alexander review on gender diversity was published in November 2018, which proposes to increase Board and senior leadership diversity.

In addition, the 2018 Code emphasised the importance of diversity. It encouraged Boards to ensure appointment and succession planning practices are designed to promote diversity as well as to report on actions taken to promote diversity. It also broadened the focus of the Nomination Committee to oversee the development of a diverse pipeline for succession to senior management. The Nomination Committee continues to focus on effective succession planning and opportunities to increase the levels of diversity, including gender and ethnicity, at both Board and senior management levels.

Executive succession is a key priority and the need to further develop succession planning continues to be at the forefront, with policies strengthened and procedures further embedded into the business. The identification of successors at executive, business and function levels continues, along with an integrated approach to leadership development for both senior and emerging leaders. Six-monthly succession reviews at executive and business levels have continued throughout the year.

As a Board, we are pleased that our strategic succession planning has enabled us to make a smooth transition both for the role of Chief Executive and Finance Director.

Audit tender

The Audit Committee undertook a competitive tender process for the external audit contract, resulting in BDO LLP being selected as the Group's auditor for the financial year ending 30 June 2020. BDO will stand for appointment by shareholders as Group auditor at the AGM in November 2019. BDO will replace PricewaterhouseCoopers LLP (PwC), whose appointment will cease, after being the Group's auditor for over 20 years.

Annual General Meeting

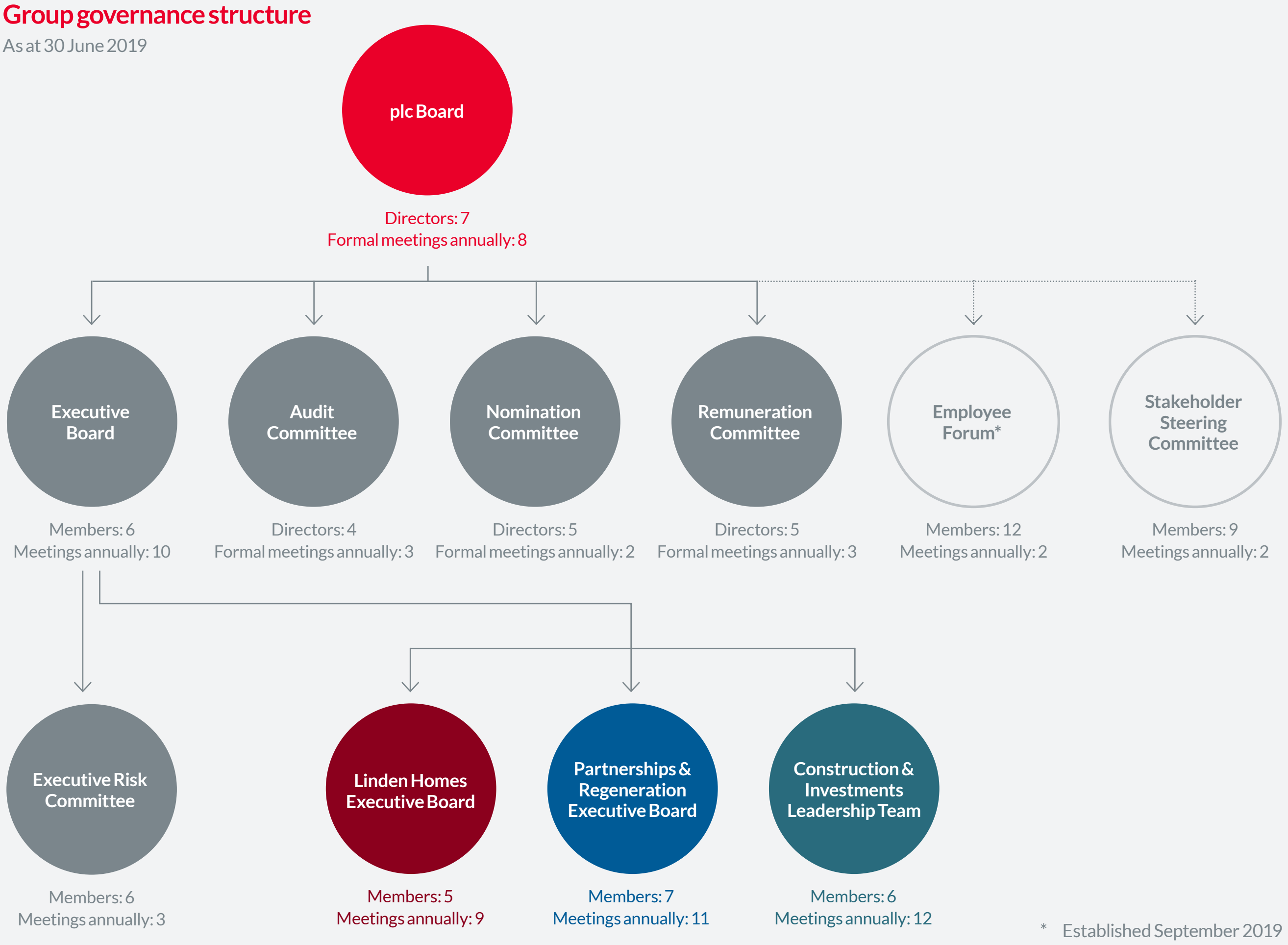
The Company will hold its 2019 AGM on 12 November 2019 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF, where the Board will be pleased to welcome shareholders, answer questions, listen to suggestions and encourage shareholders' participation in the business to be discussed at the meeting.

On behalf of the Board, I look forward to meeting with shareholders at the AGM.

Peter Ventress
Chairman

Group governance structure

As at 30 June 2019



* Established September 2019

Governance review

Board and Committee meeting attendance

All Board meetings were led by the Chairman with the General Counsel and Company Secretary in attendance. The Senior Independent Non-executive Director separately led a meeting of the non-executive directors to assess the performance of the Chairman, without him present.

2018/19 Board and Committee meetings attendance table

Number of meetings (attended/scheduled)	Board	Audit Committee	Nomination Committee	Remuneration Committee
Peter Ventress Chairman	8/8	by invitation	2/2	3/3
Graham Prothero Chief Executive	8/8	by invitation	by invitation	by invitation
Andrew Duxbury[1] Finance Director	2/8	by invitation	n/a	n/a
Terry Miller Senior Independent Non-executive Director	8/8	4/4	2/2	3/3
Gavin Slark Non-executive Director	8/8	4/4	2/2	3/3
Jeremy Townsend Non-executive Director	8/8	4/4	2/2	3/3
Marisa Cassoni[2] Non-executive Director	6/8	3/4	1/2	2/3
Kevin Corbett General Counsel and Company Secretary	8/8	4/4	2/2	3/3
Peter Truscott[3] Former Chief Executive	6/8	by invitation	by invitation	by invitation

1 Andrew Duxbury joined the Board on 26 March 2019 and attended all Board meetings after his appointment.
2 Marisa Cassoni joined the Board on 1 September 2018. She did not attend the December 2018 Board meeting due to a prior commitment.
3 Peter Truscott stepped down from his role as Chief Executive and from the Board on 26 March 2019.

2018/19 Board focus

In addition to the items below, standing items on Board agendas include health, safety, environment and sustainability, directors' conflicts of interest and previous minutes and matters arising. Items also include Chief Executive and Finance Director reports such as strategy, financial forecasts, results to date, operational reviews, trading environment updates and Group Services updates covering HR, secretariat, legal and governance, communications, IT and investor relations reports, which include analyst reviews, share price monitoring and top-line movements in the share register.

The Board also held its annual strategy away day in October 2018 which reviewed strategy five years beyond 2021, the markets, competitor environment, outlook and risks and opportunities for each business and financial performance.

2018

July
- **Site visit to Construction site** – West Calder High School, Edinburgh
- **Presentation** – Building and Infrastructure
- **Presentation** – Procurement and 2018/19 Group budget
- Board evaluation review
- Insurance renewal
- 2018 Annual Report

September
- Full year results
- 2018 Annual Report
- Annual corporate governance review
- Review of internal controls and risk management
- 2018 Notice of AGM

October
- **Site visit to Partnerships site** – Home Farm, West End, Southampton
- Investor relations
- Project updates
- Audit tender
- Group strategy
- 2018 Corporate Governance Code

November
- **Presentation** – Health, safety, environment & sustainability review
- Economic update
- AGM
- **Presentation** – Risk Committee report
- Project updates
- 2018 Corporate Governance Code update
- Audit tender and appointment

December
- Audit interviews and presentations
- Risk Committee reports, Group risk register and Brexit considerations
- Project updates
- Investor relations reports
- 2018 Corporate Governance Code

2019

February
- **Presentation** – IT
- Half year results
- Interim dividend
- Project updates
- Gender pay report
- 2018 Corporate Governance Code
- 2019 Annual Report

April
- **Site visit to Linden Homes site** – Bluebell Rise, Selby, East Yorkshire
- **Presentation** – Linden Homes
- Project updates
- Risk update
- Workforce engagement

May
- Project updates
- SAYE 2019 invitation
- Results of external Board performance evaluation
- Corporate governance update
- 2019 Annual Report design

Compliance statement

The Board believes that high standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board may manage the expectations of shareholders to optimise sustainable performance. The 2016 Code is the governance code to which the Group is subject in this financial year, and which sets out principles relating to the good governance of companies. The Group fully complied with all the provisions of the 2016 Code during the financial year. The 2016 Code is available at www.frc.org.uk.

Following the publication in July 2018 of the revised UK Corporate Governance Code (2018 Code), the Board has reviewed its governance initiatives. While reporting on compliance against the 2016 Code, where possible the Group has also reported to the extent to which it is already substantially compliant with the 2018 Code. The 2018 Code is also available at www.frc.org.uk.

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' Report on pages 78 to 79.

The Group has complied with sections 414CA and 414CB as well as 414C of the Companies Act 2006 following the introduction of the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Relevant information can be found throughout the Strategic report and Governance section of this Annual Report. Also refer to the summary table on page 53 in the Strategic report highlighting where non-financial information can be found within this Annual Report.

Board and Executive Board composition

Biographical summaries for each of the directors as at 30 June 2019, their respective responsibilities and their external directorships are set out on pages 54 and 55.

In line with the 2016 and 2018 Codes, all directors will stand for re-election at the 2019 AGM. The performance of the directors continues to be effective, and commitment to their respective roles is clearly demonstrated.

How the Board operates

The Board is led by the Chairman who is responsible for the Board's effectiveness in all aspects of the role, including acting as an advisor to the Chief Executive on strategic matters, facilitating a culture of openness, debate and support among Board members and ensuring that effective communications are maintained with shareholders. As at 30 June 2019, the Board comprises five independent non-executive directors, the Chief Executive and the Finance Director.

The Board is collectively responsible for the long-term success of the Company, including its relationships and engagement with all shareholders, and operates via a formal schedule of matters reserved for its decision. The Board also operates an established framework of delegated financial, commercial and operational matters to management; such delegations are reviewed annually. A summary of the matters reserved for the Board and the matters delegated to management is set out in the table below.

Matters reserved for the Board	Matters delegated to management
Group values and standards	Operational management of Group
Group strategy, business plans and annual budgets	Implementation of Group policies
Acquisitions, disposals and contracts over a prescribed value	Allocation of Group resources
Material joint arrangements	Contracts of a prescribed value
Approval of Group policies	Management succession planning
Material changes to Group share capital	Risk management
Group borrowing facilities	
Approval of circulars and financial reports	

In line with the 2016 Code, the duties of the Chairman and Chief Executive are clearly specified to ensure the proper division of responsibilities and balance of power. Copies of the respective role descriptions of the Chairman and Chief Executive are available on the Group's website (www.gallifordtry.co.uk). The key responsibilities of the Chairman include leadership of and communication with the Board, value setting, shareholder liaison, governance and performance evaluation and appraisal. The key responsibilities of the Chief Executive include developing Group strategy, operational performance and executive management, including chairing the Group's Executive Board.

Terry Miller was the Group's Senior Independent Non-executive Director throughout the year and was available to shareholders during that time. She was not contacted in that capacity by shareholders during the financial year.

Other than the changes referenced, the roles and responsibilities of each of the non-executive directors, which are detailed in their individual letters of appointment, have not changed from the previous financial year. These include: to effectively participate, advise and provide guidance to the Board; to uphold standards of integrity and values; to develop and monitor strategy; to structure, challenge and scrutinise management performance against agreed objectives; to be satisfied as to the integrity of financial information and robust financial controls and systems in place; to assist in determining appropriate remuneration and succession planning; and to ensure the views of shareholders are taken into account in decision-making and policy setting. The letters of appointment are available for inspection on request at the Company's registered office and will be available immediately prior to and during the 2019 AGM.

The timely provision of quality information in advance of all Board and Committee meetings, and the provision of independent professional advice, continued throughout the financial year. The Board continues to benefit from its established reporting mechanisms, designed to ensure crucial management and project-specific information and significant Group-wide developments are reported quickly and accurately, facilitating prompt approval of further actions. Throughout the year, the Board also received regular Group, business and business unit-specific presentations, covering all key aspects of the Group's operations. In addition, at each Board meeting, a report from the Company's corporate broker, Peel Hunt, regarding the market sector, the relative performance of the Group's share price, movements by the top 20 shareholders and relevant comments by market analysts, along with any shareholder feedback, is provided to ensure that the Board has a full understanding of the views of major shareholders.

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

The Board receives regular presentations from the businesses on operational matters, assisting Board members to stay up-to-date with sector-relevant issues, and receives updates from advisors on pertinent matters as and when required. Board members are encouraged to undertake their own continuing professional development.

The Group maintained appropriate Directors' and Officers' Liability Insurance on behalf of the directors and General Counsel and Company Secretary throughout the financial year. In addition, individual qualifying third-party indemnities are provided to the directors and General Counsel and Company Secretary, which comply with the provisions of section 234 of the Companies Act 2006, and were in force throughout the year and up to the date of signing the Annual Report.

Board evaluation: 2018 update and 2019 externally facilitated evaluation

The 2018 Board evaluation found that the Board and its Committees were operating effectively. The findings were presented to the May 2018 Board meeting and actions were agreed by the Board to address the recommendations of the evaluation. The table summarises the substantive recommendations made and actions undertaken during the financial year to address them.

2018 Board evaluation recommendations	Actions taken during the year
Annual site visits	Three site visits and an annual office visit were arranged during the year to further enhance the Board's knowledge of operations as well as engagement with management.
Board presentations	Presentation materials were included in Board papers during the year with informal discussion and debate held over Board dinners, site or office visits.
Strategy and competitor environment	A strategy meeting took place in October 2018 to review strategy to 2025, markets and competitor environment and outlook.

Governance review
continued

Board effectiveness review

The Board reviews its own effectiveness and that of its Committees on an annual basis, with an externally facilitated review at least every third year. In 2019, the Board appointed Independent Audit Limited (Independent Audit) to conduct an externally facilitated evaluation which included one-to-one interviews with Board members, the General Counsel and Company Secretary, and others who have significant interaction with the Board; observation of a Board meeting; and a review of Board and Committee papers and other relevant governance documentation. Face-to-face interviews focused on areas including Board composition, dynamics, strategic and operational oversight, risk management, oversight of culture, succession planning and HR, priorities for change, and the Committees. Independent Audit was selected after a competitive tender process and has no other connection with the Company or individual directors. Independent Audit provided a report based on responses to the interviews, which was discussed in draft with the Chairman and then presented in full to the Board. The Board discussed the report and agreed actions to take forward, based on the suggestions in the report.

Overall, the evaluation confirmed that the Board and its Committees are operating effectively and the Board concluded that it has the following strengths:

- Chairmanship.
- Agenda setting.
- Balanced composition.
- Good mix of skills and experience.
- Evaluation of risk when making big decisions.
- Committees performing well.

The Board identified the following areas in which it would like to make improvements:

- Take a more holistic approach to organisational culture.
- Focus on diversity across the organisation.
- Take a longer-term view and plan for succession.

Performance evaluation of individual directors is conducted by the Chairman on an annual basis. The Chairman holds one-to-one meetings with each Board member to discuss their performance, contribution, commitment and training and development needs. The Senior Independent Non-executive Director holds a session annually with all Board members except the Chairman to discuss the performance of the Chairman. The Senior Independent Non-executive Director then meets with the Chairman to provide feedback.

Diversity

In 2013, the Board stated its commitment to addressing the expectations of the Davies report, Women on Boards, where appropriate and possible. As at 30 June 2019, women held 29% of Board positions.

Strategies to improve diversity at all levels in the workforce have continued further on the work undertaken in 2018 to ensure each business has the right culture, procedures and policies in place. Linden Homes has sponsored the Women in Property Student Awards for four years. This ensures that Linden Homes gains greater exposure as an employer of choice for females in the housebuilding sector. Our Construction and Partnerships & Regeneration businesses have jointly sponsored the Women in Construction summit. In addition, our Partnerships & Regeneration business implemented a social media campaign for International Women's Day which involved all the businesses promoting case studies about key women in the business and the different roles construction can offer. Our Construction business developed a video which it shared at events and on social media showcasing how we encourage and support women in construction. A variety of inclusive initiatives, such as gender-neutral recruitment, supporting diversity programmes and the promotion of agile working are used to make the Company more attractive to a wider group of employees.

Further diversity disclosures can be found in the Strategic report on page 50.

Executive Board report

Membership of the Executive Board is detailed on page 54.

The Chief Executive is responsible for the effective leadership of the senior executive management and chairs the Executive Board which, in addition to the Chief Executive, consists of the Finance Director, the General Counsel and Company Secretary, the Chief Executive of Linden Homes, the Chief Executive of Construction & Investments, and the Chief Executive of Partnerships & Regeneration. The Executive Board is responsible for the operational management of the Group under terms of reference delegated by the Board, which include responsibility for making recommendations to the Board on all items included in the formal schedule of matters reserved for Board authorisation. The Executive Board receives and considers regular performance and operational reports and presentations from business management. The Assistant Company Secretary acts as secretary to the Executive Board and the minutes of Executive Board meetings are included in the Board packs.

The Executive Board meets at least 10 times a year and additional meetings are convened when necessary to consider and authorise specific operational or project matters. The Executive Board focuses on long-term strategic issues and matters of Group-wide policy, with health, safety and sustainability, business ethics and customer service as the first agenda items at every meeting, highlighting the importance of such matters to the Group. Executive responsibility for operational matters of each business has been generally devolved to the executive and operational Boards of each business. The Chief Executive, Finance Director and General Counsel and Company Secretary also regularly attend the Board meetings of each business.

Governance policies

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

Shareholder relations

As part of its strong governance and engagement with shareholders, facilitating effective communications and maintaining relationships with all shareholders and interested parties remain a key focus for the Company. The Board, and, in particular, the Chief Executive and Finance Director, continue to organise meetings with existing and prospective institutional shareholders.

The Board as a whole continues to engage actively with institutional shareholders, in line with the Financial Reporting Council's UK Stewardship Code, on key matters of relevance to the Group and its operations, such as governance, strategy or remuneration, or more general market themes. Specific reports regarding shareholder views are provided to the Board for analysis and discussion. Separately, the Senior Independent Non-executive Director and other Non-executive Directors are available to attend meetings with shareholders and address any significant concerns that shareholders may have.

The Company's AGM, held in November each year, continues to be a popular means for private shareholders to receive updates on Group performance, and provides an opportunity to put questions to the Board and for the Board to listen to shareholder suggestions and concerns. All directors of the Company attended the 2018 AGM. Arrangements for the meeting, including notice period and voting arrangements, followed the requirements of the 2016 Code and related best practice.

Reporting, risk, internal audit and controls

The Governance review, commencing on page 54, details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework, are disclosed in the Principal risks section on pages 26 to 32.

Any matters of non-compliance with the provisions of the Group Corporate and Finance Manuals have been rectified either during the financial year or by the date of this Annual Report. A separate programme of 15 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Audit Committee report

The Committee oversaw an external audit tender process and continued to monitor and review the implementation of new accounting standards, the integrity of the financial statements and the effectiveness of the risk management and internal controls.

Jeremy Townsend
Audit Committee Chair

Committee Chair's annual statement

On behalf of the Board, I am pleased to present the report of the Audit Committee.

The Committee further comprises independent non-executive directors. Additional details on the Committee's members can be found on pages 54 and 55. The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Director of Risk and Internal Audit and the Director of Group Finance. The General Counsel and Company Secretary or his nominee act as secretary to the Committee. Both Marisa Cassoni, Committee member, and I have a financial background and are members of the Institute of Chartered Accountants in England and Wales. The Board considers that this satisfies the 2016 Code and 2018 Code requirement that the Committee's membership must have recent and relevant financial experience.

In addition, the 2018 Code requires that the Committee as a whole should have competence relevant to the sector in which the Company operates. As Committee Chair, I have extensive experience in my role as Chief Financial Officer of Rentokil Initial plc, previously as Finance Director at Mitchells & Butlers plc and in various finance roles at J Sainsbury plc of financial reporting preparation and compliance for public companies and of dealing with internal and external auditors. I also have experience of both attending and being a member of an Audit Committee. Marisa Cassoni has wide experience in numerous roles, which include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. She also has experience of being a non-executive director with Skipton Building Society, AO World plc and Ei Group plc. Terry Miller has wide experience of construction arising from having seen the negotiation of overlay construction contracts as General Counsel for the London 2012 Olympic Games. She also has extensive experience as a non-executive director and currently serves as a non-executive director with two Goldman Sachs group companies and a regulated insurance company. Gavin Slark is currently Chief Executive Officer of Grafton Group plc, an independent company operating in the merchanting, DIY retailing and mortar manufacturing markets in Britain, Ireland and Belgium. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors. The Board is satisfied that, as a whole, the Committee has competence relevant to the sector in which the Group operates.

The focus of the Committee during the financial year has been primarily in relation to reviewing the position on legacy construction contracts and their impacts. The Committee has continued to monitor and review developments in corporate governance, the integrity of the financial statements and the adequacy and effectiveness of the risk management and internal control framework of the Group. The Committee considers that the 2019 Annual Report and financial statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

Remit and activities

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

The authorities and calendar of work remain in line with the requirements of the 2016 Code. At each meeting, Committee members take time, in the absence of executive directors, to review separately and discuss any issues meriting their attention. The table on page 63 summarises the key activities during the financial year. The Committee also continues to meet with internal and external audit teams, without executive management present.

During the financial year, the Risk and Internal Audit team focused on delivering its agreed calendar of audit reviews under its rolling three-year internal audit plan and on providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management. The risks of the Group are reviewed by the Executive Risk Committee, which reports to the Executive Board and the plc Board. In line with the 2018 Code, the Committee has reviewed procedures in place to identify emerging risks. More information about the Group's principal risks, its process of identifying and managing emerging risks, its long-term viability and its risk management systems can be found in the Principal risks section on pages 26 to 32. Policies and review mechanisms governing the provision of material non-audit services, and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year. The policy specifies: the types of non-audit services for which the use of the external auditor is pre-approved (ie approval has been given in advance as a matter of policy); the services for which specific approval from the Committee is required before the auditor is contracted; and the services from which the external auditor is excluded. In respect of pre-approved services, a financial threshold is in place, applicable to individual and aggregated services in any year. Furthermore, should the total value of non-audit service engagements exceed a defined percentage of the total Group audit fee for the previous financial year, the Committee shall consider and give specific prior approval for any subsequent non-audit service engagements.

As indicated in note 7 to the financial statements, the incumbent external auditor, PwC, did not provide any non-audit related advice or services covering general corporate matters during the year.

Each year, the Committee assesses the independence and effectiveness of the external audit process, which includes discussing feedback from the members of the Committee and key senior management within the Group and from regulatory sources.

FRC Audit Quality Review

The FRC's Audit Quality Review Team (AQRT) selected PwC's audit of the Company's 2018 financial statements for review, as part of its annual programme of promoting improvement in the overall quality of auditing in the UK.

The AQRT's final report was received in early September 2019. The Committee discussed the AQRT's findings, in particular with respect to challenging the judgments made in relation to long-term contracts. As the Chair of the Committee, I discussed the FRC's draft report with PwC and will discuss the final report with both of them and the FRC in the near future. PwC have confirmed that, in the 2019 audit, it enhanced its audit procedures to address the specific matters raised.

Audit Committee report
continued

Internal control framework

The day-to-day management of our principal risks is supported by an internal control framework which is embedded in our management and operational processes. The most significant elements of the Group's internal control framework include the following:

Organisational structure: each business unit is led by a managing director and management team providing a clear hierarchy and accountabilities.

Code of Conduct: the Group promotes a culture of acting ethically and with demonstrable integrity. Group standards are set out in our 'Doing the Right Thing' Code of Conduct which has been updated and reissued during 2019. It is supported by specific training modules in key areas and its key themes and importance are communicated to new starters as part of their induction.

Contractual review and commitments: the Group has clearly defined policies and procedures for entering into contractual commitments which apply across its business units and operations and are enforced through the Group's legal authorities matrix.

Investment in land and development: land expenditure approval is subject to clearly defined policies and procedures, with significant investments approved at Executive Board and Board levels under Group policies and procedures.

Operational activity: site operations are performed in line with established business management systems and processes that incorporate all operational activities, including health, safety and environmental procedures, regular performance monitoring, quality management and external accountability to stakeholders.

Financial planning framework: a detailed annual budget is prepared for each financial year, which is approved by the Board.

Operational and financial reporting: an exacting profit and cash reporting and forecasting regime is in place across the Group. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters are prioritised within monthly operational reports.

Internal Audit: the Risk and Internal Audit team develops and delivers an annual programme of internal audits, which includes business unit key control reviews, contract and developments commercial audits, audits of Group processes and reviews of significant change programmes.

Assurance provided by non-audit functions: a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment, legal contract reviews and compliance, and construction industry regulation.

Pension plan administration: review of the funding position of the Group's defined benefit pension scheme and consideration of cash contributions by the Group are the responsibility of the Board. The administration of the Group's fully closed final salary and ongoing defined contribution pension plan is outsourced to professional service providers. Each of the final salary schemes has an independent scheme secretary and a proportion of independent trustees to provide additional layers of external scrutiny.

Audit tender

In the 2018 Annual Report, the Committee reported that it intended to conduct a competitive tender of the Group's external auditor. The tender process was undertaken in the second half of 2018. The Committee had overall oversight of the audit tender process. A number of firms, excluding PwC, were invited to submit tender proposals based on the Group's audit requirements and assessment criteria which were set out in a formal tender request proposal. Meetings were held between the prospective audit representatives and members of the Board, the executive team, the divisional finance directors and some of the functional heads. Their proposals were submitted to the Board in December 2018 followed by a presentation to the Committee. The Committee undertook a formal and structured evaluation of the presentations and tender submissions of each of the candidate firms based on objective evaluation criteria. Based on this evaluation, the Committee recommended to the Board the appointment of BDO LLP as external auditor. The Board considered the Audit Committee's recommendation and selected BDO as the Group's auditor. PwC continued in its role as Group auditor until the completion of the audit for the 2019 financial year. A transition programme was agreed with both PwC and BDO, which included BDO shadowing PwC during the 2019 financial year-end audit and 2019 interim accounts process in addition to attendance at all Audit Committee meetings during 2019. BDO will stand for appointment by shareholders as Group auditor at the AGM in November 2019.

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

Review of construction contracts: the Committee has overseen an internal review of the Construction business led by the Risk and Internal Audit team. The scope of this review includes positions on key contracts in Construction and the root causes of unexpected additional costs as announced in April 2019.

Contract revenue and provisions: in conjunction with the annual audit, the Committee reviewed a paper setting out key judgments in respect of revenue recognition and contract provisions, in relation to certain significant long-term Construction contracts. This specifically included consideration, in the context of IFRS 9 and IFRS 15, of the accounting and disclosure in relation to the Aberdeen Western Peripheral Route and three terminated contracts (see financial review on page 34).

Future IFRS developments: during the year, the Committee continued to review the implementation of new accounting standards with respect to their impact on the Group's results and financial statements. This included IFRS 16 Leases, for which an impact assessment and implementation project was completed and presented. The Committee also considered, reviewed and approved the Group's proposed internal accounting policy to reflect the requirements of the new standard, which was adopted by the Group on 1 July 2019. Further details on the impact of the adoption of IFRS 15, IFRS 9 and future adoption of IFRS 16 can be found in notes 1, 3 and 39.

Going concern and viability: the Committee assessed the available bank facilities and the associated covenants and sensitivities. The Committee also considered other commercial and economic risks to the Group's going concern status and longer-term viability, including cash recovery sensitivities in respect of the legacy joint arrangements infrastructure projects. The Committee reported to the Board on its findings.

Goodwill impairment review: during the year, the Committee considered the judgments made in relation to the valuation methodology adopted by management and the model inputs used, as well as the sensitivities used by management and the related disclosures.

Financial Reporting Council review of 2018 financial statements: The Group's 30 June 2018 financial statements are subject to an ongoing review by the FRC's Corporate Reporting Review team. This has resulted in us making a number of enhancements to our disclosures in the 2019 financial statements. As part of that enquiry, we have also reconsidered our treatment of cash flows with our joint ventures and now present these as investing rather than operating cash flows. We have also represented the 2018 comparatives on a consistent basis with this revised treatment which has resulted in £53.2m of net cash used in operating activities being reclassified as net cash used in investing activities.

Disclosure of significant transactions: the Committee has given particular consideration to the presentation of individually significant transactions, and areas where alternative performance measures are required to ensure that the financial statements give a fair, balanced and understandable view of the Group's performance, and that statutory measures are equally clear and prominent. Reconciliations of alternative performance measures to their statutory equivalent measures are detailed in note 38 to the financial statements.

Jeremy Townsend
Audit Committee Chair

Calendar of 2018/19 Committee activities and areas of focus

September 2018

- Committee review of 2017/18 full year results, including external auditor presentation, going concern review and approval of ' fair, balanced and understandable' process.
- Summary of impact of IFRS 15 Revenue Recognition.
- Risk, internal audit and whistleblowing reports.
- Review of 2016 UK Corporate Governance Code.

December 2018

- Audit tender interviews and presentations.

February 2019

- Committee review of 2018/19 half year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process.
- Risk, internal audit and whistleblowing reports.

May 2019

- Construction & Investments project commercial reviews.
- Construction & Investments contract reviews.
- Risk, internal audit, and whistleblowing reports.
- Approval of external audit plan.
- Anti-money laundering update.
- Impact assessment of IFRS 16 Leases.
- Review of terms of reference and Non-Audit Fee Policy.

Nomination Committee report

The Committee has overseen the succession to the roles of Chief Executive and Finance Director and has continued to monitor, develop and embed a variety of initiatives to further strengthen the work on succession planning, diversity and related processes.

Peter Ventress
Nomination Committee Chair

Committee Chair's annual statement

I am pleased to report on the Committee's activities during the financial year. As reported in the 2018 Annual Report, Marisa Cassoni joined the Board on 1 September 2018 and became a member of the Audit, Nomination and Remuneration Committees. As planned, Marisa was appointed Chair of the Remuneration Committee after the Group's half year results in February 2019, following the stepping down of the Interim Chair, Terry Miller. Terry has continued to be a member of the Audit, Nomination and Remuneration Committees.

During 2019, the Committee oversaw a number of significant changes to the Board. As already reported on page 10, on 26 March 2019, Peter Truscott stood down as Chief Executive to pursue other opportunities. The Board is grateful for Peter's contribution to the Group's progress towards achieving our strategy to 2021 and we wish him well in his new role.

Graham Prothero, who was formerly Finance Director, was appointed as Chief Executive. Andrew Duxbury succeeded Graham as Finance Director and joined the Board with immediate effect. Graham's promotion to Chief Executive reflects the Board's confidence in his leadership skills, industry experience, knowledge of our business and strong relationships both internally and externally with our investors and other stakeholders. Having served as Finance Director on the Board since February 2013, Graham has worked closely with the outgoing Chief Executive in developing and putting our strategy in action to 2021.

Andrew joined the Group from PwC in 2012, and has held a number of senior finance positions, including Group Financial Controller. He has a wealth of knowledge of the Group and our businesses and was an excellent internal candidate for the role. The Board has every confidence that he will be successful in his new role. Both appointments are a result of the Committee's Board succession planning activities over recent years and evidence the good work that the Committee has done on succession planning.

Composition and remit

Membership of the Committee is detailed on page 54. I have chaired the Committee since 1 September 2017 and the General Counsel and Company Secretary acts as secretary to the Committee. As stated earlier, Marisa joined the Committee with effect from 1 September 2018 and was appointed as Chair of the Remuneration Committee after publication of the Group's half year results on 13 February 2019 as planned.

Following the publication of the 2018 Code, the Committee has reviewed the terms of reference and updated them to ensure that they are in line with the new Code. The terms of reference of the Committee can be found on the Group's website (www.gallifordtry.co.uk). The authorities delegated to the Committee by the Board are similar to previous years and comprise, among other matters:

- Reviewing the size, structure and composition of the Board.
- Evaluating the balance of skills, knowledge, diversity and experience of the Board, including the impact of new appointments.
- Overseeing and recommending the recruitment of any new directors.
- Ensuring appointments are appropriately made against objective criteria.
- Keeping the leadership and succession requirements of the Group under active review.

The principal tasks of the Committee during the financial year have been to oversee the succession to the roles of Chief Executive and Finance Director and to continue the development, monitoring and oversight of the previously agreed succession planning processes and the further implementation of the range of inclusive and diversity-supporting initiatives. The Committee received updates twice during the year on both the ongoing succession planning and talent-mapping process at various levels within the Group, together with the individuals identified, and any development requirements necessary to ensure effective succession. As a result of this work, there is a greater understanding of the succession process and development plans in place for key positions where necessary. Succession planning, development and leadership requirements will continue to be the subject of direct focus and engagement by the Committee for the coming financial year. The Committee is also committed to embedding inclusion and diversity at Board and executive level and generally throughout the Group. Activities include a range of initiatives with direct participation from management to help address its gender pay gap, action plans to target inclusivity and diversity, and access to agile working arrangements to ensure that the Company provides a supportive and flexible culture, environment and working practices to suit everybody's needs. In so doing, it aims to continue to attract and retain the best candidates and ensure the full development of all its employees across the Group.

At the financial year end, the Committee comprised a majority of independent non-executive directors, complying with provision B.2.1 of the 2016 Code.

External consultant Russell Reynolds, which was consulted on the Board appointments during the financial year, has no other connection with the Group.

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

Calendar of 2018/19 Committee activities and areas of focus

December 2018	Succession planning.
	Remuneration Committee advisor.
March 2019	CEO and Finance Director positions.
	Executive director remuneration.
May 2019	Succession planning.
	Non-executive directors appointment review and Committee board membership.
	Non-executive directors appointment update.
	Terms of reference review and approval.

Peter Ventress
Nomination Committee Chair

Remuneration Committee report

The Remuneration Committee oversaw a competitive tender of the Group's remuneration consultants, continued to monitor and review developments in corporate governance and focused on the implementation of the Remuneration Policy approved by shareholders at the 2017 AGM.

Marisa Cassoni
Remuneration Committee Chair

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

Calendar of 2018/19 Committee activities and areas of focus

Month	Activity or area of focus
July 2018	Salary review outcome. Long Term Incentive Plan (LTIP) 2015 performance measures to 30 June 2018. Proposal of performance metrics for LTIP 2018 Grant of Awards. Update on 2017/18 annual bonus forecast, performance and proposal of 2018/19 annual bonus scheme. Long Term Bonus Plan 2018 proposal. Consideration of 2018 Directors' Remuneration Report disclosures.
September 2018	Vesting of 2015 LTIP award. Payment and award review of Long Term Bonus Plan. Review of 2017/18 annual bonus performance to 30 June 2018. Approval of grant of 2018 LTIP award. Approval of the 2018 Directors' Remuneration Report.
May 2019	Remuneration and corporate governance developments. Update on 2019 AGM season. Company pension contributions for new executive directors. Group and senior management remuneration review and Executive Board car allowance. Update on existing Long Term Bonus Plan 2018 performance. Review of Terms of Reference. Review of Employee Share Trust shareholdings and forward share projections.

From 10 November 2017 to 13 February 2019, Terry Miller was Interim Chair of the Remuneration Committee. Marisa Cassoni was appointed Chair of the Committee on 13 February 2019.

Remuneration Committee report
continued

Committee Chair's annual statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2019. This is my first report, having taken over as Chair of the Committee in February.

As in previous years, this report is split into three sections:

- this Annual Statement;
- a summary of the Remuneration Policy which was approved by shareholders at the 2017 AGM which is reproduced for information purposes and to provide context to decisions taken by the Committee during the year; and
- the Annual Report on Remuneration which will be subject to an advisory vote at our AGM on 12 November 2019.

The Group overall delivered another year of both strong operational and underlying financial performance notwithstanding the challenges faced by the Group's Construction business. The Group is making good progress towards its strategic plans to 2021.

In determining the 2018/19 annual bonus outcome, the Committee considered the exceptional costs incurred during the year. However, the pre-exceptional profit before tax (PBT) of £155.5m was below the threshold required for that element of the bonus (the largest single element). Performance in other areas was strong and the Committee believes that the bonus level produced by scorecard (57%) was an appropriate reflection of overall performance – see page 72. This treatment is consistent with that applied for participants of the Annual Bonus Plan (ABP). Vesting of the 2016 Long Term Incentive Plan (LTIP) is subject to two performance measures; Earnings Per Share (EPS) and Total Shareholder Return (TSR). Adjustments to awards granted to executives were made last year following the rights issue undertaken in April 2018. For the financial year ended 30 June 2019, 16.5% of the base 2016 LTIP will vest on 16 November 2019 and a payout of 57% in respect of the ABP for the year ended.

This year also saw a change in our Executive Board, with Peter Truscott leaving the Company on 26 March 2019. Peter was succeeded as Chief Executive by Graham Prothero, formerly Finance Director, and with the role of Finance Director taken over by Andrew Duxbury, an experienced internal hire who previously served as Finance Director of Linden Homes. Reflecting these changes, the Remuneration Committee considered both the leaver arrangements for Peter Truscott and the new remuneration arrangements for each of Graham Prothero and Andrew Duxbury in the context of following Galliford Try's approved Directors' Remuneration Policy. Our decisions in each of these areas are detailed in the relevant sections on pages 71 and 72 and were communicated to our largest shareholders earlier this year.

Application of Remuneration Policy in 2019/20

As reported in the 2018 Annual Report, there were no changes to the Remuneration Policy (Policy) for 2018/19. Shareholders overwhelmingly approved the current Policy at the 2017 AGM and this policy was adopted and implemented throughout the reporting period. As the Policy will approach its third year since shareholder approval was given, the Committee will review the Policy in line with the investor guidance and market developments as well as the requirements of the 2018 Code.

The key elements of how the Policy will be applied in the current financial year are set out below:

- Base salaries: increases in line with workforce.
  - The Committee continues to monitor and review pay and conditions across the Group and in line with the external market. The wider executive population beneath the senior team is also reviewed. Merit-based salary increases were awarded to staff on review in May 2019, and a budget of 3% was provided to the Group to cover all increases. Graham Prothero and Andrew Duxbury's salaries have been increased by 3% in line with average increases across the workforce with effect from 1 July 2019.
- Annual Bonus Plan: no changes to metrics or structure.
  - The Group manages macro-economic risk by building a stronger and appropriate order book and maintaining an appropriately-sized landbank. Both measures again feature in the 2019/20 annual bonus metrics, which comprise Group profit before tax, Group cash management, landbank and Construction order book. As in the last three financial years, performance against the financial metrics will be measured on a pre-exceptional basis. Health and safety is a priority and will continue to feature as a downwards adjuster.
- LTIP: In light of the offer from Bovis Homes Group plc to acquire the Linden Homes and Partnerships & Regeneration businesses from Galliford Try announced on 10 September 2019, and given that there can be no certainty of this acquisition being completed as at the date of the publication of this report, the Committee decided to defer any LTIP award for 2019 – 2022 until later in the 2019/20 financial year.

  Any award will be within the current approved Remuneration Policy and may include, for example, applying additional or different performance metrics or targets, or modifying the structure of awards. Relevant details will be included in next year's Directors' Remuneration Report and, in respect of the LTIP grant, in the market announcement at the time of any grant during the 2019/20 financial year.

Looking ahead

Following the publication of the 2018 Corporate Governance Code in July 2018 (the 2018 Code), the Committee has considered the recommendations in the 2018 Code insofar as they relate to remuneration. The changes to the Code include the setting of remuneration for senior management by the Committee and, in addition, the Committee has responsibility to review workforce remuneration and related policies and for the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Directors. In most respects, the remuneration policy and its application complies with many of these new requirements, however, the Committee will be focusing on embedding the 2018 Code principles at the next review of the Remuneration Policy which will be presented for shareholder approval at the 2020 Annual General Meeting. The Committee has already reviewed its terms of reference to ensure that they meet best practice and to also ensure that the Committee considers all relevant matters as part of its wider remit and responsibilities under the 2018 Code.

Marisa Cassoni
Remuneration Committee Chair

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Remuneration strategy

The Group's remuneration strategy is to incentivise future executive performance, reward successful performance delivery and target the recruitment and retention of talented and experienced executives.

Remuneration Policy

The Remuneration Policy was submitted for renewal at the triennial vote at the 2017 AGM and was approved by 99.8% of shareholders. Full details of the Remuneration Policy can be found on pages 58 to 60 of the 2017 Annual Report and financial statements and the key aspects are summarised below.

The main objectives of the Group's Remuneration Policy are to:

- ensure that remuneration packages are appropriately positioned and structured to promote the long-term success of the Company, taking into account pay and conditions across the Company;
- engender a performance culture, which will position Galliford Try as an employer of choice and deliver shareholder value;
- deliver a significant proportion of total executive pay through performance-related remuneration and in shares;
- position performance-related elements of remuneration so that these are capable of appropriately rewarding the delivery of outstanding results and peer sector outperformance; and
- ensure that failure is not rewarded.

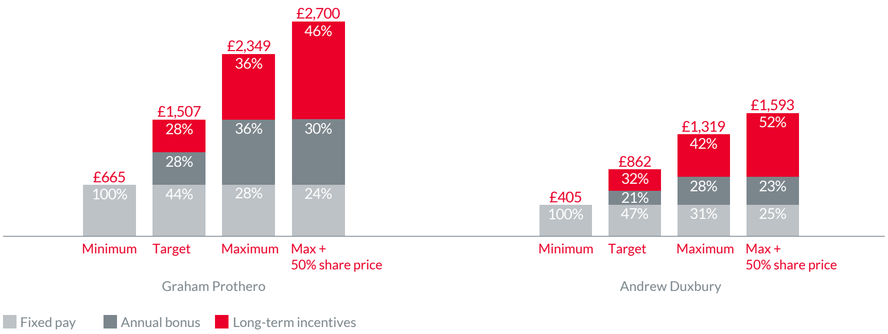
The Policy is shaped by environmental, social and governance factors, which help to determine the design of incentive structures to encourage responsible behaviour. Furthermore, recognising that even well-designed incentives cannot cater for all eventualities, should any unforeseen issues arise that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

The individualised potential executive reward charts set out below have been prepared using the following assumptions:

- For minimum remuneration: only fixed salary, benefits and pensions payments have been included.
- For on-target remuneration: fixed salary, benefits and pension plus 50% payout of the ABP and 50% of the LTIP (face value) awards have been included.
- For maximum remuneration: fixed salary, benefits and pension plus full payout under the ABP and full vesting (maximum 150%) of the LTIP (face value) awards have been included.
- For maximum plus share price growth: same values as the maximum scenario plus a 50% increase in the value of the LTIP (face value) awards have been included.

Salary levels are based on those applying on 1 July 2019. The value of taxable benefits is estimated based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2019. Executive directors can participate in all employee share schemes on the same basis as other employees but, for simplicity, the value that may be received from participating in these schemes has been excluded.

Illustration of application of Remuneration Policy
Remuneration (£000s)



Discretions retained by the Committee in operating incentive plans

The Committee may make minor amendments to the 2017 Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval.

The Committee will operate the ABP and LTIP according to their respective rules, the Policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of an award and/or a payment;
- the size of an award and/or a payment;
- the choice of (and adjustment of) performance measures, weightings and targets for each incentive plan in accordance with the Policy set out above and the rules of each plan;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (eg rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the Annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Policy on recruitment

In cases where the Group recruits a new executive director, the Committee will align the new executive's remuneration with the approved Remuneration Policy. In arriving at a value for individual remuneration, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience and the importance of securing the preferred candidate.

The Committee also has the discretion to meet certain other incidental expenses (for example, relocation costs and travel and subsistence payments) to secure recruitment of preferred candidates. Further details of the Recruitment Policy are set out in the table on the next page.

Remuneration Committee report
continued

Policy on recruitment

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases (potentially above the average increase across the Company), as the new appointee becomes established in the role.
Pension and benefits	In line with the policy for existing executive directors.	The Committee has reviewed the pension contribution rate for executive directors to reflect the Group's broader commitment to reducing pension contributions over time so that they are aligned with those offered across our employee population. Relocation expenses or allowance, legal fees and other costs relating to recruitment may be paid as appropriate.
ABP	In line with existing schemes.	Where a director is appointed part way through a financial year, different performance measures could be introduced to reflect the change in role and responsibilities. The annual bonus limit will be 150% of base salary for a chief executive and 100% for other directors. Pro-rating applies as appropriate for intra-year joiners. Where an individual is appointed to the Board, different performance measures to those for continuing directors may be set for the period of time remaining in that performance year.
LTIP	In line with Group policies and LTIP rules.	An award of up to 150% of salary may be made in accordance with the Remuneration Policy table. An award may be made in the year of joining or can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

The Committee reserves the right to award additional remuneration in excess of the Remuneration Policy at appointment, exclusively to replace lost rewards or benefits. In determining the appropriate form and amount of any such award, the Committee will consider various factors, including the type and quantum of award, the length of performance period, and the performance and vesting conditions attached to each forfeited incentive award. The maximum payment (which may be in addition to the normal variable remuneration) should be no more than the Committee considers is required to provide reasonable compensation to the incoming director. The Committee may make use of the flexibility provided in both the Listing Rules and the approved Remuneration Policy, to make awards outside the existing parameters of the LTIP.

For internal promotions to executive director positions, the Committee's policy is for legacy awards or incentives to be capable of vesting on their original terms (which may involve participation in schemes that operate exclusively for below Board employees) or, at the discretion of the Committee, they may be amended to bring them into line with the policy for executive directors.

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

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2019 are detailed below:

	Contract date[1]	Notice period[2,3] (months)
Non-executive directors		
Peter Ventress	30 April 2015	6
Terry Miller	1 February 2014	6
Gavin Slark	13 May 2015	6
Jeremy Townsend	1 September 2017	6
Marisa Cassoni	1 September 2018	6
Executive directors		
Graham Prothero	18 June 2012	12
Andrew Duxbury	26 March 2019	12

1 Contract dates shown are the directors' initial contract as an executive or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointments are subject to a rolling notice period as stated. All serving directors will stand for re-election at the 2019 AGM.

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

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

Executive directors' service contracts are available at the Company's registered office and will be available for inspection at the 2019 AGM.

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

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

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

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

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, 'good leaver' status can be applied at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure).

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

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

Legacy arrangements

Authority is contained within the 2017 Remuneration Policy for the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or vesting and exercise of a past LTIP award) that have been disclosed to shareholders in previous Directors' Remuneration Reports.

External directorships

The Board ensures that any additional external appointments are only undertaken if time and commitments allow and with the prior written approval of the Board. Only upon approval are executive directors permitted to accept external appointments as non-executive directors and retain any associated fees.

Shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Remuneration Policy or individual executive director salary packages. The most recent disclosure took place in June 2019 on the Committee's decisions regarding executive director remuneration in light of changes to the roles of Chief Executive and Finance Director. Certain sections of the Annual report on remuneration on pages 70 to 77 have been subject to audit.

Wider workforce remuneration and how the views of employees have been taken into account

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors. Consideration is given to the overall salary increase budget and the incentive structures that operate across the Company, taking into account available market sector data obtained through the Paydata Property and Construction Consultancy Salary Survey and Paydata House Builders Salary Survey, other benchmarking pay and benefits data, Government policies and advice from the executive management team. The wider total package on offer remains competitive at all levels, however, the Committee is mindful of the feedback from key stakeholders across the Group that improvements could be made to the visibility and flexibility of some of the wider benefits offered to staff.

The Group has offered an annual Sharesave Scheme to all eligible employees with more than one months' service since 2015 and is pleased with the participation rates across the business over the last three years.

As part of its review of the Remuneration Policy for the 2019/20 financial year, the Committee intends to reduce Company pension contributions for executive directors over time so that they are aligned with those offered across to the wider workforce.

In terms of strengthening the 'employee voice' in the boardroom, the Board has established an Employee Forum. The purpose of the Employee Forum is to:

- provide a voice for employees and enable better engagement with the workforce;
- strengthen the internal communication process, providing information exchange and representation of employee groups and their views;
- act as a representative body for communication with and feedback from employees about enhancements and changes that may affect their employment;
- seek suggestions and ideas from employees and provide feedback on developments and proposals; and
- champion change and support good governance.

The Employee Forum is chaired by Terry Miller, Senior Independent Non-Executive Director. Further information can be found on page 49 of the Strategic report.

Annual report on remuneration

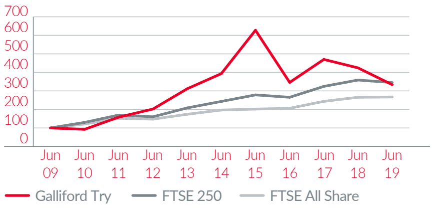
Recent Group performance

Despite a challenging environment the Group delivered good underlying performance during the year. The closing mid-market quotation for the Company's shares on 30 June 2019 was £6.30 (2018: £8.74). The high and low during the year were £11.04 and £5.12 respectively (2018: £12.81 and £7.20).

Comparative Total Shareholder Return (TSR) performance over the last three financial years, reflecting share price movements plus dividends reinvested, ranked the Company below median against its dual comparator groups drawn from the housebuilding and construction industries.

The Company's TSR over the last ten financial years compared with the FTSE 250 and FTSE All-Share indices is shown below. The FTSE 250 Index was chosen as it includes companies of a comparable size and the FTSE All-Share Index was chosen as it gives a wider perspective of performance.

Total Shareholder Return
Value (£) (rebased)



Source: Datastream from Refinitiv

The graph shows the value, by 30 June 2019, of £100 invested in Galliford Try on 30 June 2009, compared with the value of £100 invested in the FTSE 250 and FTSE All-Share indices on the same date.

The other points plotted are the values at intervening financial year ends.

The TSR performance condition will no longer continue to apply for the vesting of LTIP awards granted after 2017, as the TSR condition was replaced with Return on Net Assets (RoNA) as explained on page 67 of the 2017 Annual Report.

The total gross remuneration of the Chief Executive and the percentage achieved of the maximum ABP and LTIP awards are shown in the table below for the last 10 financial years.

	Year ended 30 June										
	2010	2011	2012	2013	2014	2015	2016[2]		2017	2018	**2019[3]**
							Chairman	Chief Executive			
Total remuneration (£000)	1,020	2,559	2,468	4,114	3,212	2,811	1,262	1,461	1,043	1,448	**824**
Annual bonus (% of maximum)	98%	94%	88%	94%	97%	79%	74%	74%	46.3%	86.5%	**57.0%**
LTIP[1] (% of maximum)	0%	75%	93%	87%	63%	63%	47%	–	16.5%	36.6%	**16.5%**

1 LTIP value estimated based on average share price of £6.07 in the last quarter of the financial year (1 April 2019 to 30 June 2019).
2 Peter Truscott was appointed Chief Executive on 1 October 2015. His predecessor, Greg Fitzgerald, was Chief Executive until 21 October 2014, and Executive Chairman until 31 December 2015. Peter Truscott stepped down as Chief Executive and from the Board on 26 March 2019.
3 Graham Prothero was appointed Chief Executive on 26 March 2019, succeeding Peter Truscott who stepped down from the Board with effect from the same date. The total remuneration is the combined total for Peter Truscott and Graham Prothero in their roles as Chief Executive during the financial year.

Pre-exceptional profit before tax, pre-exceptional earnings per share and total dividend per share growth for the financial year ended on 30 June 2019 were -18%, -27% and -25% against the prior year respectively. These compare with a 3.61% annualised increase in total Group remuneration to £332.3m, for the year ended 30 June 2019. Profit before tax and earnings per share increase for the financial year ended 30 June 2019 were -27% and -35% against the prior year respectively.

Directors' remuneration and single-figure annual remuneration (audited)

The remuneration of the directors serving during the financial year under the 2017 Remuneration Policy, together with 2018 comparative figures, was as follows:

	Salary and fees £000		Annual bonus £000		Taxable benefits[2] £000		Pensions[3] £000		LTIP[4] £000		Sharesave £000		Total £000	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018[5]	**2019**	2018	**2019**	2018
Executive directors														
Graham Prothero[1]	**445**	398	**294**	344	**19**	17	**82**	80	**33**	92	–	–	**873**	931
Andrew Duxbury[1]	**94**	–	**53**	–	**5**	–	**6**	–	–	–	–	–	**158**	–
Non-executive directors														
Terry Miller	**54**	53	–	–	–	–	–	–	–	–	–	–	**54**	53
Gavin Slark	**42**	41	–	–	–	–	–	–	–	–	–	–	**42**	41
Jeremy Townsend	**50**	–	–	–	–	–	–	–	–	–	–	–	**50**	–
Peter Ventress	**195**	190	–	–	**1**	1	–	–	–	–	–	–	**196**	191
Marisa Cassoni[6]	**35**	–	–	–	–	–	–	–	–	–	–	–	**35**	–
Former directors														
Peter Truscott[7]	**400**	530	–	689	**17**	23	**81**	106	–	112	–	–	**498**	1,460

1 Salary and fees received by Graham Prothero have been pro-rated based on time served in the two roles during the year. Andrew Duxbury became Finance Director on 26 March 2019 and his remuneration has been pro-rated accordingly.
2 Includes the value of benefits such as car allowance and medical insurance. Taxable benefits received by Andrew Duxbury in the financial year relate to the period from appointment as Finance Director on 26 March 2019.
3 This is a salary supplement paid to the directors in lieu of direct pension contributions.
4 Estimate based on average price of £6.07 for the last quarter of the financial year (1 April 2019 to 30 June 2019). Pursuant to the 2016 LTIP, 5,499 shares will vest to Graham Prothero on 16 November 2019.
5 LTIP figures reported in 2018 and the corresponding single-figure for that year were based on an estimated share price. These have now been updated with the actual share price as at the date of vesting of £10.46.
6 Marisa Cassoni joined the Board on 1 September 2018 and became Chair of the Remuneration Committee on 13 February 2019.
7 Peter Truscott stepped down from the Board on 26 March 2019. The payment above reflects his time in the role of Chief Executive. Details of his leaving arrangements are set out on page 75. His outstanding LTIP awards lapsed with immediate effect.

Remuneration arrangements for directors promoted during 2019

Graham Prothero

Following his promotion to the role of Chief Executive on 26 March 2019, the Committee determined that Graham Prothero would receive a remuneration package which is appropriately positioned against the market. Accordingly, Graham's base salary was increased to £545,050 per annum and will be subject to periodic review. He continues to participate in the ABP, however, his maximum annual bonus opportunity was increased from 100% to 150% of salary in line with his predecessor. In addition, Graham's 2018/19 annual bonus was pro-rated based on time served in the two roles during the year. His participation in the LTIP is unchanged. The Committee has reduced the Company contribution rate from 20% of salary to 15% of salary to reflect the broader commitment to reducing pension contributions over time so that they are aligned with those offered across the employee population, but while also acknowledging the value of Graham's existing contractual arrangements.

Andrew Duxbury

Andrew Duxbury was promoted from his role as Finance Director of Linden Homes. His salary on appointment was £355,000 per annum which represents a 13% discount on his predecessor, and which the Committee considers appropriately balances his skills and experience with the fact that this was his first appointment as a Main Board director of a listed company. In addition, his pension contribution of 6% of salary (increasing to 8% at age 50) is in line with the approach for the workforce. His incentive opportunities are aligned with his predecessor and will be subject to stretching targets supporting the Group's strategy over the short and longer term. He will receive a pro-rated bonus in respect of the 2018/19 financial year on the same terms set out in the 2017/18 Directors' Remuneration Report and will continue to receive an LTIP award of up to 150% of salary later in the 2019/20 financial year. He will retain legacy awards granted in respect of his previous role, with these continuing on their original terms.

As with the Chief Executive, the Committee believes that the existing Finance Director remuneration package is appropriately positioned against the market. In line with the Remuneration Policy, the Committee intends that Andrew's salary be brought in line with the market for the Finance Director's role over a period of up to three years subject to his continued strong performance, his progression in the role and the performance of the Group.

Annual report on remuneration
continued

2019 Annual bonus outcome (audited)

For the financial year to 30 June 2019, the annual bonus measures, targets and performance against those targets are set out in the table below. Senior management was subject to similar targets, which were applied to their respective business or business unit performance. The bonus outcome was subject to a scale-back if certain non-financial targets in relation to health and safety were not achieved.

	Performance target				
Measure	Threshold (% of maximum bonus)	On-target (% of maximum bonus)	Maximum (% of maximum bonus)	Actual performance	Payout % of bonus maximum
Group targets					
Pre-exceptional full year Group profit before tax	£178.6m (0%)	£188.0m (20%)	£197.4m (40%)	£155.5m	–
Pre-exceptional half year Group profit before tax	£71.3m (0%)	£75.0m (5%)	£78.8m (10%)	£84.2m	10.0%
Group cash management[1]	(12.5%)	(12.5%)	(25%)	22.0%	22.0%
Landbank	10,750 units (12.5%)	10,750 units (12.5%)	10,750 units (12.5%)	11,900 units	12.5%
Construction order book	83.0% secured (0%)	85.0% secured (6.2%)	87.0% secured (12.5%)	87.6% secured	12.5%
Total payout (% of maximum bonus)	**25.0%**	**56.2%**	**100.0%**		**57.0%**

1 Cash management related to month-end cash/debt figures in accordance with a predetermined cash budget schedule. 2% is earned based on the month-end cash figures in accordance with the budget, with a further 1% at each month end (except for June and December when 3% could be earned) for meeting the stretch target being 15% improvement on cash budget with a further increment in December 2018 and June 2019. The average monthly month end target was £255.0m net debt compared with an achieved average of £186.4m.

The Committee considered the performance against targets set at the start of the year for profit before tax and cash flow, and looked at a broader assessment of management, the key strategic decisions taken during the year and overall business performance. There were a number of one-off exceptional charges incurred in the financial year reported in April and May 2019, and consequently, the Committee considered the impacts of these charges in determining the bonus outcome. The pre-exceptional profit before tax of 155.5m was below the threshold required for that element of the bonus and as such, no payment is due. Given that performance in the other areas of the scorecard was strong, the Committee determined that the bonus level produced by the scorecard (57%) is an appropriate reward given overall performance. This treatment is consistent with that applied for participants of the ABP.

A health and safety bonus deductor was also considered, based on a health and safety matrix in force across the entire Group that could reduce bonus by specified percentages relating to the number of accidents, incidents and other reportable events. In addition, as set out in last year's Annual Report, the Committee reserved the right to adjust the 2019 bonus outcomes. In reviewing the Group's health and safety performance against the matrix, the Committee took these factors into consideration and decided that the Group targets were met to the extent shown in the table above.

The Committee determined that, in respect of the year to 30 June 2019, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2018/19 (£000)	Cash (£000)	Shares (£000)
Graham Prothero[1]	57	150/100	294	246	48
Andrew Duxbury	57	100	53	53	–

1 Bonuses awarded to Graham Prothero were pro-rated based on time served in two roles during the year. Graham's annual bonus was pro-rated at 85% when in post as Chief Executive (at 150% maximum) and at 57% when in post as Finance Director (at 100% maximum).

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

LTIP awards vesting in November 2019

The LTIP awards granted to Graham Prothero on 16 November 2016 were based on TSR and EPS performance over the three years to 30 June 2019. 50% of the base award was based on EPS performance and vesting of up to 75% of the base award was based on TSR performance against each of a housebuilding group and construction group. In total, 16.5% of the base award (8.3% of the maximum possible award) will vest as a result of the performance achieved. More details on each of the performance conditions are set out below:

EPS performance

Measure	% of base award	Threshold condition[1] (15% vesting)	Stretch condition[1] (50% vesting)	Actual[1]	% of base award vesting	% of max award vesting
Cumulative notional EPS	50%	417p	484p	419.9p	16.5%	8.3%

1 Actual EPS is based on the sum of: reported basic EPS for the year ended 30 June 2017 of 145.8p; pre-exceptional EPS for the year ended 30 June 2018 of 158.4p; and pre-exceptional EPS for the year ended 30 June 2019 of 115.7p.

TSR performance

(relevant to 2015 and 2016 LTIPS only)

Measure	% of base award	Threshold condition (10% vesting)	Stretch condition (33.3% vesting)	Maximum condition (100% vesting)	Actual	% of base award vesting[1]	% of award vesting
TSR v Construction	75%	Median	Median + 24%	Median + 75%	-21.5% (median 21.8%)	0%	0%
TSR v Housebuilders	75%	Median	Median + 24%	Median + 75%	-21.5% (median 60.1%)	0%	0%

1 Any vesting above 25% required the EPS target to be achieved in full.

The Committee has resolved that 0% of the base award will vest on 16 November 2019.

Directors' share plan interests (audited)

Outstanding awards held by directors are detailed in the table below.

Director	Plan	Date	Share price at grant	Number of awards outstanding at 1 July 2018	Granted	Vested	Lapsed	Number of awards outstanding at 30 June 2019	Value of awards vested during financial year £000	Actual or anticipated vesting date
Graham Prothero	LTIP[1,3,4]	25.09.15	£17.36	24,008	–	8,786	15,222	–	92	25.09.18
	2016 LTIP[2,3,4]	16.11.16	£12.88	33,330	–	–	–	33,330	–	16.11.19
	2016 LTIP[2,3,4]	22.09.17	£13.56	48,914	–	–	–	48,914	–	22.09.20
	2016 LTIP	20.09.18	£10.73	–	57,148	–	–	57,148	–	20.09.21
	ABP	25.09.15	£16.81	4,520	–	4,520	–	–	47	25.09.18
	ABP	23.09.16	£12.516	4,943	–	–	–	4,943	–	23.09.19
	ABP	20.09.18	£10.99	–	8,819	–	–	8,819	–	20.09.21
	Sharesave[5]	01.11.16	£9.357	1,718	–	–	1,718	–	–	01.01.22
	Sharesave[5]	02.11.17	£9.276	439	–	–	439	–	–	01.01.23
	Sharesave	23.10.18	£8.23	–	2,551	–	–	2,551	–	01.01.24
Andrew Duxbury	2016 LTIP[4]	20.09.18	£10.73	–	27,260	–	–	27,260	–	20.09.21
	Sharesave	01.11.16	£9.357	445	–	–	–	445	–	01.01.20
	Sharesave	02.11.17	£9.276	740	–	–	–	740	–	01.01.21
	Sharesave	23.10.18	£8.23	–	188	–	–	188	–	01.01.22

1 For LTIP award granted prior to 2017, each award is a provisional allocation of a number of shares which is equal in value to 100% of the individual's basic salary as at the date of grant, with up to 200% of the number of the base award able to vest at the stretch performance level. The number of shares shown in the table above represents the base award.

2 For awards granted in 2017 and going forwards, awards are based on a maximum percentage of salary. The number of shares shown in the table represent the maximum number of shares ie 150% of salary.

3 Awards are subject to performance conditions over a three-year period as described above and on page 74.

4 The awards granted to Andrew Duxbury relate to his former role as Finance Director of Linden Homes.

5 The options over ordinary shares granted to Graham Prothero under the Sharesave Plan lapsed in accordance with the rules of the Sharesave Plan following the closure of the savings contracts relating to those options.

Annual report on remuneration
continued

Awards granted during the year (audited)

On 20 September 2018, the following conditional LTIP awards were made to Graham Prothero and Andrew Duxbury.

Director	Date of grant	Number of shares awarded	Basis of award	Share price used to determine level of award[1] £	Face value £
Graham Prothero[2]	20 September 2018	57,148	150% of base salary	£10.73	613,198
Andrew Duxbury[2]	20 September 2018	27,260	150% of base salary	£10.73	292,499

1 The share price used for awards made on 20 September was the closing mid-market price on the date prior to the award.
2 The awards granted to Graham Prothero and Andrew Duxbury were based on their former roles as Finance Director and Finance Director of Linden Homes and on their previous salaries.

The performance conditions attached to these awards and awards made in September 2017 are as follows:

Date of grant	Performance conditions
September 2017	• Vesting based on underlying EPS and RoNA[2] performance over the three years to 30 June 2020. • Vesting of up to two-thirds of the award is based on underlying EPS. 25% will vest for 140p increasing to 100% vesting on a straight-line basis if 163p[1] is achieved. • Vesting of up to one-third will be based on RoNA of which 32.6% is the target to be reached in the final year. Achieving 31.0% would generate 25% vesting while 34.3% would generate 50% vesting on a straight-line basis. • Any shares which vest will be subject to a two-year post vesting holding period in accordance with the Remuneration Policy.
September 2018	• Vesting based on underlying EPS and RoNA performance over the three years to 30 June 2021. • Vesting of up to two-thirds of the award is based on underlying EPS. 25% will vest for 151.1p increasing to 100% vesting on a straight-line basis if 184.7p is achieved. • Vesting of up to one-third will be based on RoNA of which 24.5% is the target to be reached in the final year. Achieving 24.5% would generate 25% vesting while 27.1% would generate 50% vesting on a straight-line basis. • Any shares which vest will be subject to a two-year post vesting holding period in accordance with the Remuneration Policy.

1 Targets have been adjusted to take account of the impact of the increased number of shares resulting from the rights issue. The original underlying EPS targets for the 2017 awards were: 186.8p (threshold) to 218.4p (stretch).
2 Note that owing to an administrative error the RoNA targets set for the 2017 LTIP awards on grant were overstated due to forecast profit used to calculate the targets also being overstated. The Committee therefore approved corrected targets as set out below.

	Original	Corrected
Threshold	32.0%	31.0%
Target	33.7%	32.6%
Maximum	35.4%	34.3%

In addition, so as to ensure that management is not penalised or advantaged as a consequence of the rights issue, the Committee has decided to apply appropriate adjustments to RoNA when performance is measured. The basis and impact of these adjustments will be disclosed at that time.

As reported last year, the cumulative EPS target applying to the 2016 award and the EPS target applying to the 2017 award were adjusted to take account of the increase in the number of issued shares in the Company following the completion of the rights issue in April 2018. In doing so the Committee sought to ensure that these targets remain no less challenging than they would have been but for the impact of the rights issue. The adjusted targets are therefore based on the three-year plan in place at the time the original targets were set, with the Company's forecast of EPS for the years following the rights issue restated to take account of the additional number of shares in issue.

Directors' share interests (audited)

As at 30 June 2019, the directors held the following beneficial, legal and unvested ABP interests in the Company's ordinary share capital.

Director	Legally owned[1] 30.6.19	Legally owned[1] 30.6.18	LTIP (unvested)	Deferred bonus awards (unvested)	Sharesave	Total 30.6.19	% of salary held under share ownership guidelines[2]
Executive directors							
Graham Prothero	70,288	63,237	139,392	13,762	2,551	225,993	97%
Andrew Duxbury	2,939	–	27,260	–	1,373	31,572	5%
Non-executive directors							
Terry Miller	2,066	2,066	–	–	–	2,066	n/a
Gavin Slark	1,600	1,600	–	–	–	1,600	n/a
Jeremy Townsend	3,333	3,333	–	–	–	3,333	n/a
Marisa Cassoni	–	–	–	–	–	–	n/a
Peter Ventress	14,098	14,098	–	–	–	14,098	n/a
Former directors							
Peter Truscott[3]	34,120	28,429	–	–	–	34,120	n/a

1 Either held by the individual or connected persons.
2 Under the 2017 Remuneration Policy, the share ownership guideline for executive directors is 200% of base salary. The shareholding policy is set out on page 59 of the 2017 Annual Report and Financial Statements. Graham Prothero and Andrew Duxbury joined the Board on 1 February 2013 and 26 March 2019, respectively, and are still building up to the guideline level.
3 The shareholdings of Peter Truscott are based on the number of shares held at the time of leaving the Company. Beneficial interests in shares held under the LTIP and ABP lapsed on cessation of employment.

There were no changes in the directors' interests from 30 June 2019 to the date of this Annual Report.

External directorships

Graham Prothero was a Non-executive Director and Chair of the Audit Committee of Marshalls plc and retained an annual fee of £54,000.

Payments for loss of office (audited)

As explained on page 10, Peter Truscott stepped down and left the Group with effect from 26 March 2019. Under the terms of his exit arrangements, he will continue to receive his salary and contractual benefits for the period of six months commencing on 26 March 2019, and would be entitled to a capped contribution of up to £1,400 (excluding VAT) towards legal fees incurred in connection with his departure. The total remuneration received amounted to £301,042. Under the 2017 Remuneration Policy, he was not eligible for an annual bonus payment in respect of his time served during the 2018/19 financial year, and his outstanding awards under the LTIP made in each of September 2016, 2017 and 2018 lapsed. His restricted shares granted to him in respect of the Annual Bonus Plan for the financial years ended 30 June 2016, 2017 and 2018 also lapsed.

Percentage change in remuneration of Chief Executive and across workforce for 2018/19

% change	Average across workforce	Chief Executive[1]
Salary	3.50%	2.75%
Bonus	(3.50)%[2]	(82.00)%
Benefits	13.32%[3]	–

1 The figures have been calculated by: (a) combining (i) the salary, fees and benefits paid to Peter Truscott for the period between 1 July 2018 and 26 March 2019; and (ii) salary and fees, pro-rated bonus and benefits paid to Graham Prothero for the period between 26 March 2019 and 30 June 2019; and then (b) comparing these aggregate figures against Peter Truscott's figures for the year to 30 June 2018.
2 Based on comparison of average aggregate bonus awards divided by average numbers of staff.
3 Based on comparison of cost to the Group of benefits for the tax years ended in April 2018 and April 2019.

Relative importance of spend on pay

	2017/18	**2018/19**	% change
Total overall spend on pay (£m)	318.9	**332.3**	4.2
Dividends (£m)	77.7	**64.4**	(17.1)
Share buyback (£m)	–	**–**	–
Pre-exceptional Group profit before tax (£m)	188.7	**155.5**	(17.6)
Pre-exceptional Group corporation tax expense (£m)	34.0	**27.4**	(19.4)
Pre-exceptional effective tax rate (%)	18.0	**17.6**	(0.4) ppts

The equivalent total overall spend on pay in 2019 is disclosed in note 5 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £61,000 per annum as at 30 June 2019 (2018: £54,500).

Annual report on remuneration
continued

CEO pay ratios (unaudited)

Year	Method	CEO single figure[1,2]	All UK employees	Lower quartile	Median	Upper quartile
2019	Option B	£824,251	Ratio	31:1	20:1	15:1
			Total pay	£26,471	£40,994	£56,211
			Salary	£24,190	£35,000	£52,000

1 Graham Prothero was appointed as Chief Executive on 26 March 2019, replacing Peter Truscott who stepped down from his role and from the Board on the same date. The single figure illustrated above is the aggregated sum of remuneration paid to Peter and Graham in respect of their times in the role of CEO. Upon cessation of Peter's role, no annual bonus was paid to him and his unvested LTIP awards had lapsed. These elements are therefore not included in the calculation above.
2 As disclosed on page 71, the Committee reduced the company contribution rate paid to Graham from 20% of salary to 15% of salary. Graham's annual bonus was pro-rated at c85% at 150% maximum (when in post as Chief Executive) and at 57% and 100% maximum (when in post as Finance Director). Taxable benefits and pension contributions have also been pro-rated from March 2019 to the end of the financial year. The single figure also includes LTIP awards granted to Graham Prothero in 2016 and which are due to vest in November 2019. An estimated share price of £6.07 per share for the last quarter of the financial year has been used to calculate their value.

The Companies (Miscellaneous Reporting) Regulations 2018 require UK listed companies with an average of 250 or more UK employees in a given year to disclose the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees from 2019. We have chosen to voluntarily disclose this information a year early in anticipation of mandatory disclosure in our 2020 Annual Report.

Option B (gender pay data) has been selected as the methodology to perform this exercise, given the availability of data and on the basis of early disclosure. In calculating the CEO data, an annualised figure was used and pro-rated to account for the change of CEO in March 2019. As a comparison, we have considered the ratio if Graham had been employed for the full year and had received an annual bonus of 57% of salary, benefits totalling £19,249, LTIP awards with an estimated value of £44,469 and pension contribution of 15% of salary. This would lead to a total single figure of £1,156,543 and the following pay ratios:

Year	Lower quartile	Median	Upper quartile
2019	44:1	28:1	21:1

The Committee is comfortable that the resulting calculations are representative of pay levels at the respective quartiles. The Committee will also continue to monitor investor guidance and may move towards using Option A to calculate the pay ratio in next year's Annual Report which is more aligned with investor expectations.

Composition of Remuneration Committee and attendance

Membership of the Committee is detailed on page 54. The Committee was chaired by Terry Miller who was Interim Chair of the Committee until 13 February 2019, when Marisa Cassoni was appointed the new Chair of the Remuneration Committee. During the financial year, the other members were Gavin Slark, Jeremy Townsend and Peter Ventress. The General Counsel and Company Secretary acts as secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the non-executive directors meeting without executive management present. No director, or the General Counsel and Company Secretary, is present when his or her own remuneration is being considered.

Remuneration advice and advisors

The Committee is informed of key developments and best practice in the field of remuneration and regularly obtains advice from independent external consultants, when required, on individual remuneration packages and on executive remuneration practices in general. New Bridge Street (NBS) was the Committee's remuneration consultants, from their appointment by the Committee in January 2011 until March 2019. In December 2018, the Committee undertook a competitive tender process and five consultants, including NBS, were invited to tender as advisor to the Committee. Shortlisted firms were invited to attend a detailed interview with members of the Committee. Following a thorough and transparent review, the Committee recommended the proposed appointment of Mercer Kepler (Mercer) as remuneration consultants to the Board. The Board considered the Committee's recommendation and selected Mercer as remuneration consultants with effect from 1 March 2019.

Services provided to the Committee by NBS encompassed remuneration guidance, regulatory guidance, shareholder trends and share plan-related consultancy. Fees paid to NBS for services provided to the Committee during the financial year were £35,392 (2018: £65,632).

Following their appointment as remuneration consultants, services provided to the Committee by Mercer encompassed similar services to those provided by NBS. Fees paid to Mercer during the financial year were £23,000.

Mercer does not provide any other services to the Group, although Mercer is part of Marsh & McLennan Companies, a subsidiary of which JLT Specialty Limited, provide insurance broking services to the Group. The Committee is satisfied that these services do not impinge on the independence of Mercer. Furthermore, Mercer is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial.

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

Employee Share Trust and dilution

The Employee Share Trust (EST) is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year, the EST purchased 48,455 shares from participants of the ABP and LTIP at an average price of £8.67, which resulted in a balance held at 30 June 2019 of 283,577 shares.

The Group provided net additional funds to the EST during the financial year of £486,019, by extending the existing EST loan facility. The number of new shares purchased in the market during the year was nil shares.

In issuing only 4,455 new shares arising from share scheme-related activities during or since the financial year, the Company has complied with the dilution guidelines of the Investment Association.

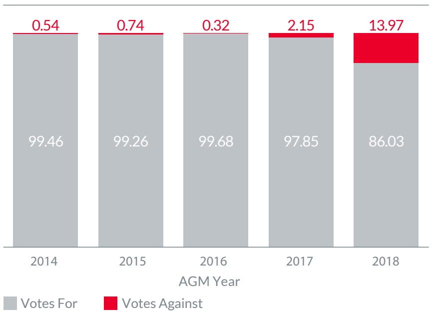
Applying the guidelines, the Group has 6.57% headroom against 'the 10% in 10 years' rule and on the basis that the Company's practice is that all awards granted pursuant to discretionary plans are satisfied using shares purchased in the market, 5% headroom against the '5% in 10 years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration Report

The Committee takes account of annualised shareholder voting trends in connection with the Directors' Remuneration Report votes. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration Report during the last five AGMs are included in the chart below. In 2018, 13.97% of the votes cast were against the Directors' Remuneration Report.

In 2017, shareholders voted in support of the 2017 Remuneration Policy by 99.84% in favour, with 0.16% of votes against, and 0.28% of votes withheld. A further resolution in respect of the 2020 Remuneration Policy will be proposed at the 2020 AGM.

Votes cast
(%)



Forward-looking implementation of Policy

Base salaries

At the 2019 salary review completed in May, the directors carefully scrutinised pay and employment conditions across the Group. Against the backdrop of good underlying financial performance, industry-wide salary increases and a need to continue to retain key operational staff to deliver the strategy to 2021, the overall pay budget increased by 3%.

With effect from 1 July 2019, Graham Prothero was awarded an annual salary increase of 3%, taking his salary from £545,050 to £561,401. Andrew Duxbury was awarded an annual salary increase of 3%, taking his salary from £355,000 to £365,650. These increases were in line with the average pay increase across the workforce.

ABP

The Committee has decided that, for the financial year to 30 June 2020, the existing bonus structure remains appropriately aligned to corporate strategy with the current sustainability measures appropriate for the business. It will therefore remain in its current form, with an opportunity of 150% of salary for the Chief Executive and an opportunity of 100% of salary for the Finance Director. Up to 50% of opportunity will be based on underlying Group profit before tax (10% in respect of the half year), 25% on Group cash management, 12.5% on landbank and 12.5% on Construction order book.

Health and safety continues to be a top priority. Maintaining a strong health and safety record will continue to feature in the bonus plan as a downwards adjuster, enabling bonuses to be reduced by up to 10% in the event that the Group's record is not at the required standard.

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

LTIP

In light of the offer from Bovis Homes Group plc to acquire the Linden Homes and Partnerships & Regeneration businesses from Galliford Try announced on 10 September 2019, and given that there can be no certainty of this acquisition being completed as at the date of the publication of this report, the Committee decided to defer any LTIP award for 2019 – 2022 until later in the 2019/20 financial year.

Any award will be within the current approved Remuneration Policy and may include, for example, applying additional or different performance metrics or targets, or modifying the structure of awards. Relevant details will be included in next year's Directors' Remuneration Report and, in respect of the LTIP grant, in the market announcement at the time of any grant during the 2019/20 financial year.

All-employee share schemes

The Group operates an HMRC-approved Sharesave scheme for the benefit of all staff. During the year, eligible employees were invited to participate in a three or five-year scheme which granted options to purchase shares at a 20% discount to the share price at the invitation date.

Chairman and non-executive fees

The fee level for Peter Ventress as Chairman for 2018/19 was £195,225 per annum. From 1 July 2019, the fee increased by 3% to £201,100. Peter Ventress received no benefits in connection with his position, other than membership of the Group's medical insurance plan.

The standard non-executive fee was £41,200 per annum throughout the financial year. From 1 July 2019, the fee increased by 3% to £42,335. The fee supplement for the Chairs of the Board Committees and for the Senior Independent Non-executive Director also increased by 3% from £7,725 to £7,937 and from £4,120 to £4,233 respectively, also with effect from 1 July 2019. It is proposed that Terry Miller will receive a Committee Chair supplement of £7,937 per annum, following her appointment as Chair of the Board's newly established Stakeholder Steering Committee and Employee Forum.

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

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

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

For and on behalf of the Board

Marisa Cassoni
Remuneration Committee Chair

16 September 2019

Directors' report

The directors present their Annual Report and audited financial statements for the Group for the financial year ended 30 June 2019.

Principal activities

Galliford Try is a leading housebuilding, regeneration and construction group, primarily operating in the UK. Galliford Try plc, registered in England and Wales with company number 00836539, is the Parent Company of the Group. More detailed information regarding the Group's activities during the year under review, and its prospects, is provided on pages 1 to 53. The principal subsidiaries and joint ventures operating within the Group's businesses are shown in notes 14 and 40 to the financial statements.

Strategic report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic report in the Annual Report. This can be found on pages 1 to 53.

The Strategic report contains an indication of the directors' view on likely future developments in the business of the Group. In addition, following the introduction of the EU Non-Financial Reporting Directive, the Strategic report also provides direction on where information on the impact of activities on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters can be found within the Annual Report and financial statements, as well as a description of the Group's policies and where these are located.

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018 enacted in July 2018, the Strategic report also contains a section 172 (1) Statement describing how directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duties. Please refer to page 24.

The Corporate governance report on pages 54 to 60 is the Corporate Governance Statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

The Annual Report and financial statements use financial and non-financial key performance indicators wherever possible and appropriate.

Results, dividends and capital

The pre-exceptional profit for the year, net of tax, of £155.5m is shown in the consolidated income statement on page 86. The directors have recommended a final dividend of 35.0p per share, which, together with the interim dividend of 23.0p declared in February, results in a total dividend for the financial year of 58.0p. The total dividend for the financial year will distribute a sum of £64.4m. Subject to approval by shareholders at the AGM, the final dividend will be payable on 4 December 2019 to shareholders on the register at close of business on 8 November 2019.

Please refer to page 35 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50p.

The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the Main Market of the London Stock Exchange. At 30 June 2019, the Company had 111,032,617 ordinary shares in issue (2018: 111,028,162). Votes may be exercised at general meetings of the Company by members in person, by proxy or by corporate representatives (in relation to corporate members). The Articles of Association of the Company (the Articles) provide a deadline for the submission of proxy forms (electronically or by paper) of not less than 48 hours before the time appointed for the holding of the general meeting or the adjourned meeting (as the case may be).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities are set out in the 2018 AGM notice. Resolutions to be proposed at the 2019 AGM will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of 2019 AGM sent separately to shareholders. During the year, no shares have been issued or purchased by the Company under the relevant authorities either during the financial year or to the date of this Annual Report.

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

There are no shares carrying specific rights with regard to control of the Company, with the exception that the EST holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of any shares so held. The EST currently holds 0.25% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards (2018: 0.34%).

Articles of Association

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

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

Significant direct and indirect holdings

As at 16 September 2019, being the date of this Annual Report, the Company had been made aware, pursuant to the FCA's Disclosure Guidance and Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
BlackRock, Inc	13,735,543	12.37
Standard Life Aberdeen plc	6,259,040	5.64
J O Hambro Capital Management Limited	5,738,929	5.17
Brewin Dolphin Ltd	5,169,266	4.66
Norges Bank Investment Management	3,415,248	3.08

There were no material changes in any of the significant holdings from 30 June 2019 to the date of this Annual Report.

Change of control provisions

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

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

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

Board and directors' interests and indemnities

Summary biographies of the Board directors as at 30 June 2019 are on pages 54 and 55. During the year, Marisa Cassoni joined the Board on 1 September 2018 as a Non-executive Director and became Chair of the Remuneration Committee on publication of the Group's half year results on 13 February 2019. Peter Truscott stood down as Chief Executive and from the Board on 26 March 2019. Graham Prothero, formerly Finance Director, was appointed as Chief Executive to succeed Peter. Andrew Duxbury, formerly Finance Director of Linden Homes and previously Group Financial Controller, was appointed as Finance Director and joined the Board. There have been no other changes to the Board, either during or since the financial year-end.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 75 and details of executive directors' service contracts and non-executive directors' letters of appointment can be found on page 68.

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, conflicts of interest are reviewed and, as necessary, authorised by the Board on an annual basis. Details of Directors' and Officers' Liability Insurance and qualifying third-party indemnities are given on page 59 of the Corporate governance report.

Employees

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

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

Employee engagement and consultation is encouraged through the Employee Forum, use of regular informal discussions and feedback, formal annual appraisals, business unit staff forums and periodic employee surveys.

Details of where to find information regarding the Group's employees, remuneration policies, employment practices and employee involvement are provided in the Strategic report on pages 1 to 53 and the Remuneration Policy and Report on pages 65 to 69. Details of where to find information on other matters of importance to stakeholders such as environmental, social and community matters, human rights and anti-corruption, related policies and their impact can also be found in the Strategic report.

Significant agreements

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

Charitable and political donations

For information regarding charitable donations made through employees volunteering or donation of materials, please refer to the Strategic report on page 52.

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

Emissions

Details of the Group's carbon dioxide emissions for the financial year have been included on page 51 and are included by reference in this report.

Creditor payment policy

Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. In November 2013, the Group became a signatory to the Prompt Payment Code which contains, among other things, commitments to pay suppliers within agreed contract terms. In July 2019, the Group was suspended from the Prompt Payment Code as a consequence of a new requirement. The Group is taking steps to address the suspension and to ensure its reinstatement as a signatory.

Financial instruments

Further information regarding the Group's financial instruments including interest rate hedges, related policies and a consideration of its liquidity and other financing risks can be found in the Financial review from page 33 and in note 27 to the financial statements.

Important developments during the year

On 10 September 2019 the Group announced the proposed sale of the Group's housebuilding businesses, Linden Homes and Partnerships & Regeneration to Bovis Homes Group plc. The Board believes the proposal will result in the Group becoming a well-capitalised standalone construction-focused group, benefiting from the recent operational restructuring which refocused the business to deliver improved future performance. Our strengths in UK building and infrastructure, particularly in the highways and water sectors, along with the spread of work for both public and private clients provide a strong foundation for the future as an independent construction group.

Going concern

In accordance with the Financial Reporting Council's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies published in 2009, the requirements of the 2016 Code and Listing Rule 9.8.6(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. It is therefore justified in using the going concern basis in preparing these financial statements.

Independent auditor

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

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

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

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

AGM

The 2019 AGM will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF on 12 November 2019 at 11.00am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Fair, balanced and understandable

In accordance with the principles of the 2016 Code and as further described on pages 61 and 63, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, position, business model and strategy.

Approval of report

This Directors' Report, the Strategic report, on pages 1 to 53 and the Corporate governance report and Directors' Remuneration Report, on pages 56 to 77 were approved by the Board of Directors on 16 September 2019.

For and on behalf of the Board

Kevin Corbett
General Counsel & Company Secretary

16 September 2019

Statement of directors' responsibilities

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group and Parent Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, position, business model and strategy.

Each of the directors, whose names and functions are listed on pages 54 and 55 confirms that to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 1 to 53 includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

For and on behalf of the Board

Graham Prothero
Chief Executive

16 September 2019

Forward-looking statements

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

Independent auditors' report

to the members of Galliford Try plc

Report on the audit of the financial statements

Opinion

In our opinion, Galliford Try plc's Group financial statements and company financial statements (the financial statements):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2019 and of the Group's profit and the Group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the Annual Report), which comprise: the Group and Company balance sheets as at 30 June 2019; the consolidated income statement and consolidated statement of comprehensive income, the Group and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2018 to 30 June 2019.

Our audit approach

Overview

Materiality

- Overall Group materiality: £7.8m (2018: £9.4m), based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £11.7m (2018: £11.5m), based on 1% of total assets.

Audit scope

- We determined that the following legal entities required an audit of their complete financial information: Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc.
- Additional procedures performed at the Group level.
- The legal entities in scope accounted for 93% of Group revenue and 70% of Group profit before tax.

Key audit matters

- Linden Homes developments may not be appropriately valued.
- Significant assumed claim recoveries.
- Construction contracts may not be appropriately valued.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence from the Financial Reporting Council.
- Challenging estimates and judgments made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to construction contracts (see related key audit matters below).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
- Testing all material consolidation adjustments to ensure these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report
continued

Key audit matter	How our audit addressed the key audit matter
Linden Homes developments may not be appropriately valued	
The valuation of developments is dependent upon the correct estimation and allocation of costs on Linden Homes sites, as well as the estimation of the site margins. Developments are carried at the lower of cost and net realisable value. A sign of impairment arises if the allocated costs of land and construction are likely to exceed the expected selling price of an individual unit. Older or slower-moving developments can also be an indication of potential impairment. Refer to note 18 on page 115 of the Annual Report.	• We identified and tested the operating effectiveness of key controls around the purchase and payable cycle, including review of performance by projects. • We recalculated, for a sample of sites, the recognition of costs and remaining work in progress balance to ensure they had been appropriately updated for costs incurred and expected costs to complete. • We performed an analysis of site margins for all major sites to identify those with low or eroding margins, for example due to specific issues or underperformance. We discussed the identified sites with management, including the consideration of the level of provisions held against these sites and evaluated the explanations given against other external evidence to assess the carrying value of inventory. • We agreed a sample of costs incurred on sites, including common costs, to supporting documentation. • We evaluated the ageing of developments and assessed the impairment risk by considering overall site margins and fluctuations year on year, review of stock units that were significantly aged and reviewing post year end reservations for these sites. • We found no material misstatements from our testing.
Significant assumed claim recoveries	
The Group has recorded significant claim recoveries in respect of two infrastructure projects. The Group's cumulative reported losses in respect of its share of the Aberdeen Western Peripheral Road (AWPR) total £152m. The assessment of losses includes an assumption that the Group will achieve recovery against claims submitted to its client, in respect of which consultants have advised recovery of around £100m. Negotiations to settle the claim remain in progress but the final outcome is unknown and when concluded could result in a materially different position to that assumed. The Group has submitted claims of £54m and recognised significant recoveries in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Costs were significantly impacted by client driven scope changes and the Group's work on these projects ceased when the contracts were terminated in August 2018. The Group has been successful in adjudications on these projects and on that basis has assumed recoveries. The parties have agreed that the claim will be resolved through an arbitration process. Refer to note 1 on page 92 of the Annual Report.	• In respect of AWPR we assessed the evidence provided by management including adjudication results, legal opinions and independent assessments of quantum. • We assessed the supporting evidence in respect of the claims submitted to the client and, with the support of our own engineering specialists, challenged management's legal and quantum experts regarding those claims and assumed levels of recovery. • We sought to obtain evidence of the status of negotiations by assessing most recent communication between the parties and their advisors, publicly available commentary from the client regarding the claim, and obtained written confirmation from the directors of verbal without prejudice offer from the client. • We assessed the reconciliation between the external assessments of the claim and the position assumed in the financial statements as highly probable of not reversing and obtained explanations for the difference between those positions. • In respect of the three contracts with entities owned by a major infrastructure fund we assessed the adjudication results obtained and evidence regarding instructed variations and acceleration. • We assessed the evidence supporting the claims submitted and, with the support of our own engineering experts, challenged management's legal and quantum experts regarding the claim. • We obtained management's legal advice regarding the basis of the contract terminations and the financial and ownership status of the parties with whom the Group was contracted. • We assessed the reconciliation between the external advisors' assessment of the claim and the contract asset recorded in the financial statements as highly probable of not reversing and obtained explanations for the difference between these positions. • We obtained and challenged management's assessment of IFRS 9 expected credit loss in respect of this contract asset. • We assessed the disclosures included in the financial statements in respect of both these infrastructure contracts. • We found no material misstatements from our testing.

Key audit matter	How our audit addressed the key audit matter
Construction contracts may not be appropriately valued	
The valuation of contracts assets is dependent on judgments around stage of completion and remaining costs to complete, as well as the associated provisions. In a number of the Group's projects there are assumptions of amounts contractually due from customers, and contract assets can include variations and claims which are not yet certified or formally agreed but have been assessed as highly probable of not reversing under IFRS 15. These assumptions impact revenue recognised on these contracts, as well as contracts assets balances. Provisions are recorded by the Group where considered appropriate but there is a risk these provisions are not sufficient. Refer to note 19 on page 116 of the Annual Report.	• We assessed the evidence provided by management regarding recovery of the unagreed variations to contract price on projects. This included external expert and legal advice and correspondence with customers. • We considered the adequacy of provisions held based on understanding of the contracts, meetings with in-house counsel and review of key project correspondence. • We identified and assessed a sample of key assumptions adopted in estimation of significant projects, particularly around stage of completion, costs to complete and provisions on loss-making contracts through our review of contract review meetings minutes, reading correspondence with the customer and obtaining audit evidence on customer disputes. • We assessed the reliability of management's estimates by reviewing the fluctuations in budgeted end of life margin between 30 June 2019 and 30 June 2018. • We tested whether valid contractual agreements, supplemental agreements and agreed variations were in place to support management's position on a sample of contracts. • We found no material misstatements from our testing.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

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

The Group is structured in four principal segments, being Linden Homes, Partnerships & Regeneration, Construction and Investments (Building, Infrastructure and PPP Investments) and Central, all of which include multiple legal entities. The Group financial statements are a consolidation of these segments in total. The segmental reporting also reflects the Group's management and internal reporting structure.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these reporting units. We identified the following legal entities which in our view, required an audit of their entire financial information, either due to their size or their risk characteristics: Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc. In addition, we performed work over specific balances in other Group entities, which in our view, required an audit of such balances, either due to their size or their risk characteristics. Taken together, the legal entities in scope accounted for 93% of Group revenue and 70% of Group profit before tax.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£7.8m (2018: £9.4m).	£11.7m (2018: £11.5m).
How we determined it	5% of profit before tax and exceptional items.	1% of total assets.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a trading group of companies. Based on the benchmarks used in the annual report, profit before tax and exceptional items is the primary measure used by the shareholders in assessing the underlying performance of the Group.	Consistent with the prior year, we applied this benchmark as a generally accepted auditing practice applicable for a non-trading holding entity.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2.0m and £7.2m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £380,000 (Group audit) (2018: £360,000) and £380,000 (Company audit) (2018: £360,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report
continued

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report (CA06).

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 26 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 26 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 79, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 61 to 63 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 80, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 27 October 2000 to audit the financial statements for the year ended 30 June 2001 and subsequent financial periods. The period of total uninterrupted engagement is 19 years, covering the years ended 30 June 2001 to 30 June 2019.

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

16 September 2019

Consolidated income statement

for the year ended 30 June 2019

	Notes	2019 Pre-exceptional items £m	2019 Exceptional items (note 4) £m	2019 Total £m	2018 Pre-exceptional items £m	2018 Exceptional items (note 4) £m	2018 Total £m
Group revenue[1]	2	**2,713.5**	**(2.8)**	**2,710.7**	2,931.6	–	2,931.6
Cost of sales[1]		**(2,425.8)**	**(42.0)**	**(2,467.8)**	(2,601.4)	(45.0)	(2,646.4)
Gross profit		**287.7**	**(44.8)**	**242.9**	330.2	(45.0)	285.2
Administrative expenses		**(146.8)**	**(6.0)**	**(152.8)**	(154.6)	–	(154.6)
Share of post tax profits from joint ventures	15	**20.5**	**–**	**20.5**	20.6	–	20.6
Profit/(loss) before finance costs		**161.4**	**(50.8)**	**110.6**	196.2	(45.0)	151.2
Profit/(loss) from operations	2	**177.8**	**(50.8)**	**127.0**	213.1	(45.0)	168.1
Share of joint ventures' interest and tax		**(12.9)**	**–**	**(12.9)**	(13.4)	–	(13.4)
Amortisation of intangibles	11	**(3.5)**	**–**	**(3.5)**	(3.5)	–	(3.5)
Profit/(loss) before finance costs		**161.4**	**(50.8)**	**110.6**	196.2	(45.0)	151.2
Finance income	6	**13.2**	**–**	**13.2**	10.2	–	10.2
Finance costs	6	**(19.1)**	**–**	**(19.1)**	(17.7)	–	(17.7)
Profit/(loss) before income tax	7	**155.5**	**(50.8)**	**104.7**	188.7	(45.0)	143.7
Income tax expense	8	**(27.4)**	**9.6**	**(17.8)**	(34.0)	8.6	(25.4)
Profit/(loss) for the year	31	**128.1**	**(41.2)**	**86.9**	154.7	(36.4)	118.3
Earnings per share							
– Basic	10	**115.7p**		**78.5p**	158.4p		121.1p
– Diluted	10	**115.6p**		**78.4p**	157.8p		120.6p

1 The Group 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 39). Consequently, sales from part-exchange properties were included in Group revenue with effect from 1 July 2018; this was £100.7m in the period (30 June 2018: £nil; these were recorded in cost of sales in previous periods).

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

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	Notes	2019 £m	2018 £m
Profit for the year		**86.9**	118.3
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains recognised on retirement benefit obligations	32	**(2.4)**	4.0
Deferred tax on items recognised in equity that will not be reclassified	8 & 26	**–**	(1.9)
Current tax through equity	8	**0.7**	1.2
Total items that will not be reclassified to profit or loss		**(1.7)**	3.3
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges:			
– Movement arising during the financial year	27	**0.9**	1.9
– Reclassification adjustments for amounts included in profit or loss	27	**(0.4)**	(0.8)
Net movement in fair value of PPP and other investments	16	**0.8**	–
Deferred tax on items recognised in equity that may be reclassified	8 & 26	**(0.1)**	(0.3)
Total items that may be reclassified subsequently to profit or loss		**1.2**	0.8
Other comprehensive (expense)/income for the year net of tax		**(0.5)**	4.1
Total comprehensive income for the year		**86.4**	122.4

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

Balance sheets

at 30 June 2019

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Assets					
Non-current assets					
Intangible assets	11	**11.8**	15.3	**–**	–
Goodwill	12	**159.6**	159.6	**–**	–
Property, plant and equipment	13	**16.2**	16.7	**–**	–
Investments in subsidiaries	14	**–**	–	**177.3**	176.4
Investments in joint ventures	15	**67.0**	49.9	**–**	–
PPP and other investments	16	**41.6**	26.8	**–**	–
Trade and other receivables	19	**238.4**	148.9	**–**	–
Retirement benefit asset	32	**7.0**	7.0	**–**	–
Deferred income tax assets	26	**1.3**	–	**0.5**	0.7
Total non-current assets		**542.9**	424.2	**177.8**	177.1
Current assets					
Inventories	17	**–**	0.2	**–**	–
Developments	18	**876.7**	724.9	**–**	–
Trade and other receivables[1]	19	**754.3**	838.6	**291.8**	184.4
Current income tax assets		**–**	–	**0.8**	0.6
Cash and cash equivalents	20	**591.2**	912.4	**698.4**	783.2
Total current assets		**2,222.2**	2,476.1	**991.0**	968.2
Total assets		**2,765.1**	2,900.3	**1,168.8**	1,145.3
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	23	**(547.8)**	(617.1)	**(98.2)**	–
Trade and other payables[1]	21	**(1,253.1)**	(1,174.6)	**(388.7)**	(374.0)
Current income tax liabilities		**(8.3)**	(10.0)	**–**	–
Provisions for other liabilities and charges	22	**(0.4)**	(0.3)	**–**	–
Total current liabilities		**(1,809.6)**	(1,802.0)	**(486.9)**	(374.0)
Net current assets		**412.6**	674.1	**504.1**	594.2
Non-current liabilities					
Financial liabilities					
– Borrowings	23	**(100.0)**	(197.1)	**(100.0)**	(197.1)
– Derivative financial liabilities	27	**(0.4)**	(0.9)	**(0.4)**	(0.9)
Deferred income tax liabilities	26	**–**	(0.7)	**–**	–
Other non-current liabilities	24	**(103.0)**	(122.3)	**–**	–
Provisions for other liabilities and charges	22	**(0.4)**	(0.8)	**–**	–
Total non-current liabilities		**(203.8)**	(321.8)	**(100.4)**	(198.0)
Total liabilities		**(2,013.4)**	(2,123.8)	**(587.3)**	(572.0)
Net assets		**751.7**	776.5	**581.5**	573.3
Equity					
Ordinary shares	28	**55.5**	55.5	**55.5**	55.5
Share premium	28	**197.7**	197.6	**197.7**	197.6
Other reserves	30	**4.8**	4.8	**3.0**	3.0
Retained earnings	31	**493.7**	518.6	**325.3**	317.2
Total equity attributable to owners of the Company		**751.7**	776.5	**581.5**	573.3

The profit for the Parent Company for the year was £86.4m (2018: £103.1m).

1 The Group 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 39).

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

The financial statements on pages 86 to 149 were approved and authorised for issue by the Board on 16 September 2019 and signed on its behalf by:

Graham Prothero
Chief Executive

Andrew Duxbury
Finance Director

Galliford Try plc
Registered number: 00836539

Consolidated and Company statements of changes in equity

for the year ended 30 June 2019

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 1 July 2017		41.4	194.5	4.8	334.8	575.5
Profit for the year		–	–	–	118.3	118.3
Other comprehensive (expense)		–	–	–	4.1	4.1
Total comprehensive income for the year		–	–	–	122.4	122.4
Transactions with owners:						
Dividends	9	–	–	–	(75.9)	(75.9)
Share-based payments	29	–	–	–	2.8	2.8
Purchase of own shares	31	–	–	–	(1.5)	(1.5)
Issue of shares	28	14.1	3.1	–	136.0	153.2
At 30 June 2018		55.5	197.6	4.8	518.6	776.5
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018	4,16, 25 & 39	–	–	–	(32.3)	(32.3)
Adjusted equity at 1 July 2018		55.5	197.6	4.8	486.3	744.2
Profit for the year		–	–	–	86.9	86.9
Other comprehensive expense		–	–	–	(0.5)	(0.5)
Total comprehensive income for the year		–	–	–	86.4	86.4
Transactions with owners:						
Dividends	9	–	–	–	(79.9)	(79.9)
Share-based payments	29	–	–	–	0.9	0.9
Purchase of own shares	31	–	–	–	–	–
Issue of shares	28	–	0.1	–	–	0.1
At 30 June 2019		55.5	197.7	4.8	493.7	751.7
Company statement						
At 1 July 2017		41.4	194.5	3.0	152.0	390.9
Profit for the year		–	–	–	103.1	103.1
Other comprehensive income		–	–	–	0.7	0.7
Total comprehensive income		–	–	–	103.8	103.8
Transactions with owners:						
Dividends	9	–	–	–	(75.9)	(75.9)
Share-based payments	29	–	–	–	2.8	2.8
Purchase of own shares	31	–	–	–	(1.5)	(1.5)
Issue of shares	28	14.1	3.1	–	136.0	153.2
At 1 July 2018		55.5	197.6	3.0	317.2	573.3
Profit for the year		–	–	–	86.4	86.4
Other comprehensive income		–	–	–	0.7	0.7
Total comprehensive income		–	–	–	87.1	87.1
Transactions with owners:						
Dividends	9	–	–	–	(79.9)	(79.9)
Share-based payments	29	–	–	–	0.9	0.9
Purchase of own shares	31	–	–	–	–	–
Issue of shares	28	–	0.1	–	–	0.1
At 30 June 2019		55.5	197.7	3.0	325.3	581.5

Statements of cash flows

for the year ended 30 June 2019

	Notes	Group 2019 £m	Group Restated[1] 2018 £m	Company 2019 £m	Company 2018 £m
Cash flows from operating activities					
Continuing operations					
Pre-exceptional profit before finance costs		**161.4**	196.2	**86.4**	102.7
Exceptional items	4	**(50.8)**	(45.0)	**–**	–
Profit before finance costs		**110.6**	151.2	**86.4**	102.7
Adjustments for:					
Depreciation and amortisation	13 & 11	**7.0**	7.1	**–**	–
Profit on sale of subsidiaries		**–**	(2.1)	**–**	–
Profit on sale of PPP and other investments	16	**(6.9)**	(5.5)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(86.4)**	(104.7)
Share-based payments	29	**0.9**	2.8	**–**	1.9
Share of post-tax profits from joint ventures	15	**(20.5)**	(20.6)	**–**	–
Movement on provisions		**(0.3)**	(0.4)	**–**	–
Impact of Guaranteed Minimum Pension (GMP) equalisation	4 & 32	**3.5**	–	**–**	–
Other non-cash movements		**–**	0.6	**–**	–
Net cash generated/(used in) from operations before pension deficit payments and changes in working capital		**94.3**	133.1	**–**	(0.1)
Deficit funding payments to pension schemes	32	**(7.2)**	(6.8)	**–**	–
Net cash generated/(used in) from operations before changes in working capital		**87.1**	126.3	**–**	(0.1)
Decrease in inventories		**0.2**	0.4	**–**	–
(Increase) in developments		**(151.8)**	(2.3)	**–**	–
(Increase) in trade and other receivables		**(39.9)**	(3.2)	**–**	–
Increase/(decrease) in trade and other payables		**57.5**	(16.0)	**–**	–
Net cash (used in)/generated from operations		**(46.9)**	105.2	**–**	(0.1)
Interest received		**14.6**	10.2	**–**	–
Interest paid		**(19.1)**	(16.2)	**–**	–
Income tax (paid)/received		**(8.2)**	(15.6)	**0.6**	0.8
Net cash (used in)/generated from operating activities		**(59.6)**	83.6	**0.6**	0.7
Cash flows from investing activities					
Dividends received from joint ventures	15	**3.4**	2.1	**–**	–
Movement in networking capital balances due from JVs		**(13.6)**	(56.3)	**–**	–
Acquisition of PPP and other investments	16	**(22.7)**	(10.9)	**–**	–
Proceeds from disposal of PPP and other investments	16	**21.1**	14.0	**–**	–
Proceeds from disposal of subsidiaries		**–**	2.1	**–**	–
Business combinations – deferred consideration		**(1.0)**	(13.7)	**–**	–
Cash acquired with acquired subsidiary undertakings	15	**1.4**	–	**–**	–
Loan with subsidiary companies		**–**	–	**(93.2)**	34.4
Dividends received from subsidiary undertakings		**–**	–	**86.5**	104.7
Acquisition of property, plant and equipment	13	**(3.7)**	(4.6)	**–**	–
Proceeds from sale of property, plant and equipment	13	**0.8**	0.5	**–**	–
Net cash (used in)/generated from investing activities		**(14.3)**	(66.8)	**(6.7)**	139.1
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	28	**0.1**	153.2	**0.1**	153.2
Purchase of own shares	31	**–**	(1.5)	**–**	(1.5)
(Decrease)/increase in borrowings	23	**(0.1)**	(0.9)	**1.1**	1.1
Dividends paid to Company shareholders	9	**(79.9)**	(75.9)	**(79.9)**	(75.9)
Net cash (used in)/generated from financing activities		**(79.9)**	74.9	**(78.7)**	76.9
Net (decrease)/increase in cash and cash equivalents		**(153.8)**	91.7	**(84.8)**	216.7
Cash and cash equivalents at 1 July	20	**295.4**	203.7	**783.2**	566.5
Cash and cash equivalents at 30 June	20	**141.6**	295.4	**698.4**	783.2

1 See note 1 – joint ventures and joint operations and page 63.

Notes to the consolidated financial statements

1 Accounting policies

General information

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

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

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of PPP and other investments, retirement benefit obligations and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRS IC, and endorsed by the EU, relevant to its operations and effective on 1 July 2018.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement and statement of comprehensive income.

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2018 are listed below.

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

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

(i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments came into effect for financial years starting on or after 1 January 2018 replacing IAS 39 Financial Instruments: Recognition and Measurement. The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Equity investments, previously classified as available for sale are classified as financial assets at fair value through other comprehensive income, with recycling of gains and losses. This is because the business model for these assets is to hold for collecting contractual cash flows (which meet the criteria of solely payments of principal and interest on the principal outstanding) and also to sell the financial asset. This resulted in a small fair value uplift in the value of the Group's PPP and other investments (of £5.5m) which was recognised in equity on adoption of the standard on 1 July 2018 (note 16). The Group has adopted the IFRS 9 expected credit loss approach to the assessment of financial assets impairment.

The Group also assessed its assets for any expected credit losses which resulted in an impairment charge of £11.2m recognised in equity on adoption of the standard on 1 July 2018 (note 25).

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

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

Additionally under IFRS 15, the Group's financial statements will be adjusted in respect of revenue associated with the sale of part-exchange properties, which will result in an equivalent increase in both revenue and cost of sales and therefore no overall change to equity. Further detail and analysis on the Group's various revenue streams can be found in note 3 and on the Group's adoption of IFRS 15, in note 39.

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18. To aid comparability, as required by IFRS 15, the Group has also stated any differences in its results for the year to 30 June 2019 under IAS 11 and IAS 18 (in note 39).

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

- Amendment to IFRS 9, 'Financial Instruments', on prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019).
- Amendments resulting from annual improvements to IFRSs 2015-2017 cycle (effective 1 January 2019).
- Amendments to IAS 19 'Employee Benefits' on plan amendment, curtailment or settlement' (effective 1 January 2019).

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)
Basis of accounting (continued)
- IFRS 16 'Leases' (effective 1 January 2019).
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' (effective 1 January 2019).
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019).
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8 on the Definition of Material (effective 1 January 2020).
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- IFRS 17 'Insurance Contracts' (effective 1 January 2021).

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

(i) IFRS 16 – Leases
IFRS 16 – Leases, was issued in January 2016 and will be effective for the Group 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 Group 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 Group is adopting the modified retrospective approach for IFRS 16, recognising the right of use asset as if IFRS 16 had always been applied (but using the incremental borrowing rate as at the date of initial application of 1 July 2019), with a resulting transition adjustment recognised to opening equity.

On adoption of IFRS 16 on 1 July 2019, the Group expects to recognise a right of use asset of £43.9m, and corresponding lease liability of £45.5m, with a change in opening retained earnings of £1.6m for the year-ended 30 June 2020. Reported profit is expected to be £1.1m lower.

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

(i) Impairment of goodwill and intangible assets
The determination of the value of any impairment of goodwill and intangible assets requires an estimation of the value in use of the Cash Generating Units (CGUs) to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these CGUs, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the goodwill impairment review calculations and sensitivity analysis performed are included in note 12.

(ii) Estimation of costs to complete and contract provisions
In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation, as does the assessment of a development's valuation.

However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions.

The estimation of final contract value (in both Construction and 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 Group's accounting policies.

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

There are two significant estimated claim recoveries in our Infrastructure business. Further detail of these recoveries, as at 30 June 2019, is included on page 34.

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

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

Included in contract assets of £412.8m there are two major contracts where significant claims are still being assessed with customers and recoveries have been assumed as highly probable. Our claims, supported by third party expert advice, exceed the amounts recognised, of which the largest claim is in respect of AWPR for which consultants have advised an expected recovery of around £100m to the Group. However, there is a range of possible outcomes when these claims are finally settled between nil and the total values of our submitted claims.

In respect of contract assets of £412.8m and in assessing receivable provisions calculated on an expected loss basis, the Group has recorded a provision of £14.0m. The directors' estimate represents a reasonably possible mid-point between a zero provision and a larger potential amount.

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

1 Accounting policies (continued)
Critical accounting estimates and judgments (continued)
(iii) Retirement benefit obligation valuations

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

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

The Group is exposed to risks through its defined benefit schemes if actual experience differs from the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 32.

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

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

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

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

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

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

Revenue and profit
Revenue is recognised when the Group transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the Group estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods.

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

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

Revenue is recognised as follows:

(i) Linden Homes

The Group 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 only contain 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. The onwards sale of part-exchange properties is separately recognised as revenue, on legal completion.

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 Group does 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.

(iii) Construction services

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

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

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)
Revenue and profit (continued)
Cost-reimbursable contracts – revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price, consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once it is highly probable that there will not be a significant reversal. Revenue includes any variations and compensation events where it is highly probable that there will not be a significant reversal.

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

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

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

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

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

Grants and Government funding received by the Group include direct capital grant funding awards under 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.

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

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

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

Intangible assets (continued)

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.

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

Property, plant and equipment

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

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

- Freehold buildings 2% on cost

On cost or reducing balance:

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

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

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

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

Joint ventures and joint operations

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

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

Whilst the Group regards joint ventures as extensions of our core operations and previously presented loans and advances to and from joint ventures within operating cash flows, to be consistent with other working capital movements, the Directors acknowledge the specific requirements of IAS 7 paragraph 16(e) to present such movements within investing activities. Consequently, and as agreed in discussion with the FRC, we have restated the prior year consolidated cash flow statement with £53.2m of net costs used in operating activities reclassified as net cash used in investing activities.

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

PPP and other investments

PPP and other investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at costs.

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

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

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

Leases

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

Inventories and developments

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

Land inventory is recognised at the time a liability is recognised 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 Group anticipates selling a development in its current state, then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs.

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model (general or simplified approach as detailed under impairment of financial assets). The amount of the loss is recognised in the income statement.

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

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

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are included for purposes of cash flow movements and the cash flow statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

Accounting for Employee Share Ownership Plan

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

Share-based payments

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

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

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

Dividend policy

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

Equity instruments

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

Investments in subsidiaries

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

2 Segmental reporting

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

The chief operating decision-makers ('CODM') have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes, Partnerships & Regeneration; Construction & Investments and Central. Previously, Construction & Investments was split into further sub-segments of Building, Infrastructure and PPP Investments. However, the CODM no longer review and assess performance and allocate resources at this further sub-segmental level and so these sub-segments will be removed from this disclosure next year. However, to maintain appropriate disclosure and transparency, these balances have been included in this note in the current year. The business of each segment is described in the Strategic Report.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, 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 financial statements.

Notes to the consolidated financial statements
continued

2 Segmental reporting (continued)

	Primary reporting format – business segments					Secondary reporting format – business sub-segments				
						Construction				
	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2019										
Group revenue	758.7	551.9	1,399.5	0.6	2,710.7	858.3	524.2	1,382.5	17.0	1,399.5
Share of joint ventures' revenue	160.4	73.3	16.0	–	249.7	1.5	–	1.5	14.5	16.0
Part-exchange revenue	(98.7)	(2.0)	–	–	(100.7)	–	–	–	–	–
Exceptional items (note 4)	–	–	2.8	–	2.8	–	2.8	2.8	–	2.8
Pre-exceptional Group revenue and share of joint ventures' revenue excluding part-exchange revenue	820.4	623.2	1,418.3	0.6	2,862.5	859.8	527.0	1,386.8	31.5	1,418.3
Segment result:										
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	135.6	26.9	(11.1)	(7.0)	144.4	(9.8)	(5.5)	(15.3)	4.2	(11.1)
Share of joint ventures' profit	24.9	7.9	0.6	–	33.4	0.3	–	0.3	0.3	0.6
Pre-exceptional profit/(loss) from operations'	160.5	34.8	(10.5)	(7.0)	177.8	(9.5)	(5.5)	(15.0)	4.5	(10.5)
Exceptional items (note 4)	–	–	(46.4)	(4.4)	(50.8)	(0.9)	(45.5)	(46.4)	–	(46.4)
Share of joint ventures' interest and tax	(9.3)	(3.4)	(0.2)	–	(12.9)	(0.1)	–	(0.1)	(0.1)	(0.2)
Profit/(loss) before finance costs, amortisation and taxation	151.2	31.4	(57.1)	(11.4)	114.1	(10.5)	(51.0)	(61.5)	4.4	(57.1)
Finance income	7.8	1.6	3.4	0.4	13.2	–	–	–	3.4	3.4
Finance (costs)	(44.0)	(3.4)	(10.0)	38.3	(19.1)	(1.4)	(7.0)	(8.4)	(1.6)	(10.0)
Profit/(loss) before amortisation and taxation	115.0	29.6	(63.7)	27.3	108.2	(11.9)	(58.0)	(69.9)	6.2	(63.7)
Amortisation of intangibles	–	(1.4)	(1.0)	(1.1)	(3.5)	(1.0)	–	(1.0)	–	(1.0)
Profit/(loss) before taxation	115.0	28.2	(64.7)	26.2	104.7	(12.9)	(58.0)	(70.9)	6.2	(64.7)
Income tax expense					(17.8)					
Profit for the year					86.9					

2 Segmental reporting (continued)

	Primary reporting format – business segments					Secondary reporting format – business sub-segments				
						Construction				
	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2018										
Group revenue	769.3	459.7	1,701.9	0.7	2,931.6	1,036.9	649.4	1,686.3	15.6	1,701.9
Share of joint ventures' revenue	178.0	15.5	7.2	–	200.7	1.1	–	1.1	6.1	7.2
Group revenue and share of joint ventures' revenue	947.3	475.2	1,709.1	0.7	3,132.3	1,038.0	649.4	1,687.4	21.7	1,709.1
Segment result:										
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	152.1	22.3	22.3	(17.6)	179.1	11.4	4.3	15.7	6.6	22.3
Share of joint ventures' profit	32.3	1.3	0.4	–	34.0	0.2	–	0.2	0.2	0.4
Pre-exceptional profit/(loss) from operations*	184.4	23.6	22.7	(17.6)	213.1	11.6	4.3	15.9	6.8	22.7
Exceptional items (note 4)	–	–	(45.0)	–	(45.0)	–	(45.0)	(45.0)	–	(45.0)
Share of joint ventures' interest and tax	(13.1)	(0.1)	(0.2)	–	(13.4)	–	–	–	(0.2)	(0.2)
Profit/(loss) before finance costs, amortisation and taxation	171.3	23.5	(22.5)	(17.6)	154.7	11.6	(40.7)	(29.1)	6.6	(22.5)
Finance income	7.4	1.8	2.1	(1.1)	10.2	–	–	–	2.1	2.1
Finance (costs)	(41.6)	(5.5)	(7.0)	36.4	(17.7)	–	(5.4)	(5.4)	(1.6)	(7.0)
Profit/(loss) before amortisation and taxation	137.1	19.8	(27.4)	17.7	147.2	11.6	(46.1)	(34.5)	7.1	(27.4)
Amortisation of intangibles	–	(1.4)	(1.0)	(1.1)	(3.5)	(1.0)	–	(1.0)	–	(1.0)
Profit/(loss) before taxation	137.1	18.4	(28.4)	16.6	143.7	10.6	(46.1)	(35.5)	7.1	(28.4)
Income tax expense					(25.4)					
Profit for the year					118.3					

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

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from Group revenue above. In the year to 30 June 2019 this amounted to £92.1m (2018: £93.6m) of which £23.2m (2018: £17.8m) was in Building, £28.2m (2018: £35.5m) was in Infrastructure, £22.4m (2018: £17.9m) was in Partnerships & Regeneration and £18.3m (2018: £22.3m) was in Central.

Notes to the consolidated financial statements
continued

2 Segmental reporting (continued)
Balance Sheet

		Primary reporting format – business segments					Secondary reporting format – business sub-segments				
							Construction				
	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
30 June 2019											
Goodwill & intangible assets		**52.5**	**32.3**	**81.8**	**4.8**	**171.4**	**44.6**	**37.2**	**81.8**	**–**	**81.8**
Working capital employed		**759.2**	**57.0**	**28.6**	**(207.9)**	**636.9**	**(73.5)**	**54.5**	**(19.0)**	**47.6**	**28.6**
Net (debt)/cash	20	**(567.1)**	**(9.3)**	**(38.0)**	**557.8**	**(56.6)**	**77.4**	**(93.2)**	**(15.8)**	**(22.2)**	**(38.0)**
Net assets		**244.6**	**80.0**	**72.4**	**354.7**	**751.7**	**48.5**	**(1.5)**	**47.0**	**25.4**	**72.4**
Total Group liabilities						**(2,013.4)**					
Total Group assets						**2,765.1**					
30 June 2018											
Goodwill & intangible assets		52.5	33.7	82.8	5.9	174.9	45.6	37.2	82.8	–	82.8
Working capital employed		623.1	64.7	62.7	(247.1)	503.4	(82.3)	119.0	36.7	26.0	62.7
Net (debt)/cash	20	(463.1)	(41.8)	(37.2)	640.3	98.2	101.0	(127.0)	(26.0)	(11.2)	(37.2)
Net assets		212.5	56.6	108.3	399.1	776.5	64.3	29.2	93.5	14.8	108.3
Total Group liabilities						(2,123.8)					
Total Group assets						2,900.3					

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

Other segmental information

		Primary reporting format – business segments					Secondary reporting format – business sub-segments				
							Construction				
	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2019											
Investment in joint ventures	15	**60.8**	**5.7**	**0.5**	**–**	**67.0**	**–**	**–**	**–**	**0.5**	**0.5**
Contracting revenue		**–**	**480.3**	**1,396.7**	**–**	**1,877.0**	**852.4**	**524.2**	**1,376.6**	**20.1**	**1,396.7**
Capital expenditure – property, plant and equipment	13	**1.0**	**–**	**1.0**	**1.7**	**3.7**	**–**	**1.0**	**1.0**	**–**	**1.0**
Depreciation	13	**0.4**	**0.2**	**0.3**	**2.6**	**3.5**	**0.1**	**0.2**	**0.3**	**–**	**0.3**
Increase/(decrease) in provision for receivables	7	**0.1**	**0.2**	**(0.1)**	**0.1**	**0.3**	**(0.1)**	**–**	**(0.1)**	**–**	**(0.1)**
Share-based payments	5	**0.2**	**0.2**	**0.5**	**–**	**0.9**	**0.3**	**0.2**	**0.5**	**–**	**0.5**
Acquisition of intangible assets	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation of intangible assets	11	**–**	**1.4**	**1.0**	**1.1**	**3.5**	**1.0**	**–**	**1.0**	**–**	**1.0**

2 Segmental reporting (continued)
Other segmental information (continued)

		Primary reporting format – business segments					Secondary reporting format – business sub-segments				
							Construction				
	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2018											
Investment in joint ventures	15	48.3	1.0	0.6	–	49.9	–	–	–	0.6	0.6
Contracting revenue		–	447.4	1,679.4	–	2,126.8	1,027.8	649.1	1,676.9	2.5	1,679.4
Capital expenditure – property, plant and equipment	13	0.5	1.2	0.3	2.6	4.6	0.2	0.1	0.3	–	0.3
Depreciation	13	0.5	0.1	0.4	2.6	3.6	0.2	0.2	0.4	–	0.4
(Decrease) in provision for receivables	7	–	–	(0.2)	–	(0.2)	(0.2)	–	(0.2)	–	(0.2)
Share-based payments	5	0.3	0.1	0.5	1.9	2.8	0.3	0.2	0.5	–	0.5
Acquisition of intangible assets	11	–	–	–	–	–	–	–	–	–	–
Amortisation of intangible assets	11	–	1.4	1.0	1.1	3.5	1.0	–	1.0	–	1.0

3 Revenue
Nature of revenue streams
The following should be read in conjunction with the Group's new accounting policy applied from 1 July 2018 as detailed in note 1.

(i) Linden Homes and Partnerships & Regeneration segments
The Group develops 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	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. Contracts for onward sale of part-exchange properties are entered into with a different customer and therefore represent separate revenue contracts.	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. Under IAS 18, part-exchange properties are recognised at fair value as revenue and in inventory and subsequent sale proceeds on disposal of the part-exchange property are presented net, against cost of sales. Under IFRS 15, these unit sales represent separate revenue contracts and are therefore recognised separately within revenue, at the point of legal completion.
Unit sales to Registered Providers/Investors in the Private Rented Sector (PRS)	This represents sales of (affordable) housing units to Housing Associations (HAs) and other Registered Providers/PRS, treated as a single performance obligation. The Group receives 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 do not expect a financing component to exist in respect of HA 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.

Notes to the consolidated financial statements
continued

3 Revenue (continued)
(i) Linden Homes and Partnerships & Regeneration segments (continued)

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Land sales	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.
Contracting to Registered Providers/PRS	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.

(ii) Building & Infrastructure segments

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

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

3 Revenue (continued)

(ii) Building & Infrastructure segments (continued)

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Framework	Projects within the Infrastructure segment can be undertaken under an overall framework agreement (possibly granted on a regulatory cycle, such as for water contracts), with work performed under individual work orders submitted by the customer and governed by the terms of the framework agreement (often including a schedule of rates and a pain/gain element). Individual work orders will typically consist of a single deliverable or job and are anticipated to comprise only a single deliverable (and consequently performance obligation). Revenue is therefore recognised over time based on an input model (reference to costs incurred to date).	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided (for each individual work order issued under the arrangement. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.

(iii) Investments segment

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

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

Disaggregation of revenue

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

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

	Primary reporting format – business segments					Secondary reporting format – business sub-segments				
						Construction				
Year ended 30 June 2019	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Over time	86.3	482.5	1,394.6	0.6	1,964.0	858.3	524.2	1,382.5	12.1	1,394.6
Point in time	672.4	69.4	4.9	–	746.7	–	–	–	4.9	4.9
Group revenue	758.7	551.9	1,399.5	0.6	2,710.7	858.3	524.2	1,382.5	17.0	1,399.5

Notes to the consolidated financial statements
continued

3 Revenue (continued)
Disaggregation of revenue (continued)
Revenue on existing contracts, where performance obligations are unsatisfied or partially unsatisfied at the balance sheet date, is expected to be recognised as follows:

Group revenue	2020 £m	2021 £m	2022 onwards £m	Total £m
Linden Homes	49.3	31.9	31.5	112.7
Partnerships & Regeneration	436.3	252.2	78.0	766.5
Building	575.9	128.5	4.8	709.2
Infrastructure	316.1	75.4	1.0	392.5
Total Construction	892.0	203.9	5.8	1,101.7
PPP Investments	2.1	1.8	25.4	29.3
Central	–	–	–	–
Total transaction price allocated to performance obligations yet to be satisfied	1,379.7	489.8	140.7	2,010.2

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

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

4 Exceptional items

	2019 £m	2018 £m
Group revenue – expected credit loss per IFRS 9 in respect of legacy contract	2.8	–
Cost of sales – charge in respect of legacy contracts	39.0	45.0
Cost of sales – restructure costs	3.0	–
Administrative expenses – pension costs (note 32)	4.4	–
Administrative expenses – restructure costs	1.6	–
Loss from operations	50.8	45.0

Exceptional items in the year totalled £50.8m. Of this, £32.3m was in relation to additional costs to complete the AWPR contract, of which £26.0m was for additional costs to complete the project as accrued in the first half of the year and £6.3m resulted from the impact of our updated accounting policy on claims from other parties. The Group is pursuing a significant claim against the client and others, which is yet to be concluded. Once settled, this is expected to provide an upside to the Group's cash position.

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

As detailed in the financial review (page 34), the Group has assumed recovery of contract assets in respect of its contracts in accordance with IFRS 15. Furthermore, in accordance with IFRS 9 Financial Instruments (which was adopted on 1 July 2018), the Group has performed an assessment of the expected credit loss on both adoption of the standard (at 1 July 2018) and at the closing balance sheet date (30 June 2019), based on estimated provision matrices. This resulted in an impairment charge of £11.2m on adoption of IFRS 9 (at 1 July 2018) and an exceptional impairment charge of £2.8m incurred in the year.

During the period, the High Court issued its judgment in the Guaranteed Minimum Pension (GMP) equalisation case with Lloyds Bank Plc. This resulted in an increased obligation in two of the Group's defined benefit pension schemes via an amendment to the scheme benefits which has been treated as a plan amendment and therefore a past service cost, resulting in a charge of £3.5m which has been expensed in the income statement. Additionally, in July 2018, the Galliford Group Special Scheme completed a £7m 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 £0.9m was expensed to the income statement. Further detail on these two items is included in note 32.

4 Exceptional items (continued)

In 2018, an exceptional charge of £45.0m was incurred, in respect of additional costs on the AWPR contract.

	2019 £m	2018 £m
Profit before income tax	**104.7**	143.7
Expected credit loss in respect of legacy contract	**2.8**	–
Charge in respect of legacy contracts	**39.0**	45.0
Pension costs	**4.4**	–
Restructure costs	**4.6**	–
Pre-exceptional profit before income tax	**155.5**	188.7

5 Employees and directors

Employee benefit expense during the year

		Group		Company	
	Notes	2019 £m	2018 £m	2019 £m	2018 £m
Wages and salaries		**278.3**	268.6	**–**	–
Social security costs		**31.6**	31.0	**–**	–
Other pension costs	32	**22.4**	19.3	**–**	–
Share-based payments	29	**0.9**	2.8	**–**	1.9
Total		**333.2**	321.7	**–**	1.9

Average monthly number of people (including executive directors) employed

	2019 Number	2018 Number	2019 Number	2018 Number
By business:				
Linden Homes	**1,025**	1,002	**–**	–
Partnerships & Regeneration	**913**	779	**–**	–
– Building	**1,780**	1,899	**–**	–
– Infrastructure	**1,437**	1,421	**–**	–
Construction	**3,217**	3,320	**–**	–
PPP Investments	**74**	68	**–**	–
Group	**249**	316	**7**	6
Total	**5,478**	5,485	**7**	6

Remuneration of key management personnel

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

	2019 £m	2018 £m
Salaries and short-term employee benefits	**5.3**	5.4
Retirement benefit costs	**0.4**	0.5
Share-based payments	**–**	1.0
Total	**5.7**	6.9

Notes to the consolidated financial statements
continued

6 Net finance costs

Group	2019 £m	2018 £m
Interest receivable on bank deposits	**0.2**	–
Interest receivable from joint ventures	**12.7**	10.1
Net finance income on retirement benefit obligations	**0.2**	–
Other	**0.1**	0.1
Finance income	**13.2**	10.2
Interest payable on borrowings	**(16.4)**	(17.3)
Unwind of discounted payables	**(0.5)**	(0.4)
Other	**(2.2)**	–
Finance costs	**(19.1)**	(17.7)
Net finance costs	**(5.9)**	(7.5)

7 Profit before income tax

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

	Notes	2019 £m	2018 £m
Employee benefit expense	5	**333.2**	321.7
Depreciation of property, plant and equipment	13	**3.5**	3.6
Amortisation of intangible assets	11	**3.5**	3.5
Operating lease rentals payable		**39.2**	36.4
Developments recognised as an expense		**574.7**	605.1
Repairs and maintenance expenditure on property, plant and equipment		**1.7**	1.1
Increase/(decrease) in provision for receivables	19	**0.3**	(0.2)
Exceptional items	4	**(50.8)**	(45.0)

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

Services provided by the Group's auditor and network firms

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

	2019 £m	2018 £m
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor for other services:		
The audit of financial statements of the Company's subsidiaries	**0.5**	0.4
Audit-related assurance services	**0.1**	0.1
Other non-audit services	**–**	0.5
Total other services	**0.6**	1.0
Total	**0.8**	1.2

A description of the work of the Audit Committee in respect of the auditor's independence is set out in the Governance report.

8 Income tax expense

Group	Note	2019 £m	2018 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**10.4**	25.3
Deferred tax	26	**6.6**	(0.1)
Adjustments in respect of prior years			
Current tax		**0.7**	0.2
Deferred tax	26	**0.1**	–
Income tax expense		**17.8**	25.4
Tax on items recognised in other comprehensive income			
Current tax (credit) for retirement benefit obligations		**(0.4)**	(1.3)
Current tax (credit)/expense for share-based payments		**(0.3)**	0.1
Deferred tax expense for share-based payments	26	**–**	0.1
Deferred tax expense on derivative financial instruments		**0.1**	0.2
Deferred tax expense on retirement benefit obligations	26	**–**	1.9
Tax recognised in other comprehensive income		**(0.6)**	1.0
Total taxation		**17.2**	26.4

The total income tax expense for the year of £17.8m (2018: £25.4m) is lower (2018: lower) than the blended standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £m	2018 £m
Profit before income tax	**104.7**	143.7
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 19.0% (2018: 19.0%)	**19.9**	27.3
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.2
Non-taxable income	**(2.0)**	(1.9)
Joint ventures	**(1.0)**	(1.1)
Adjustments in respect of prior years	**0.8**	0.3
Other	**–**	0.6
Income tax expense	**17.8**	25.4

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

The UK corporation tax rate is due to be reduced to 17.0% in April 2020. We have recognised deferred tax at 19.0% as it is likely that most assets and liabilities will have reversed within one year. Had the 17.0% 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.

Notes to the consolidated financial statements
continued

9 Dividends

Group and Company	2019 £m	2019 pence per share	2018 £m	2018 pence per share
Previous year final	54.4	49.0	52.6	64.0
Current year interim	25.5	23.0	23.3	28.0
Dividend recognised in the year	79.9	72.0	75.9	92.0

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

	2019 £m	2019 pence per share	2018 £m	2018 pence per share
Interim	25.5	23.0	23.3	28.0
Final	38.9	35.0	54.4	49.0
Dividend relating to the year	64.4	58.0	77.7	77.0

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

10 Earnings Per Share

Basic and diluted earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Trust, which are treated as cancelled.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the year. The dilutive effect amounts to the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option price. Only shares that have met their cumulative performance criteria are included in the dilution calculation. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long-term incentive plans. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit.

The earnings and weighted average number of shares used in the calculations are set out below.

	2019 Earnings £m	2019 Weighted average number of shares	2019 Per share amount pence	2018 Earnings £m	2018 Weighted average number of shares	2018 Per share amount pence
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	128.1	110,704,829	115.7	154.7	97,695,511	158.4
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	86.9	110,704,829	78.5	118.3	97,695,511	121.1
Effect of dilutive securities:						
Options		94,166			378,183	
Diluted EPS – pre-exceptional	128.1	110,798,995	115.6	154.7	98,073,694	157.8
Diluted EPS	86.9	110,798,995	78.4	118.3	98,073,694	120.6

11 Intangible assets

Group	Customer contracts and relationships £m	Computer software £m	Brand £m	Total £m
Cost				
At 1 July 2017, 1 July 2018, and 30 June 2019	**17.4**	**10.9**	**10.8**	**39.1**
Accumulated amortisation				
At 1 July 2017	(5.6)	(3.9)	(10.8)	(20.3)
Amortisation in year	(2.3)	(1.2)	–	(3.5)
At 1 July 2018	(7.9)	(5.1)	(10.8)	(23.8)
Amortisation in year	**(2.4)**	**(1.1)**	**–**	**(3.5)**
At 30 June 2019	**(10.3)**	**(6.2)**	**(10.8)**	**(27.3)**
Net book amount				
At 30 June 2019	**7.1**	**4.7**	**–**	**11.8**
At 30 June 2018	9.5	5.8	–	15.3
At 30 June 2017	11.8	7.0	–	18.8

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

12 Goodwill

Group	£m
Cost	
At 1 July 2017	161.0
Adjustment in respect of acquisition completed in 2017	**(0.7)**
At 30 June 2018 and 30 June 2019	**160.3**
Aggregate impairment at 1 July 2017, 1 July 2018 and 30 June 2019	**(0.7)**
Net book amount	
At 30 June 2019	**159.6**
At 30 June 2018	159.6
At 30 June 2017	160.3

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.

Notes to the consolidated financial statements
continued

12 Goodwill (continued)
Goodwill is allocated to the Group's CGUs identified according to business segment. The goodwill is attributable to the following business segments:

	2019 £m	2018 £m
Linden Homes	**52.5**	52.5
Partnerships & Regeneration	**29.9**	29.9
Building	**40.0**	40.0
Infrastructure	**37.2**	37.2
	159.6	159.6

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. In Building and Infrastructure, the margins currently being achieved are expected to increase to the levels as disclosed in the Strategic Report on page 17.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the financial review in the Strategic report of the Annual Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit.

Cash flows beyond the budgeted three-year period are extrapolated using an estimated growth rate of 2.0% per annum within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 11.8% (2018: 11.4%) in Linden Homes, 8.9% (2018: 8.6%) in Partnerships & Regeneration, 8.7% (2018: 9.0%) in Building and 9.4% (2018: 8.5%) in Infrastructure has been applied to the future cash flows, based on a estimate of the weighted average cost of capital of each division.

Sensitivities
The recoverable value of all CGUs are substantially in excess of the carrying value of the CGUs. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. Taking into account current market conditions within the construction and housebuilding markets, none of these sensitivities, either individually or combined, resulted in the recoverable amount of the goodwill being reduced to below its current carrying value.

The detailed sensitivity analysis indicates that an increase of more than 150% (2018: 200%) in the pre-tax discount rate or a reduction of 49% (2018: 24%) in the forecast operating cash flows of the Infrastructure CGU could give rise to an impairment. The goodwill in the other segments is less sensitive to the detailed assumptions used and hence no additional disclosure is considered necessary.

13 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2017	3.3	7.5	21.5	32.3
Additions	0.3	0.4	3.9	4.6
Disposals	(0.4)	(0.3)	(0.1)	(0.8)
At 1 July 2018	3.2	7.6	25.3	36.1
Additions	**–**	**2.5**	**1.2**	**3.7**
Disposals	**(1.0)**	**(0.4)**	**(0.2)**	**(1.6)**
At 30 June 2019	**2.2**	**9.7**	**26.3**	**38.2**
Accumulated depreciation				
At 1 July 2017	(1.1)	(0.9)	(14.1)	(16.1)
Charge for the year	(0.1)	(0.2)	(3.3)	(3.6)
Disposals	0.1	0.2	–	0.3
At 1 July 2018	(1.1)	(0.9)	(17.4)	(19.4)
Charge for the year	**(0.1)**	**(0.2)**	**(3.2)**	**(3.5)**
Disposals	**0.3**	**0.4**	**0.2**	**0.9**
At 30 June 2019	**(0.9)**	**(0.7)**	**(20.4)**	**(22.0)**
Net book amount				
At 30 June 2019	**1.3**	**9.0**	**5.9**	**16.2**
At 30 June 2018	2.1	6.7	7.9	16.7
At 30 June 2017	2.2	6.6	7.4	16.2

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

The Company has no property, plant or equipment.

Notes to the consolidated financial statements
continued

14 Investments in subsidiaries

Company	2019 £m	2018 £m
Cost		
At 1 July	**183.2**	137.3
Transfers to other subsidiary undertakings	**–**	–
Capital contributions	**0.9**	45.9
At 30 June	**184.1**	183.2
Aggregate impairment		
At 1 July	**(6.8)**	(6.8)
Impairments	**–**	–
At 30 June	**(6.8)**	(6.8)
Net book value		
At 30 June	**177.3**	176.4

The capital contribution in 2019 of £0.9m (2018: £45.9m) consisted of a contribution of £nil from the Company to Galliford Try Construction & Investments Holdings Limited (2018: £45.0m) and £0.9m (2018: £0.9m) related to share based payments for share options granted by the Company to employees of subsidiary undertakings in the Group (note 29).

The carrying value of investments has been reviewed and the directors are satisfied that there is no further impairment required.

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Building Limited
Galliford Try Homes Limited[1]
Galliford Try Infrastructure Limited[2]
Galliford Try Investments Limited
Galliford Try Partnerships Limited
Galliford Try Services Limited[1]
Linden Limited

1 Shares of these subsidiary companies are owned directly by the Company.
2 Incorporated in Scotland.

Unless otherwise stated, each subsidiary has a 30 June year end, operates as a housebuilding or construction company, is incorporated in England & Wales and 100% of ordinary shares and voting rights are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of the Group's undertakings is set out in note 40.

15 Investments in joint ventures

Group	2019 £m	2018 £m
At 1 July	**49.9**	31.4
Dividend received from joint ventures	**(3.4)**	(2.1)
Share of post tax profit	**20.5**	20.6
At 30 June	**67.0**	49.9

15 Investments in joint ventures (continued)

Joint ventures

At 30 June 2019 the Group held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland, as set out in note 40.

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

	2019 £m	2018 £m
Current assets	**529.8**	523.7
Non-current assets	**–**	–
Current liabilities	**(294.2)**	(330.2)
Non-current liabilities	**(168.6)**	(143.6)
	67.0	49.9
Amounts due from joint ventures	**331.6**	311.2
Amounts due to joint ventures	**(24.8)**	(18.0)
Revenue	**249.7**	200.7
Expenses	**(216.3)**	(166.7)
	33.4	34.0
Finance cost	**(12.4)**	(12.3)
Income tax	**(0.5)**	(1.1)
Share of post-tax profits from joint ventures	**20.5**	20.6

On 28 June 2019, the Group acquired the remaining 50% share of its joint venture, Linden Homes (Sherford) LLP, for a consideration of £1 (plus £28.2m of intercompany receivables due from Linden Homes (Sherford) LLP). The fair value of the net liabilities acquired were £2.0m (plus £28.2m of intercompany payables), resulting in goodwill on acquisition of £2.0m, which was immediately impaired to £nil. The fair value of the net liabilities acquired of £2.0m included £83.8m of developments (note 18), £1.3m of trade and other receivables (note 19), £1.4m of cash (note 20), £21.0m of development land payables (notes 21 & 24) and £69.6m of trade and other payables (notes 21 & 24). The fair value of the equity interest previously held was £nil.

The Group's 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 Group revenue of £4.3m and a loss before tax of £0.5m.

The Group's share of unrecognised losses of joint ventures is £37.8m (2018: £36.3m), of which net £1.5m arose during the year.

As at 30 June 2019, amounts due from joint ventures of £331.6m (2018: £311.2m) 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).

The Group has no commitments (2018: £nil) to provide further subordinated debt to its joint ventures.

Our share of joint ventures external bank funding was £19.7m at 30 June 2019 (2018: £55.0m). The joint ventures have no significant contingent liabilities to which the Group is exposed (2018: £nil). The joint ventures had no capital commitments as at 30 June 2019 (2018: £nil).

Notes to the consolidated financial statements
continued

15 Investments in joint ventures (continued)
Joint ventures (continued)
Details of material joint ventures and associates are as follows:

	S4B (Issuer) Plc[1]		Space Scotland Limited[1]		Solutions 4 North Tyneside Finance Plc[1,2]		Aberdeen Roads (Finance) Plc[1]		Aberdeen Roads Limited	
Income statement – continuing operations	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Revenue	–	–	**1.3**	1.0	–	–	–	–	**3.7**	72.1
Depreciation and amortisation	–	–	–	–	–	–	–	–	–	–
Finance income	**2.8**	3.2	–	–	–	4.0	**26.3**	22.4	**29.2**	26.0
Finance expense	**(2.8)**	(3.2)	–	–	–	(4.0)	**(26.3)**	(22.4)	**(26.3)**	(22.4)
Income tax expense	–	–	–	–	–	–	–	–	–	–
Profit (100%)	–	–	–	–	–	–	–	–	–	–
Other comprehensive (expense)	–	–	–	–	–	–	**(1.1)**	(1.7)	–	–
Total comprehensive (expense) (100%)	–	–	–	–	–	–	**(1.1)**	(1.7)	–	–
Group's share of (loss) and total comprehensive (loss)	–	–	–	–	–	–	**(0.4)**	(0.6)	–	–
Dividends received by the Group during the year	–	–	–	–	–	–	–	–	–	–
Balance sheet										
Cash and cash equivalents	–	–	–	–	–	–	**0.2**	0.2	**36.9**	44.9
Other current assets	–	–	–	–	–	–	–	–	**4.7**	5.7
Current assets	–	–	–	–	–	–	**0.2**	0.2	**41.6**	50.6
Non-current assets	**53.6**	56.0	–	–	–	74.4	**600.8**	606.7	**577.0**	571.2
Current external borrowings – bank/listed bonds	**(1.5)**	–	–	–	–	(2.1)	**(17.9)**	(16.6)	–	–
Other current liabilities	–	–	–	–	–	–	**(12.5)**	(23.9)	**(47.8)**	(55.7)
Current liabilities	**(1.5)**	–	–	–	–	(2.1)	**(30.4)**	(40.5)	**(47.8)**	(55.7)
Non-current external borrowings – bank/listed bonds	**(51.4)**	(56.0)	–	–	–	(72.3)	**(515.6)**	(528.3)	–	–
Other non-current liabilities	**(0.7)**	–	–	–	–	–	**(59.4)**	(41.3)	**(570.8)**	(566.1)
Non-current liabilities	**(52.1)**	(56.0)	–	–	–	(72.3)	**(575.0)**	(569.6)	**(570.8)**	(566.1)
Net assets (100%)	–	–	–	–	–	–	**(4.4)**	(3.2)	–	–

1 Material due to their holdings and/or issuing listed debt.
2 The Group disposed of its interest in Solutions 4 North Tyneside Finance Plc on 28 September 2018 (note 16).

Details of related party transactions with joint ventures are given in note 35.

16 PPP and other investments

Group	2019 £m	2018 £m
At 1 July	**26.8**	25.0
Effect of change in accounting policy[1]	**5.5**	–
Restated at 1 July	**32.3**	25.0
Additions	**22.7**	10.9
Disposals and subordinated loan repayments	**(14.2)**	(9.1)
Movement in fair value	**0.8**	–
At 30 June	**41.6**	26.8

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

These comprise PPP/PFI investments and shared equity receivables.

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

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

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

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

The Group has commitments of £9.0m (2018: £20.0m) to provide further subordinated debt to its investments.

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

17 Inventories

Group	2019 £m	2018 £m
Materials and consumables	**–**	0.2

No inventories were written off during the year.

18 Developments

Group	2019 £m	2018 £m
Land	**552.9**	465.8
Work in progress	**323.8**	259.1
	876.7	724.9

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

Further information on Group development, including sales in hand and landbank information, can be found in the Strategic report.

Notes to the consolidated financial statements
continued

19 Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Amounts falling due within one year:				
Trade receivables	**169.6**	198.7	**–**	–
Less: provision for impairment of receivables	**(0.4)**	(0.1)	**–**	–
Trade receivables – net	**169.2**	198.6	**–**	–
Amounts recoverable on construction contracts[1]	**–**	349.7	**–**	–
Contract assets[1,2]	**412.8**	–	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**291.8**	184.4
Amounts due from joint ventures	**93.5**	166.3	**–**	–
Other receivables	**4.9**	13.7	**–**	–
Prepayments and accrued income[1]	**73.9**	110.3	**–**	–
	754.3	838.6	**291.8**	184.4

1 The Group 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 39).

2 Contract assets of £412.8m at 30 June 2019 includes a life-time expected credit loss allowance of £14.0m (2018: £nil). The movement in the year is due to an £11.2m IFRS 9 transition adjustment (note 1) and an impairment charge of £2.8m incurred in the year (note 4).

Prepayments and accrued income includes £nil (2018: £4.5m) of accrued income.

	2019 £m	2018 £m	**2019 £m**	2018 £m
Amounts falling due in more than one year:				
Amounts due from joint ventures	**238.1**	144.9	**–**	–
Other receivables	**0.3**	4.0	**–**	–
	238.4	148.9	**–**	–

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

	2019 £m	2018 £m
At 1 July	**(0.1)**	(0.3)
(Increase)/decrease in provision for receivables impairment	**(0.3)**	0.2
At 30 June	**(0.4)**	(0.1)

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 15. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's investment in shared equity receivables (note 16) and its cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 4% (2018: 4%) of Group revenue in the year. However, the customers involved comprise a variety of entities including those both in the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

The maturity of non-current receivables is as follows:

	2019 £m	2018 £m
In more than one year but not more than two years	**67.9**	11.3
In more than two years but not more than five years	**91.9**	40.2
In more than five years	**78.6**	97.4
	238.4	148.9

19 Trade and other receivables (continued)

Of the amounts due in more than five years, £10.7m is due within 20 years and £67.9m is due within seven years (2018: £10.4m within 20 years and £87.0m within seven 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% to 10%.

As of 30 June 2019, trade receivables of £80.6m (2018: £61.1m) were past due but not impaired.

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

	2019 £m	2018 £m
Number of days past due date		
Less than 30 days	51.4	33.2
Between 30 and 60 days	8.3	11.9
Between 60 and 90 days	2.6	4.3
Between 90 and 120 days	6.6	1.7
Greater than 120 days	11.7	10.0
	80.6	61.1

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

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

20 Cash and cash equivalents

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash at bank and in hand	591.2	912.4	698.4	783.2

Cash at bank above includes £nil (2018: £nil) of restricted cash. The effective interest rate received on cash balances is 0.4% (2018: 0.3%).

Group	2019 £m	2018 £m
Net cash/(debt)		
Cash and cash equivalents excluding bank overdrafts	591.2	912.4
Current borrowings – bank overdrafts (note 23)	(449.6)	(617.0)
Cash and cash equivalents per the statements of cashflows	141.6	295.4
Current borrowings – obligations under finance leases and hire purchase contracts (note 23)	–	(0.1)
Current borrowings (note 23)	(98.2)	–
Non-current borrowings (note 23)	(100.0)	(197.1)
Net (debt)/cash	(56.6)	98.2

Notes to the consolidated financial statements
continued

21 Trade and other payables

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Payments received on account on construction contracts[1]	–	83.6	–	–
Trade payables[1]	284.9	433.8	–	–
Development land payables	150.5	65.6	–	–
Contract liabilities[1]	228.5	–		–
Amounts due to subsidiary undertakings	–	–	388.1	373.8
Amounts due to joint ventures	24.8	18.0	–	–
Other taxation and social security payable	11.1	13.9	–	–
Other payables	25.0	25.4	–	–
Accruals and deferred income[1]	528.3	534.3	0.6	0.2
	1,253.1	1,174.6	388.7	374.0

1 The Group 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 39).

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

22 Provisions for other liabilities and charges

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

Property related provisions
The property related provisions relate primarily to the excess profit generated when properties, which continue to be occupied by the Group, were previously sold and leased back. The provision for the excess profit deferred will be utilised over the remaining term of the leases, which expire between 2020 and 2021. The remaining property related provision is in relation to properties sublet by the Group at amounts below the level of rental being paid by the Group.

23 Financial liabilities – borrowings

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current				
Obligations under finance leases and hire purchase contracts	–	0.1	–	–
Bank overdrafts	**449.6**	617.0	–	–
Bank loans	**98.2**	–	**98.2**	–
	547.8	617.1	**98.2**	–
Non-current				
Bank loans	–	97.1	–	97.1
Debt private placement	**100.0**	100.0	**100.0**	100.0
	100.0	197.1	**100.0**	197.1

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

In February 2018, the Group completed a debt private placement of £100m 10-year Sterling notes, at a fixed rate of 4.03%. The notes are issued in a bilateral deal with Pricoa in London.

24 Other non-current liabilities

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Development land payables	**66.4**	78.8	–	–
Contract liabilities[1]	**26.1**	–	–	–
Accruals and deferred income[1]	**10.5**	43.5	–	–
	103.0	122.3	–	–

1 The Group 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 39).

Developments of £67.1m (2018: £49.7m) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £nil (2018: £32.5m) 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 Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

	Financial liabilities at amortised cost			
	Development land payables £m	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m
Within one year	150.5	24.8	838.2	1,013.5
More than one year and less than two years	38.7	–	10.5	49.2
More than two years	27.7	–	–	27.7
30 June 2019	**216.9**	**24.8**	**848.7**	**1,090.4**

Notes to the consolidated financial statements
continued

24 Other non-current liabilities (continued)

	Financial liabilities at amortised cost			
	Development land payables £m	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m
Within one year	65.6	42.4	956.6	1,064.7
More than one year and less than two years	71.3	–	11.0	82.3
More than two years	7.5	–	–	7.5
30 June 2018	144.4	42.4	967.6	1,154.5

25 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 yet to be performed, being recognised on the Group’s balance sheet.

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

	Group		Company	
	Contract asset £m	Contract liability £m	Contract asset £m	Contract liability £m
1 July 2018	–	–	–	–
Adjustment as a result of transitioning to IFRS 9[1] and IFRS 15[2] on 1 July 2018	**343.0**	**(228.8)**	–	–
1 July 2018 as restated	**343.0**	**(228.8)**	–	–
Revenue recognised				
Of which relates to performance obligations				
– Satisfied in the current year	**2,637.2**	**76.3**	–	–
Expected credit loss per IFRS 9 (note 4)	**(2.8)**	–	–	–
Total revenue recognised	**2,634.4**	**76.3**	–	–
Transfers in the period from contract assets to trade receivables	**(2,564.6)**	–	–	–
Net cash received in advance of performance obligations being fully satisfied	–	**(102.1)**	–	–
30 June 2019	**412.8**	**(254.6)**	**0**	**0**

1 Includes impairment of £11.2m of adoption of IFRS 9 Financial Instruments on 1 July 2018 (note 4).
2 The Group 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 39).

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

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

26 Deferred income tax

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Deferred income tax assets – non-current	**5.7**	3.6	**0.5**	0.7
Deferred income tax assets	**5.7**	3.6	**0.5**	0.7
Deferred income tax liabilities – non-current	**(4.4)**	(4.3)	**–**	–
Deferred income tax liabilities	**(4.4)**	(4.3)	**–**	–
Net deferred income tax	**1.3**	(0.7)	**0.5**	0.7

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

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
At 1 July	**(0.7)**	2.0	**0.7**	1.3
Effect of change in accounting policy[1,2]	**8.8**	–	**–**	–
Restated at 1 July	**8.1**	2.0	**0.7**	1.3
Income statement				
Current year's deferred income tax	**(6.6)**	0.1	**(0.1)**	(0.3)
Adjustment in respect of prior years	**(0.1)**	–	**–**	–
(Expense) recognised in equity	**(0.1)**	(2.2)	**(0.1)**	(0.3)
On acquisition of subsidiaries	**–**	(0.6)	**–**	–
At 30 June	**1.3**	(0.7)	**0.5**	0.7

1 The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (notes 1 and 39).
2 The Group adopted IFRS 9 Financial Instruments on 1 July 2018 (notes 4 and 25).

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.

Notes to the consolidated financial statements
continued

26 Deferred income tax (continued)
Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets

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

1 The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (notes 1 and 39).
2 The Group adopted IFRS 9 Financial Instruments on 1 July 2018 (notes 4 and 25).

Deferred income tax liabilities

Group	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Total £m
At 1 July 2017	(2.5)	–	(0.4)	(2.9)
Income taken to income statement	0.1	–	–	0.1
On acquisition of subsidiaries	(0.6)	–	–	(0.6)
Income recognised in equity	–	(1.9)	–	(1.9)
Transfer to deferred income tax assets	–	–	0.4	0.4
Transfer from deferred income tax assets	–	0.6	–	0.6
At 30 June 2018	(3.0)	(1.3)	–	(4.3)
Income taken to income statement	**–**	**–**	**(0.2)**	**(0.2)**
Income recognised in equity	**–**	**–**	**–**	**–**
Transfer from deferred income tax assets	**–**	**–**	**0.1**	**0.1**
At 30 June 2019	**(3.0)**	**(1.3)**	**(0.1)**	**(4.4)**

Deferred income tax assets

Company	Share-based payments £m	Other £m	Total £m
At 1 July 2017	0.9	0.4	1.3
Income taken to income statement	(0.3)	–	(0.3)
Income/(expense) recognised in equity	(0.1)	(0.2)	(0.3)
At 30 June 2018	0.5	0.2	0.7
(Expense) taken to income statement	**(0.1)**	**–**	**(0.1)**
(Expense) recognised in equity	**–**	**(0.1)**	**(0.1)**
At 30 June 2019	**0.4**	**0.1**	**0.5**

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27 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

Capital risk management

The Group is funded by ordinary shares, retained profits and a single bank facility. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of the Group's 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. The Group manages its capital taking these differing requirements into account.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2017, the Group 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 the Group's strategy to 2021, and the Group is continuing to target period-end gearing of no more than 30%.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net debt at 30 June 2019 but net cash at 30 June 2018 and therefore had gearing of 8% in 2019 and nil% in 2018. The Group also has capital requirements in the covenants in its bank facilities, as set out later in this note. The Group has complied with all bank covenants during the year.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

The Group has no quoted investments that are exposed to equity securities price risk. The Group and Company are not exposed to commodity price risk.

(iii) Interest rate risk

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

The Group's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

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

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £1.9m (2018: £0.9m) or decrease of £1.9m (2018: £1.2m), respectively.

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27 Financial instruments (continued)
(b) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, 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 19. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 20) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowings figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IFRS 9 'Financial Instruments', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities
The fair value of interest rate swaps is detailed below:

Group and Company	2019 £m	2018 £m
At 30 June		
Non-current liabilities	**(0.4)**	(0.9)

During the year ended 30 June 2015 the Group entered into a five-year interest rate swap contract that expires in February 2020. The notional principal amount of the outstanding interest rate swap contract at 30 June 2019 was £100m (2018: £100m) and the fixed interest rate is 1.4% (2018: 1.4%). This swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A profit of £0.5m (2018: £1.1m) was recognised in other comprehensive income in the year. Gains and losses recognised in reserves will be released to the income statement within finance costs over the period to maturity of the contract, and a loss of £0.4m (2018: £0.8m) was recognised in the current year.

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

		2019		2018	
Fair value of current and non-current borrowings	Notes	Book value £m	Fair value £m	Book value £m	Fair value £m
Current borrowings	23	**98.2**	**102.9**	–	–
Non-current borrowings	23	**100.0**	**100.0**	197.1	202.8

27 Financial instruments (continued)

Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Group's operations:

	Notes	2019 Book value £m	2019 Fair value £m	2018 Book value £m	2018 Fair value £m
Financial liabilities:					
Current borrowings	23	–	–	0.1	0.1
Current financial liabilities measured at amortised cost	21	**1,013.5**	**1,013.5**	1,064.6	1,064.6
Non-current financial liabilities measured at amortised cost	24	**103.0**	**103.0**	89.8	89.8
Financial assets:					
PPP and other investments	16	**41.6**	**41.6**	26.8	32.6
Loans and receivables	19	**680.4**	**680.4**	732.8	732.8
Non-current loans and receivables	19	**238.4**	**238.4**	148.9	148.9
Cash and cash equivalents	20	**141.6**	**141.6**	295.4	295.4

Prepayments and accrued income are excluded from the loans and receivables balance; and statutory liabilities, deferred income and payments received on account on construction contracts are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilities is given in note 24.

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

Borrowing facilities

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

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

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

In February 2017 the Group completed a debt private placement of £100m 10 year Sterling notes, maturing in February 2027.

Notes to the consolidated financial statements
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27 Financial instruments (continued)
Fair value estimation
Specific valuation techniques used to value financial instruments are defined as:

- Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – The fair value of 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 16.

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

	2019			2018		
	Level 2 £m	Level 3 £m	Total £m	Level 2 £m	Level 3 £m	Total £m
Assets						
Available for sale financial assets						
– PPP and other investments	–	41.6	41.6	–	0.7	0.7
Total	–	41.6	41.6	–	0.7	0.7
Liabilities						
Liabilities at fair value through income statement						
– Derivatives used for hedging	(0.4)	–	(0.4)	(0.9)	–	(0.9)

There we no transfers between levels during the period.

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

The Company's only liabilities that are measured at fair value are derivatives used for hedging. In the table above, the derivatives used for hedging are fully attributable to the Company.

Fair value measurements using significant unobservable inputs (Level 3)

	2019	2018
Opening balance	0.7	0.7
Effect of change in accounting policy[1]	31.6	–
Restated at 1 July	32.3	0.7
Additions	22.7	–
Movement in fair value	0.8	–
Disposals and subordinated loan repayments	(14.2)	–
Closing balance	41.6	0.7

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

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

The total impact in the period of Level 3, taken to the income statements, is a net charge of £nil (30 June 2018: £nil) in cost of sales and £nil (30 June 2018: £nil) finance income.

28 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2017	82,888,046	41.4	194.5	235.9
Allotted under rights issue	27,741,204	13.9	–	13.9
Allotted under share option schemes	398,912	0.2	3.1	3.3
At 1 July 2018	111,028,162	55.5	197.6	253.1
Allotted under share option schemes	**4,455**	**–**	**0.1**	**0.1**
At 30 June 2019	**111,032,617**	**55.5**	**197.7**	**253.2**

Number of shares refers to 50p ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

In the prior year, the Company completed a rights issue on 16 April 2018, of one new ordinary share of 50p each for every three ordinary shares of 50p each, with an issue price per new ordinary share of £5.68. The rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

At 30 June 2019 the total number of shares outstanding under the SAYE share option scheme was 1,606,224 (2018: 1,416,686) and under the LTIPs was 1,087,808 (2018: 994,630) as detailed below:

29 Share-based payments

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' remuneration report. The Company also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £0.9m (2018: £2.8m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £0.8m (2018: £2.5m).

Savings related share options

The Company operates an HMRC approved sharesave scheme under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in either three or five years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

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

Grant date	Shares under option	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
10.11.14	0	1057p	838p	01.01.15	23%	3	1.2%	4.5%	10%	192.9p
10.11.14	102,187	1057p	838p	01.01.15	28%	5	1.6%	4.5%	10%	229.0p
21.10.15	118,419	1405p	1234p	01.01.16	22%	3	0.8%	4.4%	10%	195.8p
21.10.15	36,071	1405p	1234p	01.01.16	25%	5	1.2%	4.4%	10%	233.2p
01.11.16	233,051	1120p	936p	01.01.17	27%	3	0.4%	6.6%	10%	158.5p
01.11.16	53,240	1120p	936p	01.01.17	26%	5	0.7%	6.6%	10%	137.6p
02.11.17	299,788	1090p	928p	01.01.18	27%	3	0.5%	7.9%	10%	113.7p
02.11.17	71,763	1090p	928p	01.01.18	25%	5	0.8%	7.9%	10%	89.8p
23.10.18	587,599	851p	823p	01.01.19	32%	3	0.9%	8.7%	10%	79.2p
23.10.18	104,106	851p	823p	01.01.19	28%	5	1.1%	8.7%	10%	58.5p

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29 Share-based payments (continued)
Savings-related share options (continued)
The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2019 is shown below:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**1,416,686**	**966p**	1,368,887	1035p
Awards[1]	**820,542**	**823p**	738,421	928p
Forfeited	**(57,318)**	**931p**	(79,310)	985p
Cancelled	**(526,523)**	**926p**	(213,205)	1008p
Expired	**(42,708)**	**956p**	–	–
Exercised	**(4,455)**	**862p**	(398,107)	760p
Outstanding at 30 June	**1,606,224**	**908p**	1,416,686	966p
Exercisable at 30 June	**–**	**–**	–	–

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

The weighted average fair value of awards granted during the year was 76p (2018: 109p). There were 4,455 share options exercised during the year ended 30 June 2019 (2018: 398,107) and the weighted average share price at the date of exercise was 863p (2018: 1,070p).The weighted average remaining contractual life is two years and four months (2018: three years and seven months).

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

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

Grant date	Shares under option	Share price at grant date	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option
16.11.16	232,079	1155p	36	0.4%	6.4%	459p
22.09.17	340,590	1192p	36	0.5%	7.2%	0p
20.09.18	515,139	1065p	36	1.0%	7.0%	0p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2019 Number	2018 Number
Outstanding at 1 July	**994,630**	824,024
Granted[1]	**627,012**	506,777
Expired	**(158,378)**	(255,620)
Forfeited	**(292,045)**	(30,047)
Exercised	**(83,411)**	(50,504)
Outstanding at 30 June	**1,087,808**	994,630
Exercisable at 30 June	**–**	–

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

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

30 Other reserves

	Group £m	Company £m
At 30 June 2018 and 30 June 2019	**4.8**	**3.0**

The Group's other reserves relates to a merger reserve amounting to £4.7m (2018: £4.7m) and the movement on PPP and other investments amounting to £0.1m (2018: £0.1m).

31 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2017		334.8	152.0
Profit for the year		118.3	103.1
Actuarial gains recognised related to retirement benefit obligations	32	4.0	–
Deferred and current tax on movements in equity	26	(1.0)	(0.4)
Dividends paid	9	(75.9)	(75.9)
Share-based payments	29	2.8	2.8
Purchase of own shares		(1.5)	(1.5)
Movement in fair value of derivative financial instruments		1.1	1.1
Issue of shares	28	136.0	136.0
At 30 June 2018		518.6	317.2
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018	4, 25 & 39	**(32.3)**	–
Restated at 1 July 2018		**486.3**	**317.2**
Profit for the year		**86.9**	**86.4**
Actuarial losses recognised related to retirement benefit obligations	32	**(2.4)**	–
Deferred and current tax on movements in equity	26	**0.6**	**0.2**
Dividends paid	9	**(79.9)**	**(79.9)**
Share-based payments	29	**0.9**	**0.9**
Movement in fair value of PPP and other investments	16	**0.8**	–
Movement in fair value of derivative financial instruments		**0.5**	**0.5**
At 30 June 2019		**493.7**	**325.3**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5m (2018: £9.5m).

At 30 June 2019, the Galliford Try Employee Share Trust (the Trust) held 283,577 (2018: 379,536) shares. The nominal value of the shares held is £0.1m (2018: £0.2m). No shares were acquired during the year (2018: nil) at a cost of £nil (2018: £nil) and a further £nil (2018: £1.5m) was paid in relation to other share related transactions. 95,959 (2018: 10,296) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2019 was £1.8m (2018: £3.3m). No shareholders (2018: none) have waived their rights to dividends.

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

The Group also operates three defined benefit pension schemes, as detailed below.

Pension costs for the schemes were as follows:

	2019 £m	2018 £m
Defined benefit schemes – expense recognised in the income statement	0.6	0.6
Defined contribution schemes	21.8	18.7
Total included within employee benefit expenses (note 5)	22.4	19.3

Of the total charge for all schemes £10.5m (2018: £8.5m) and £11.9m (2018: £10.8m) were included, respectively, within cost of sales and administrative expenses. £nil (2018: nil) was included within net finance costs.

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

The Trustees of each scheme are required to act in the best interests of the plans' beneficiaries and 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 Board is determined by the plan's Trust documentation. Currently the Trustee Board includes member-nominated, Company-nominated and independent directors. The Group is ultimately responsible for making up any shortfall in the Scheme over a period agreed with the Trustees. To the extent that actual experience is different to that assumed, the contributions required by the Group could vary in the future. The two key risks faced by pension schemes are longevity (ie members living longer than expected) and investment risk (ie the Scheme's assets perform poorly relative to the liabilities).

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent 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 £95m insurance buy-in transaction. In July 2018, the Galliford Group Special Scheme completed a £7m 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 £0.9m was expensed to the income statement; this was treated as an exceptional item (note 4). 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 in 2019 requires the Company to pay contributions of £389,583 per calendar month until January 2021, with potential additional payments being linked to dividend payments of the Company.

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 £7m, 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 plc in November 2007. The most recent actuarial valuation of the Scheme was prepared as at 13 November 2017. No further contributions are expected to be required for this Scheme.

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 (SERPS) 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 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% of the schemes liabilities, resulting in an expense in the income statement and an increase in liabilities of £3.5m. This has been treated as an exceptional item (note 4).

32 Retirement benefit assets (continued)

Principal assumptions

The valuation of the Group's pension schemes have 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:

	2019	2018
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment	3.10%	3.00%
Discount rate	2.25%	2.70%
Retail price inflation	3.25%	3.15%
Consumer price inflation	2.25%	2.15%

For the Galliford Try Final Salary Pension Scheme, the life expectancies as at 30 June 2019 are based on S2NA tables (90% 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%). For 2018 they are based on S2NA tables (90% 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%).

	2019	2018
Male member age 65 (current life expectancy)	22.5	23.0
Male member age 45 (life expectancy at age 65)	23.8	24.3
Female member age 65 (current life expectancy)	24.5	24.9
Female member age 45 (life expectancy at age 65)	26.0	26.4

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 Group's defined benefit arrangements are as follows:

	2019		2018	
	Value £m		Value £m	
Equities[1]	37.4	15%	35.8	15%
Gilts[1]	2.6	1%	10.0	4%
Bonds[1]	20.2	8%	20.4	9%
Diversified growth funds[1]	42.9	17%	42.3	18%
Liability driven investments[1]	57.2	23%	44.0	19%
Cash	1.7	1%	1.6	1%
Unquoted insured annuities[2]	83.7	35%	81.5	34%
	245.7	100%	235.6	100%
Present value of defined benefit obligations	(238.7)		(228.6)	
Surplus/(deficit) in scheme recognised as non-current asset/(liability)	7.0		7.0	

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.

Notes to the consolidated financial statements
continued

32 Retirement benefit assets (continued)
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]	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £4.3m
Rate of inflation	Increase by 0.1%	Increase by £3.4m
Growth rate in pension payments	Increase by 0.1%	Increase by £1.7m
Life expectancy	Increase by one year	Increase by £7.3m

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 £m	2018 £m
Net interest (income) on net defined benefit asset	(0.2)	–
Expenses	0.6	0.6
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

The actual return on scheme assets was £22.2m (2018: £3.8m).

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

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

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

32 Retirement benefit assets (continued)
Accounting results (continued)

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

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

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

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

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

	2019 £m	2018 £m
Amounts due:		
Within one year	14.2	15.4
Later than one year and less than five years	20.7	24.9
After five years	6.7	9.4
	41.6	49.7

The Company, 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 Group companies.

34 Guarantees and contingent liabilities

Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements, amounting to £239.2m (2018: £381.3m).

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

35 Related party transactions

Group

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

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Trading transactions								
Joint ventures	**67.9**	48.5	**–**	–	**331.6**	311.2	**24.8**	18.0
Jointly controlled operations	**44.8**	37.3	**–**	0.1	**7.8**	7.5	**8.5**	24.4

	Interest and dividend income from related parties	
	2019 £m	2018 £m
Non-trading transactions		
Joint ventures	**16.5**	12.2

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) and are unsecured, with interest rates varying from bank base rate plus 1.75% to 10%. Payables are due within one year (2018: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest and dividend income from related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Non-trading transactions								
Subsidiary undertakings	**86.6**	104.7	**388.0**	374.3	**291.7**	184.9	**–**	45.0

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

36 Business combinations

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

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 Group's Partnerships & Regeneration business and STG is on the Homes England Delivery Partner Panel.

37 Post balance sheet events

On 1 July 2019, the Group acquired STG, as detailed in note 36.

On 10 September 2019 the Group announced the proposed sale of the Group's housebuilding businesses, Linden Homes and Partnerships & Regeneration to Bovis Homes Group plc. The Board believes the proposal will result in the Group becoming a well-capitalised standalone construction-focused group, benefiting from the recent operational restructuring which re-focused the business to deliver improved future performance. The division's strengths in UK building and infrastructure, particularly in the highways and water sectors, along with the spread of work for both public and private clients provide a strong foundation for the future as an independent construction group.

38 Alternative performance measures

Throughout the Report and Accounts, the Group has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as they provide relevant information on the Group's performance. They are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided below. Exceptional items are the causes of the differences between the pre-exceptional and statutory profitability. Additionally, Revenue includes the Group's share of revenue in joint ventures and associates.

Providing clarity on the Group's alternative performance measures

The Group has included this note and the enclosed explanations and reconciliations with the aim of providing transparency and clarity on the measures adopted internally to assess performance following the issuance of the Guidelines on Alternative Performance Measures (APMs) by the European Securities and Markets Authorities (ESMA) in June 2015.

Throughout this report the Group has presented financial performance measures which are considered most relevant to the Group and are used to manage the Group's performance.

These measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's performance. The APMs adopted by the Group are also commonly used in the sectors it operates in.

The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers.

These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Measuring the Group's performance

The following measures are referred to in this report:

Statutory measures

Statutory measures are derived from the Group's reported financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as issued by the International Accounting Standards Board (IASB) and in line with the Group's accounting policies, that can be found on pages 91 to 97.

The Group's statutory measures take into account all of the factors, including exceptional items which do not reflect the ongoing underlying performance of the Group.

Notes to the consolidated financial statements
continued

38 Alternative performance measures (continued)

Alternative performance measures

In assessing its performance, the Group has adopted certain non-statutory measures that more appropriately reflect the underlying performance of the Group. These typically cannot be directly extracted from its financial statements but are reconciled to statutory measures below:

a) Pre-exceptional performance

The Group adjusts for certain one-off (exceptional) items which the Board believes assist in understanding the performance achieved by the Group. These items include:

- gains and losses on the disposal of businesses and investments, unless this is part of a programme of releasing value from the disposal of similar businesses or investments such as PPP and other investments;
- costs of restructuring and reorganisation of businesses;
- acquisition costs related to business combinations;
- material one-off losses on contracts;
- impairment charges on intangible assets arising on business combinations; and
- pension fund curtailments and settlements.

b) Revenue (including the share of joint ventures' revenue)

The Group uses a revenue measure which includes its share of revenue generated from its joint ventures to ensure it reflects the total level of activity performed by the Group during the year, regardless of the form of legal entity that undertakes that activity. This measure better reflects the size of the business and the volume of work carried out and more appropriately compares to profit from operations. This differs from the statutory measure of revenue which presents Group revenue from its subsidiaries only.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

						Construction				
	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2019										
(Statutory) Group revenue	**758.7**	**551.9**	**1,399.5**	**0.6**	**2,710.7**	**858.3**	**524.2**	**1,382.5**	**17.0**	**1,399.5**
add: share of joint ventures' revenue (note 15)	**160.4**	**73.3**	**16.0**	**–**	**249.7**	**1.5**	**–**	**1.5**	**14.5**	**16.0**
add: exceptional items (note 4)	**–**	**–**	**2.8**	**–**	**2.8**	**–**	**2.8**	**2.8**	**–**	**2.8**
less: revenue from part exchange properties	**(98.7)**	**(2.0)**	**–**	**–**	**(100.7)**	**–**	**–**	**–**	**–**	**–**
Pre-exceptional revenue	**820.4**	**623.2**	**1,418.3**	**0.6**	**2,862.5**	**859.8**	**527.0**	**1,386.8**	**31.5**	**1,418.3**
Year ended 30 June 2018										
(Statutory) Group revenue	769.3	459.7	1,701.9	0.7	2,931.6	1,036.9	649.4	1,686.3	15.6	1,701.9
add: share of joint ventures' revenue (note 15)	178.0	15.5	7.2	–	200.7	1.1	–	1.1	6.1	7.2
less: revenue from part exchange properties	–	–	–	–	–	–	–	–	–	–
Pre-exceptional revenue	947.3	475.2	1,709.1	0.7	3,132.3	1,038.0	649.4	1,687.4	21.7	1,709.1

38 Alternative performance measures (continued)

c) Profit from operations and operating margin

The Group uses an operating profit measure which is inclusive of its share of operating profit generated from its joint ventures as this is equivalent to the operating profit generated by its subsidiaries and reflects the profitability on the total level of activity performed by the Group during the year. Additionally, this APM excludes exceptional items, the share of joint ventures' interest and tax and amortisation of intangible assets. Operating margin reflects the ratio of profit from operations and (pre-exceptional) revenue. This differs from the statutory measure of profit before finance costs which includes the share of joint ventures' interest and tax and amortisation of intangible assets.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Linden Homes £m	Partnerships & Regeneration £m	Construction & Investments £m	Central £m	Total £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Construction & Investments £m
Year ended 30 June 2019										
Statutory profit before finance costs	151.2	30.0	(58.1)	(12.5)	110.6	(11.5)	(51.0)	(62.5)	4.4	(58.1)
add: amortisation of intangible assets (note 11)	–	1.4	1.0	1.1	3.5	1.0	–	1.0	–	1.0
add: share of joint ventures' interest and tax (note 15)	9.3	3.4	0.2	–	12.9	0.1	–	0.1	0.1	0.2
add: exceptional items (note 4)	–	–	46.4	4.4	50.8	0.9	45.5	46.4	–	46.4
Pre-exceptional profit/(loss) from operations	160.5	34.8	(10.5)	(7.0)	177.8	(9.5)	(5.5)	(15.0)	4.5	(10.5)
Operating margin	19.6%	5.6%	(0.7)%	n/a	6.2%	(1.1)%	(1.0)%	(1.1)%	n/a	(0.7)%
Year ended 30 June 2018										
Statutory profit before finance costs	171.3	22.1	(23.5)	(18.7)	151.2	10.6	(40.7)	(30.1)	6.6	(23.5)
add: amortisation of intangible assets (note 11)	–	1.4	1.0	1.1	3.5	1.0	–	1.0	–	1.0
add: share of joint ventures' interest and tax (note 15)	13.1	0.1	0.2	–	13.4	–	–	–	0.2	0.2
add: exceptional items (note 4)	–	–	45.0	–	45.0	–	45.0	45.0	–	45.0
Pre-exceptional profit/(loss) from operations	184.4	23.6	22.7	(17.6)	213.1	11.6	4.3	15.9	6.8	22.7
Operating margin	19.5%	5.0%	1.3%	n/a	6.8%	1.1%	0.7%	0.9%	n/a	1.3%

d) Pre-exceptional profit before tax

The Group uses a profit before tax measure which excludes exceptional items as noted above. This differs from the statutory measure of profit before income tax which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	2019 £m	2018 £m
Statutory profit before tax	**104.7**	143.7
add: exceptional items (note 4)	**50.8**	45.0
Pre-exceptional profit before tax	**155.5**	188.7

Notes to the consolidated financial statements
continued

38 Alternative performance measures (continued)

e) Pre-exceptional earnings per share
In line with the Group's measurement of pre-exceptional performance, the Group also presents its earnings per share on a pre-exceptional basis. This differs from the statutory measure of earnings per share which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	2019			2018		
	Earnings £m	Ave number of shares	EPS pence	Earnings £m	Ave number of shares	EPS pence
Statutory results	86.9	110,704,829	78.5	118.3	97,695,511	121.1
add: exceptional items (note 4)	41.2	–	n/a	36.4	–	n/a
Pre-exceptional earnings per share	128.1	110,704,829	115.7	154.7	97,695,511	158.4

f) Pre-exceptional Group return on net assets
In line with the Group's measurement of pre-exceptional performance, the Group also presents its return on net assets (RoNA) ratio on a pre-exceptional basis. RoNA is calculated as pre-exceptional earnings before interest, tax and amortisation of intangible assets (EBITA) divided by the average pre-exceptional net assets (including goodwill). Linden Homes segmental RoNA is calculated as Linden Homes EBITA divided by the average of Linden Homes and Central net assets.

A reconciliation of the Group's performance measure is shown below:

	2019				2018			
	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
Statutory net assets (note 2)	244.6	80.0	354.7	751.7	212.5	56.6	399.1	776.5
add: exceptional profit for the year	–	–	4.4	41.2	–	–	–	36.4
reallocate: Central to Linden Homes (to calculate Linden Homes RONA)	359.1	n/a	(359.1)	n/a	399.1	n/a	(399.1)	n/a
Pre-exceptional net assets	603.7	80.0	–	792.9	611.6	56.6	–	812.9
Average pre-exceptional net assets	607.7	68.3		802.9	605.4	49.0		730.0
Pre-exceptional profit from operations	160.5	34.8		177.8	184.4	23.6		213.1
Pre-exceptional RONA	26.4%	51.0%		22.1%	30.5%	48.2%		29.2%

39 Impact of the adoption of IFRS 15 Revenue from Contacts with Customers

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

(i) Part-exchange properties – historically, under IAS 18, the purchase and sale of part-exchange properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a part exchange property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house (see updated accounting policy, note 1). Accordingly, these sales are now recorded in revenue rather than as a reduction to cost of sales. However, this accounting change results in equivalent but offsetting increases in revenue and cost of sales and therefore no change in operating profit or net assets.

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

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

Notes to the consolidated financial statements
continued

39 Impact of the adoption of IFRS 15 Revenue from Contacts with Customers (continued)
Impact on the financial statements on transition at 1 July 2018
As noted on page 139, the adjustments to the Group's consolidated income statement and balance sheet on the adoption of IFRS 15 were to revenue and cost of sales in respect of accounting for part-exchange properties and accounting for certain third-party claims (such as insurance recoveries and claims for cost reimbursements). The effect on the Group's consolidated income statement for the year ended 30 June 2018 is to increase revenue by £83.5m, with an equal increase in cost of sales (see adjustment (i) on page 139). Therefore, this had no impact on the consolidated balance sheet as at 30 June 2018. However, the cumulative effect of adjustment (ii) to the Group's consolidated balance sheet as at 30 June 2018, was as follows:

	30 June 2018 £m	Adjustment (ii) £m	1 July 2018 £m
Assets			
Non-current assets			
Intangible assets	15.3	–	15.3
Goodwill	159.6	–	159.6
Property, plant and equipment	16.7	–	16.7
Investments in joint ventures	49.9	–	49.9
PPP and other investments	26.8	–	26.8
Trade and other receivables	148.9	–	148.9
Deferred income tax asset	–	6.0	6.0
Retirement benefit asset	7.0	–	7.0
Total non-current assets	424.2	6.0	430.2
Current assets			
Inventories	0.2	–	0.2
Developments	724.9	–	724.9
Trade and other receivables	838.6	(31.7)	806.9
Cash and cash equivalents	912.4	–	912.4
Total current assets	2,476.1	(31.7)	2,444.4
Total assets	2,900.3	(25.7)	2,874.6
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	(617.1)	–	(617.1)
Trade and other payables	(1,174.6)	(3.7)	(1,178.3)
Current income tax liabilities	(10.0)	–	(10.0)
Provisions for other liabilities and charges	(0.3)	–	(0.3)
Total current liabilities	(1,802.0)	(3.7)	(1,805.7)
Net current assets	674.1	(35.4)	638.7
Non-current liabilities			
Financial liabilities			
– Borrowings	(197.1)	-	(197.1)
– Derivative financial liabilities	(0.9)	-	(0.9)
Deferred income tax liabilities	(0.7)	0.7	–
Other non-current liabilities	(122.3)	–	(122.3)
Provisions for other liabilities and charges	(0.8)	–	(0.8)
Total non-current liabilities	(321.8)	0.7	(321.1)
Total liabilities	(2,123.8)	(3.0)	(2,126.8)
Net assets	776.5	(28.7)	747.8
Equity			
Ordinary shares	55.5	–	55.5
Share premium	197.6	–	197.6
Other reserves	4.8	–	4.8
Retained earnings	518.6	(28.7)	489.9
Total equity attributable to owners of the Company	776.5	(28.7)	747.8

39 Impact of the adoption of IFRS 15 Revenue from Contacts with Customers (continued)

Impact of adopting IFRS 15 on the Group's 2019 annual results

Impact on Group's consolidated income statement for the twelve months to 30 June 2019

The Group's consolidated income statement for the twelve months ending 30 June 2019 is impacted by adjustments (i) and (ii) as noted in the transition adjustments on page 139, namely sales from part-exchange properties now recorded in revenue rather than as a reduction in cost of sales and differences on the recognition of certain claims from third parties. The Group would have recognised £100.7m less revenue (and an equivalent reduction in cost of sales and therefore no change in profit) in the year if it were to continue to apply previous accounting standards in respect of sales of part-exchange properties. However, in respect of third-party claims, the Group would have recognised an additional profit of £2.8m if it had continued to apply IAS 11 and IAS 18 in the year.

Impact on Group's consolidated balance sheet at 30 June 2019

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

	30 June 2019 as reported under IFRS 15 £m	Adjustment (ii) £m	30 June 2019 reported under IAS 11/ IAS 18 £m
Assets			
Non-current assets			
Intangible assets	11.8	–	11.8
Goodwill	159.6	–	159.6
Property, plant and equipment	16.2	–	16.2
Investments in joint ventures	67.0	–	67.0
PPP and other investments	41.6	–	41.6
Trade and other receivables	238.4	–	238.4
Retirement benefit asset	7.0	–	7.0
Deferred income tax assets	1.3	–	1.3
Total non-current assets	542.9	–	542.9
Current assets			
Inventories	–	–	–
Developments	876.7	–	876.7
Trade and other receivables	754.3	35.1	789.4
Cash and cash equivalents	591.2	–	591.2
Total current assets	2,222.2	35.1	2,257.3
Total assets	2,765.1	35.1	2,800.2
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	(547.8)	–	(547.8)
Trade and other payables	(1,253.1)	3.7	(1,249.4)
Current income tax liabilities	(8.3)	(7.3)	(15.6)
Provisions for other liabilities and charges	(0.4)	–	(0.4)
Total current liabilities	(1,809.6)	(3.6)	(1,813.2)
Net current assets	412.6	31.5	441.1
Non-current liabilities			
Financial liabilities			
– Borrowings	(100.0)	–	(100.0)
– Derivative financial liabilities	(0.4)	–	(0.4)
Other non-current liabilities	(103.0)	–	(103.0)
Provisions for other liabilities and charges	(0.4)	–	(0.4)
Total non-current liabilities	(203.8)	–	(203.8)
Total liabilities	(2,013.4)	(3.6)	(2,017.0)
Net assets	751.7	31.5	783.2
Equity			
Ordinary shares	55.5	–	55.5
Share premium	197.7	–	197.7
Other reserves	4.8	–	4.8
Retained earnings	493.7	31.5	525.2
Total equity attributable to owners of the Company	751.7	31.5	783.2

The areas of the balance sheet impacted by the adoption of IFRS 15 and the nature of the adjustments are consistent with the transitional adjustments noted on pages 139 and 140.

Notes to the consolidated financial statements
continued

40 Group undertakings
In accordance with section 409 of the Companies Act, the following is a list of all of the Group's undertakings as at 30 June 2019.

(i) Subsidiary undertakings

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Alumno GT Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Alumno GT Management Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Birch Construction Division Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Chancery Court Business Centre Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Charles Gregory (Civil Engineering) Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Charles Grip Surfacing Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Chartdale Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 1 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 2 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Enhance Interiors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Fairfield Redevelopments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Linden Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Brick Factors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Affordable Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction & Investments Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction (UK) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Corporate Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Employment Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Facilities Management Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try HPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Infrastructure Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try International Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Pension Trustee Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Plant Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Properties Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Qatar Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Secretariat Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Supplies Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Telecoms Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Graylingwell Energy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Barking and Havering) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Leicester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

40 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
GT (Scotland) Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Asset 24 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Camberwell (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Camberwell Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Emblem Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Integrated Services Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Inverness Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT PPP Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT TMGL Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Investments Consultancy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hill Place Farm Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kendall Cross Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Kingseat Development 3 Limited	13 Queen's Road, Aberdeen, AB15 4YL	100%
Lea Castle JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Ashlar Court) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Brockworth LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (St Bernard's) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Barnet LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Cornwall Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Devon Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden First Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Guildford Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Chiltern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Eastern LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes South-East Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Southern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London (Hammersmith) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Midlands Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley 2) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley 3) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley 4) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley 5) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Houghton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Thurston) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%

Notes to the consolidated financial statements
continued

40 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Linden JV No12 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No17 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No18 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No19 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No20 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JVCo No5 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JVCo No6 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JVCo No7 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JVCo No8 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JVCo No9 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Properties Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden South West Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden St Albans LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Summerstown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Wates (Hungerford) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Morrison (Falklands) Limited	56 John Street, Stanley, Falkland Islands FIQQ 1ZZ (incorporated in Falkland Islands)	100%
Morrison Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Morrison Highway Maintenance Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Dry Lining Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Fire Protection Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Primaria Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rasen Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Redplay Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco (Services) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rock & Alluvium Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rosemullion Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Schools for the Community Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
The Ricardo Community Foundation	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Accord Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Construction Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Group Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Central Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Mountsorrel JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Highfields Caldecote) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Glen Parva JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Vista Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Sayers Common) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Homes (Blackberry Hill) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Homes (Marksbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Manse Farm) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Partnerships JV No11 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%

40 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
GT Partnerships JV No12 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships (Wolverhampton) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Blythe Park LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hall Green JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Pembers LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Partnerships JV No16 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Partnerships JV No17 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Sandymoor JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Westcountry Land (Perranporth) Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Cawston) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Olive Farm LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Greyhound Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Homes Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Gt Homes (Bath Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Leicester GT Education Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	80%
Emerald (Ealing) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes (Sherford) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group as a majority of voting rights are held in each case.

No company is dormant and exempt from preparing individual accounts by virtue of s394A of Companies Act 2006 and/or from filing individual accounts with the registrar by virtue of s448A of Companies Act 2006.

(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Aberdeen Roads (Finance) PLC	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Holdings Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
ACP: North Hub Limited	Miller House, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Dec
Cedar House Securities Limited	8 Gleneagles Court, Brighton Road, Crawley, West Sussex, RH10 6AD	50%	31-Dec
Community Ventures (Management) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Community Ventures Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Community Ventures Partnerships Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Crest/Galliford Try (Epsom) LLP	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	50%	31-Oct
Evolution Gateshead Developments LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	50%	31-Mar
Evolution Morpeth LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Evolution Newhall LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Evolution (Shinfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Gateshead Regeneration LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	25%	31-Mar
GBV JV Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun

Notes to the consolidated financial statements
continued

40 Group undertakings (continued)
(ii) Joint venture undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Grange Walk LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30-Jun
Linden (Battersea Bridge Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden (Biddenham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Boorley Green LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden (Vencourt) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden and Dorchester Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden and Dorchester Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden (Hartfield Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden Homes Westinghouse LLP	99 Bartholomew Street, Newbury, Berkshire RG14 5EE	50%	31-Mar
Linden Wates (Cranleigh) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Dorking) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Horsham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Kempshott) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Ravenscourt Park) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Ridgewood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (The Frythe) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (West Hampstead) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates Developments (Chichester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates Developments (Folders Meadow) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Ringwood) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Royston)	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Westbury) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Salisbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Barrow Gurney) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden (Basingstoke) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Walberton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Bricket Wood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Lovedean) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden (York Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden/Downland Graylingwell LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden (Northstowe) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden (Enfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden (Brampton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden (Avery Hill) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Evolution (Saffron Walden) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
DR4 Developments LLP (BU4226)	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
West Bridgford JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Heath Farm Lane LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar

40 Group undertakings (continued)
(ii) Joint venture undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Gallions 2A Developments LLP	Bruce Kenrick House, 2 Kellick Street, London, N1 9FL	50%	31-Mar
Linden (Mowbray View 2) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Beverley South Developments Ltd	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Morrison Robertson JV Company Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
Opal (Earlsfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal (Silvertown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal (St Bernards) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Ramsden Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Shoo 22 Limited	Duncan House, Clipston Road, Sibbertoft, Market Harborough, Leicestershire LE16 9UB	38%	30-Jun
Space Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	83%[1]	31-Mar
The Piper Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Urban Vision Partnership Limited	Civic Centre, Chorley Road, Swinton, M27 5AS	30%	31-Dec
White Rock Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Kilnwood Vale LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Wilmington Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Europa Way JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Tees & Durham (LIFT) Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%	30-Sep
Linden (Rainham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar

The above entities are all incorporated in the UK and considered to be joint ventures based on the shareholding agreements in place.

1 Treated as a joint venture as indicated by its joint venture agreement.

(iii) Associated and other significant undertakings

Entity name	Registered office or principal place of business	Proportion of capital held by class
Aberdeen Community Health Care Village Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Alliance Community Partnership Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	10%
Galliford Try Qatar LLC	PO Box 11726 Doha, State of Qatar (incorporated in Qatar)	49%
Hub North Scotland (Alford) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (FWT) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub South East Scotland Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
Hub South West Scotland Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
James Gillespie's Campus Subhub Holdings Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
James Gillespie's Campus Subhub Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
Rissington Management Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%
LBP DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP DBFMco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%

Notes to the consolidated financial statements
continued

40 Group undertakings (continued)
(iii) Associated and other significant undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held by class
ELCH DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
ELCH DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 2 DBFM HoldCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	83%
REH Phase 2 DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Durham & Tees Community Ventures Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures Primary Care Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures HoldCo (No.1) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures FundCo (No.1) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures HoldCo (No.2) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures FundCo (No.2) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures HoldCo (No.3) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures FundCo (No.3) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures HoldCo (No.4) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures FundCo (No.4) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Durham & Tees Community Ventures HoldCo (No.5) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Hub North Scotland (I&F) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (I&F) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Inverurie Campus) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Inverurie Campus) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (BS&S) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (BS&S) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub SW Cumbernauld DBFMCo Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
Hub SW Cumbernauld Holdco Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
S4B (Holdings) Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B (Issuer) plc	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%

The above entities are all incorporated in the UK except Galliford try Qatar LLC which is incorporated in Qatar.

Five-year record

	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Group revenue	2,348.4	2,494.9	2,662.1	2,931.6	**2,710.7**
Profit before exceptional items	117.7	135.0	147.6	188.7	**155.5**
Exceptional items	(3.7)	–	(88.9)	(45.0)	**(50.8)**
Profit before taxation	114.0	135.0	58.7	143.7	**104.7**
Tax	(21.7)	(26.1)	(10.0)	(25.4)	**(17.8)**
Profit after taxation attributable to shareholders	92.3	108.9	48.7	118.3	**86.9**
Fixed assets, investments in joint ventures, PPP and other investments	41.0	60.8	72.6	93.4	**124.8**
Intangible assets and goodwill	156.4	152.2	179.1	174.9	**171.4**
Net current assets	690.6	633.2	509.6	674.1	**412.6**
Long-term receivables	32.5	78.0	113.7	155.9	**246.7**
Long-term payables and provisions	(351.3)	(324.2)	(299.5)	(321.8)	**(203.8)**
Net assets	569.2	600.0	575.5	776.5	**751.7**
Share capital	41.1	41.4	41.4	55.5	**55.5**
Reserves	528.1	558.6	534.1	721.0	**696.2**
Shareholders' funds	569.2	600.0	575.5	776.5	**751.7**
Dividends per share (pence) (2017 restated – note 9)	68.0	82.0	86.0	77.0	**58.0**
Basic earnings per share (pence) (2017 restated – note 10)	112.8	132.5	53.1	121.1	**78.5**
Diluted earnings per share (pence) (2017 restated – note 10)	110.9	131.3	52.9	120.6	**78.4**

Shareholder information

Financial calendar 2019

Half year results announced	14 February
Interim dividend paid	10 April
Full year results announced	11 September
Ex dividend date	7 November
Final dividend record date	8 November
Annual General Meeting	12 November
Final dividend payment	4 December

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday; overseas shareholders should call +44 121 415 7047 or, alternatively, write to them at:

Equiniti Limited Aspect House Spencer Road Lancing
West Sussex BN99 6DA

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £60 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel & Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2019

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.30	3,906	3.86	4,289,759
10,001 – 50,000	3.80	161	3.30	3,668,494
50,001 – 500,000	2.77	117	16.43	18,239,880
500,001 – highest	1.13	48	76.41	84,834,484
Total	100.00	4,232	100.00	111,032,617

Registered office

Galliford Try plc
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

HSBC Bank plc
Barclays Bank plc
National Westminster Bank plc
Santander UK plc

Registration

England and Wales 00836539

Independent auditor

PricewaterhouseCoopers LLP

Notes

Notes
continued

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