

07:00 AM WEDNESDAY 16 SEPTEMBER 2020

**GALLIFORD TRY HOLDINGS PLC  
ANNUAL RESULTS STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

**A PROGRESSIVE WELL-CAPITALISED CONSTRUCTION BUSINESS**

**Highlights – Financial and Operational (continuing operations)**

- Final results in line with expectations; business well-placed for new financial year
- Pre-exceptional revenue of £1,090m, reflecting the business' focus on core sectors and the impact of Covid-19 (2019: £1,403m)
- Rapid and effective response to Covid-19; all sites across the UK fully operational and successfully implementing new working practices
- Focus on cost management and commercial discipline
- Well-capitalised debt-free balance sheet, with cash at 30 June 2020 of £197m (2019: net debt of £57m) and PPP portfolio of £41m

**Highlights – Strategy and Outlook**

- Successful strategic disposal of Linden Homes and Partnerships housing divisions completed 3 January 2020
- Strategy in place to deliver long-term value; restructured and refocused business to deliver improved performance
- Disciplined approach to risk management and contract selection
- High quality £3.2bn order book (2019: £2.9bn) in focused sectors with 90% of revenue secured for FY21 (2019: 89%)
- Reinstating financial guidance, with strong platform for return to profitability in FY21

Financial (continuing operations)	Pre-exceptional <sup>1,2</sup>		Post-exceptional	
	2020	2019	2020	2019
Revenue	<b>£1,090m</b>	£1,403m	<b>£1,122m</b>	£1,400m
Loss from operations <sup>3</sup>	<b>£(62.4)m</b>	£(16.9)m	<b>£(37.3)m</b>	£(64.2)m
Loss before tax	<b>£(59.7)m</b>	£(17.2)m	<b>£(34.6)m</b>	£(64.5)m
Loss per share	<b>(47.7)p</b>	(10.7)p	<b>(29.4)p</b>	(44.7)p
Net cash/(debt)	<b>£197.2m</b>	£(56.6)m	<b>£197.2m</b>	£(56.6)m
Order book	<b>£3.2bn</b>	£2.9bn	<b>£3.2bn</b>	£2.9bn

**Bill Hocking, Chief Executive, commented:**

“This year has been a period of significant change for the Group. We have successfully transitioned to a well-capitalised UK construction business and I am confident about our future.

The Group responded rapidly and effectively to the challenge of the Covid-19 pandemic and I have been particularly impressed by, and thankful for, the outstanding efforts of our staff throughout this period. All of our construction sites are now operational, and productivity is close to normal levels. Working with all stakeholders we will continue to maintain the highest safety, wellbeing and Covid-19 secure practices throughout all aspects of our operations.

The Group is performing well and focusing on its core strengths of building, highways and environment. In recent months we have secured a number of significant project wins and we are well placed to benefit from planned future investment in our areas of operation.

Our strategy is focused on sustainable growth, careful cash management and margin progression. This strategy is underpinned by our commitment to operating sustainably, balancing financial performance with our obligations to all stakeholders, in order to drive long-term value creation.

The Group is well capitalised with a strong order book. We are well positioned to make progress on our strategic priorities and margin improvement targets.

The management team and Board look forward to the new financial year with confidence.”

#### Enquiries:

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This announcement contains inside information for the purposes of article 7 of EU Regulation 596/2014. The person responsible for making this announcement on behalf of Galliford Try is Kevin Corbett, General Counsel & Company Secretary.

<sup>1</sup> Pre-exceptional measures exclude exceptional items as described in note 5. All future references to pre-exceptional data or ratios are consistent with this definition.

<sup>2</sup> Exceptional profit in 2020 was £25.1m (2019: costs of £47.3m).

<sup>3</sup> Loss from operations stated before net finance income, amortisation and share of joint ventures' interest and tax.

#### Analyst Presentation

A conference call for Analysts and Investors will be held at 09:30am BST today, Wednesday 16 September 2020. To register for this event please follow this link:

<https://webcasting.brrmedia.co.uk/broadcast/5f3e53a2b14d87262643a355>

#### STRATEGY

The Group is focussed on construction in the public and regulated sectors, and for high-quality private sector clients, though our regional building businesses and national highways and environment businesses. We are focused on:

- Strong relationships on national frameworks and with local clients and suppliers, with a consistent strategy across our network
- Markets that have significant opportunity and in which we have proven strengths
- A robust and flexible balance sheet, with high visibility of future workload and a financial structure designed for our requirements
- A values-driven, people-orientated progressive culture.

Alongside our core Building and Infrastructure businesses, we continue to develop capabilities in our Facilities Management, Investments and co-development businesses which provide lower risk margin enhancing returns. Our PPP Investments portfolio of £40.7m generates annual interest income. We also continue to review and challenge operating costs across the business.

The Group's three-part strategy has been reviewed following the disposal of the Group's housebuilding businesses and comprises:

- (1) 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.
- (2) 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 investment in digital technologies, systems and communication tools; and align the supply chain with our operations.

- (3) 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. This, in turn, will help us to deliver consistent and growing cash flows.

Fully underpinning this strategy is our commitment to operating sustainably, by balancing financial performance with our obligations to all stakeholders, so we create long-term value.

Our strategy and sector focus mean that the Group is well positioned to emerge strongly from the Covid-19 pandemic. Subject to any new restrictions imposed in response to Covid-19, this strategy will enable the Group to meet its strategic targets outlined in March 2020. Specifically, the Group's financial targets are:

- Revenue: Target range £1.2bn to £1.5bn, based on disciplined contract selection
- Divisional operating margin: Minimum 2% across building and infrastructure, pre-central costs, by 2022; targeting Group operating margin, after all central cost, of 2% in the medium term
- Cash generative, with positive average month-end cash
- Reinstatement dividend following return to profitability

In line with these targets, the Group expects to return to profitability in the financial year to 30 June 2021 with operating margins, pre-central costs of circa £10m, expected to be 1.4% to 1.6% on revenues of £1.1bn to £1.3bn. Average month end cash is expected to be in the range £125m to £145m.

## **GROUP ORDER BOOK**

The Group has a strict and disciplined approach to bidding for new contracts.

Our current order book is £3.2bn (2019: £2.9bn). Of this, 68% is in the public sector (2019: 79%), 13% is in regulated industries (2019: 5%) and 19% is in the private sector (2019: 16%).

Both the Building and Infrastructure divisions were successful at winning new work during the year and were appointed to contracts and frameworks worth over £1,021m and £377m respectively.

Frameworks are an important part of our business model and they provide 90% of our order book (2019: 81%). The Group has high visibility of future revenues, and currently has secured 90% of planned revenue for the 2021 financial year (2019: 89%).

## **CURRENT TRADING AND OUTLOOK**

The Group has continued to trade well, against a background of difficult circumstances, and entered the new financial year with a high-quality, carefully risk managed order book of £3.2bn, and with 90% of the new financial year's planned revenue secured.

The Group responded quickly and decisively to the Covid-19 pandemic, prioritising the safety of all employees and stakeholders. We made use of the Government's Job Retention Scheme, although have now ceased making claims under the scheme, and implemented temporary salary reductions for our most senior employees whilst protecting our lower paid employees. We continued to invest in our important early careers programme, for new graduates, apprentices and trainees.

All of the Group's construction sites are now operational under strict Covid-19 secure measures and in accordance with Government and industry guidance. Productivity has significantly improved and is close to normal levels across all our sites.

Our balance sheet is strong. We had net cash of £197m at 30 June 2020, a PPP portfolio of £41m and no defined pension scheme liabilities to fund. Our average month-end net cash, for the six months since the disposal of housebuilding, was £141m.

Our strong balance sheet and quality order book, with 81% in the public and regulated sectors, and recent Government announcements on capital expenditure, mean that the Group is well placed to contribute to the UK's economic recovery from Covid-19 and to benefit from opportunities in our chosen sectors. Throughout the lockdown we were encouraged by the pipeline of new opportunities across our chosen sectors in the public, regulated and private markets together with a number of significant contract wins.

The Group is confident in the future as we look to increase operating margins, capitalise on the actions taken to reduce costs and maintain our disciplined approach to contract selection. Subject to any new Covid-19 restrictions that may be introduced, the strong outlook has allowed the Group to reinstate its financial targets, which are consistent with its expectations pre-Covid-19.

## DIVIDEND

In light of the coronavirus pandemic, the Board considered it prudent to cancel the previously announced Interim dividend in March 2020. The Board continues to recognise the importance of dividends to all its shareholders, however, given the significant impact of Covid-19 and the importance of maintaining our strong balance sheet, is not proposing a final dividend for the year ended 30 June 2020. The Group has a strong outlook and the Board anticipates reinstating dividend payments, following a return to profitability.

## BREXIT

The Group has continued to review the potential effects on our business of the end of the UK's exit transition period from the European Union, under various scenarios. Such preparedness measures include developing long-term relationships with key subcontractors to ensure that we remain a priority customer. Maintaining the supply of materials, especially those sourced indirectly by subcontractors, was one of the most acute challenges during the pandemic. We are therefore reviewing the measures we can take to improve the resilience of our materials supply chain. These include further developing our long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer when resources and materials are in short supply. The Group's Advantage through Alignment programme facilitates greater engagement with our key supply chain members and provides them with greater visibility of our pipeline of projects.

## FINANCIAL REVIEW

The Group delivered good underlying performance during the year and, following the disposal of the housebuilding divisions earlier in the year, completed the successful transition to a well-capitalised UK construction focused business. Our core business was performing well ahead of the Covid-19 outbreak and we can see the benefits of our strict risk management and people-focused values coming through.

The Group's pre-exceptional revenue for the year was £1,090m (2019: £1,403m). The Group's loss from operations (stated before exceptional items, finance costs, amortisation, tax and share of joint ventures' interest and tax), was £62.4m (2019: £16.9m). Building and Infrastructure incurred pre-exceptional losses from operations of £51.9m and £1.8m respectively (2019: £9.5m and £5.5m respectively). These performances were adversely impacted by Covid-19 and associated project delays, contract settlements and legal costs. In particular, Covid-19 reduced gross margin due to the impact of lower revenue, lower site productivity and the cost of implementing the new operating procedures. There was a £8.7m net loss in Central Costs and PPP Investments (2019: £1.9m).

After exceptional profits of £25.1m (see below), the Group's net loss from operations was £37.3m (2019: £64.2m), with Building incurring a loss of £53.9m (2019: £10.4m) and Infrastructure recording a profit of £25.5m (2019: loss of £51.0m).

The table below reconciles profit before income tax to our alternative performance measure of pre-exceptional profit before income tax, which is a key metric for us when monitoring performance of the business.

	2020 £m	2019 £m
Pre-exceptional loss before income tax	(59.7)	(17.2)
Exceptional profits/(losses)	25.1	(47.3)
Loss before income tax	(34.6)	(64.5)

Exceptional items in the year totalled a profit of £25.1m, including a £28.0m net gain on the settlement of the Aberdeen Western Peripheral Route (AWPR) final account less £2.9m of restructuring costs incurred in the year.

As set out in our half year report, following discussion with the Corporate Reporting Review Team of the Financial Reporting Council, the Group wrote down the AWPR asset as an opening balance sheet adjustment

at 30 June 2018 on the basis that the value to be recovered could not previously be measured reliably. This results in the settlement in the financial year being recognised as exceptional income. Further details on prior year adjustments and exceptional items are set out in notes 24 and 5 to the financial information.

As previously disclosed, the Group provided services in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Our work on these contracts formally ceased on their termination in August 2018. Costs were significantly impacted by client-driven scope changes and the Group has submitted claims and variations to the value of £95m in respect of these costs (2019: £54m). The Group has taken extensive legal advice on our entitlement and we have been successful in two adjudications supporting the validity of the Group's position. Taking into account the requirements of IFRS 15, the Group had constrained the revenue recognised in prior periods to the extent that it was highly probable not to result in a significant reversal in the future. At 30 June 2020 the Group has updated its assessed recoverability in accordance with IFRS 15 and expected credit loss provision in accordance with IFRS 9, both of which assessments are unchanged in the year.

The Group is well-capitalised to support its future plans, and our balance sheet and liquidity remain strong. The Group's bank facilities of £450m were repaid and cancelled on 3 January 2020 following the completion of the disposal of the Group's housebuilding divisions and the Group's £100m private placement debt was transferred to Vistry Group plc on 3 January 2020. The Group's defined benefit pension obligations were transferred to Vistry Group plc on 3 January 2020.

At 30 June 2020 the Group had net cash of £197.2m and a PPP portfolio of £40.7m using a 9% discount rate (2019: net debt of £56.6m and £41.6m). The PPP portfolio generates annuity interest income for the Group expected to be in the range £1m to £3m annually. Our average month-end cash from January to June 2020 was £141m.

## OPERATIONAL REVIEW – CONTINUING GROUP

### BUILDING

Building operates through nine regional businesses, serving a range of public and private sector clients across the UK, with a focus on the Education, Defence and Health sectors, where we have core and proven strengths. Building retains a substantial presence in Scotland, operating as Morrison Construction.

	<b>Pre- exceptional 2020</b>	<b>Post- exceptional 2020</b>	<b>Pre- exceptional 2019</b>	<b>Post- exceptional 2019</b>
Revenue (£m)	<b>719.9</b>	<b>719.9</b>	858.3	858.3
Loss from operations (£m)	<b>(51.9)</b>	<b>(53.9)</b>	(9.5)	(10.4)
Operating profit margin (%)	<b>(7.2)%</b>	<b>(7.5)%</b>	(1.1)%	(1.2)%
Order book (£m)	<b>2,152</b>	<b>2,152</b>	2,045	2,045

Building generated revenue of £719.9m (2019: £858.3m), which equates to 66% of the Group's pre-exceptional revenue. The pre-exceptional loss from operations was £51.9m (2019: £9.5m), resulting in a (7.2)% margin (2019: (1.1)%). The margin reduction reflects the impact of Covid-19 and the settlement of final accounts on legacy contracts, with current projects delivering an encouraging performance.

During the year, Building won contracts and positions on frameworks worth over £1,021m. This included securing a place on 11 lots across the UK for the Crown Commercial Services Construction Works and Associated Services major framework. The framework is available to all public sector organisations to procure construction services and has a total value of approximately £20bn.

Other notable contracts secured during the year included framework contracts with the University of Glasgow and the University of Birmingham; contracts for Castlebrae High School in Scotland, a new education campus in Hexham for Northumberland County Council and The Exchange for the University of Birmingham; and a contract to build a new women's prison in Scotland. The division also won a contract for the 1-4 Marble Arch mixed-use development and two mixed-use residential schemes for an urban development specialist, both in London.

Building currently has an order book of £2.2bn, with 25% in Education, 23% in Defence and Custodial, 12% in Health, and 18% in Facilities Management.

## INFRASTRUCTURE

Infrastructure carries out civil engineering projects across the UK, focused on Highways and Environment (incorporating our activities in water, wastewater and flood alleviation).

	<b>Pre- exceptional 2020</b>	<b>Post- exceptional 2020</b>	<b>Pre- exceptional 2019</b>	<b>Post- exceptional 2019</b>
Revenue (£m)	<b>357.1</b>	<b>389.1</b>	527.0	524.2
(Loss)/profit from operations (£m)	<b>(1.8)</b>	<b>25.5</b>	(5.5)	(51.0)
Operating profit margin (%)	<b>(0.5)%</b>	<b>6.6%</b>	(1.0)%	(9.7)%
Order book (£m)	<b>1,010</b>	<b>1,010</b>	825	825

Infrastructure's pre-exceptional revenue was £357.1m (2019: £527.0m), which equates to 33% of the Group's pre-exceptional revenue. The pre-exceptional loss from operations was £1.8m (2019: £5.5m), resulting in a (0.5)% margin (2019: (1.0)%). There is an improvement in pre-exceptional profit despite the effect of legal costs and final account settlements, and the impact of Covid-19.

Infrastructure won contracts and positions on frameworks worth over £377m during the year. These included the Highways business being appointed to two schemes by Highways England, under the new Regional Delivery Partnerships Framework. The larger of these schemes is a series of five projects to upgrade the A47. The other major scheme is to upgrade the A303 in Somerset. Highways was also appointed to the YORcivil major works framework, which enables northern local authorities to procure maintenance and construction and has a total value of £2bn.

The Environment business was appointed to AMP7 frameworks for Southern Water, Yorkshire Water and Thames Water. The appointment by Southern Water is for two of its design and build frameworks, with Galliford Try's share of the business expected to be worth approximately £240m. Environment also expects to secure around £100m of work over the five years of Yorkshire Water's framework.

Infrastructure currently has an order book of £1.0bn, comprising 59% in Highways and the remainder in Environment.

## PPP INVESTMENTS

PPP Investments delivers major building and infrastructure projects through public-private partnerships, generating work for the wider Group in the process. Our Facilities Management business provides FM services predominantly to projects which Galliford Try have constructed and invested in.

	<b>2020</b>	<b>2019</b>
Revenue (£m)	8.2	17.0
(Loss)/profit from operations (£m)	(0.5)	4.5
Directors' valuation (£m)	40.7	41.6

PPP Investments reported revenue of £8.2m (2019: £17.0m), with a loss from operations of £0.5m (2019: profit of £4.5m). PPP Investments also generated £4.3m of interest income.

During the year, we invested £6.6m in equity in three schemes in Scotland and sold three non-core investments that generated a profit on disposal of £0.6m (2019: £6.9m). At the year end, the directors' valuation of our PPP portfolio was £40.7m (2019: £41.6m), which represents the fair value included in the balance sheet. The valuation compared with a value invested of £34.9m (2019: £34.9m). The valuation is calculated using a 9.0% discount rate.

PPP Investments continues to be a good source of work for the rest of the Group. In line with our strategy, PPP Investments continues to move its focus towards co-development projects and at the year-end it was preferred bidder on two PRS (private rented sector) schemes with a gross development value of £117m.

## DISPOSAL OF HOUSEBUILDING DIVISIONS

At the General Meeting of Galliford Try plc, held on 29 November 2019, the shareholders approved the implementation of the Scheme of Arrangement (the scheme), the proposed company restructuring and the disposal of the Linden Homes and Partnerships & Regeneration divisions (the housebuilding businesses). On 2 January 2020, Galliford Try plc announced that the scheme in connection with the disposal of the housebuilding businesses had become effective.

On 3 January 2020, the Group announced the completion of the disposal of the housebuilding divisions, the completion of the company restructuring in accordance with the scheme, the delisting of shares in Galliford Try plc on the London Stock Exchange and the admission of new shares in the Group were listed for trading on the London Stock Exchange.

Consequently, the results and net assets of the housebuilding divisions have been reported as discontinued operations and assets held for sale, in accordance with IFRS 5. Full details are included in the accompanying financial information. A summary of the results of the discontinued operations for the period until disposal is set out below.

### **LINDEN HOMES**

	<b>2020</b>	2019
Adjusted revenue* (£m)	333.8	820.4
Profit from operations (£m)	50.1	160.5

Profit from operations was £50.1m (2019: £160.5m) with an operating profit margin of 15.0% (2019: 19.6%). Adjusted revenue\* of £333.8m (2019: £820.4m) was generated from 1,293 (2019: 3,229) completions. The average number of outlets during the period was 82 (2019: 80).

### **PARTNERSHIPS & REGENERATION**

	<b>2020</b>	2019
Adjusted Revenue* (£m)	370.0	623.2
Profit from operations (£m)	18.7	34.8

Partnerships & Regeneration's adjusted revenue\* was £370.0m (2019: £623.2m), with an operating margin of 5.0% (2019: 5.6%).

From 3 January 2020 the Linden Homes and Partnerships & Regeneration divisions were transferred to Vistry Group plc.

\* Adjusted revenue, including share of joint venture revenue and excluding part-exchange revenue.

### **HEALTH & SAFETY**

We place the highest priority on health and safety and are committed to a policy of effectively managing all aspects of health, safety and environmental performance. Our systems are both OHSAS 18001 and ISO 14001 compliant and are subject to regular audit.

Our approach is guided by our industry-leading behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' through which our objective is to create and maintain an environment where care for our people and those who work with us is our top priority, and the belief that all accidents are preventable prevails.

During the second half of the year, our activities were dominated by the Covid-19 pandemic. To ensure the safety of all employees, subcontractors and others attending our sites we risk assessed our sites and offices and modified or curtailed activities to ensure that no work was undertaken if we were unable to comply with hygiene and social distancing guidelines or in line with Government advice on construction works and the Site Operating Procedures issued by the Construction Leadership Council. Our 'Back to Basics' approach additionally ensured that works were carried out with the right person, right planning, right equipment, and in the right workplace. We also established a Covid-19 Working Group to develop clear new working practices and share good practice across the Group.

We reduced our Accident Frequency Rate (AFR) from 0.10 in the last financial year to 0.07. Several of our teams achieved an AFR of zero, and we secured eight awards from RoSPA (The Royal Society for the Prevention of Accidents), which includes an Order of Distinction for our Building London business's eighteenth consecutive Gold Award.

## **OPERATING SUSTAINABLY**

We recognise that being sustainable makes us more efficient, helps us to win work, engages our employees and benefits the communities and the environment we work in. We therefore look to operate sustainably, balancing our financial performance with our obligations to all our stakeholders to create long-term value, as set out in our Sustainability and Social Value Policy, which is owned by the Executive Board.

We assess our sustainability risks and opportunities in relation to six fundamental areas: health and safety, environment and climate change, our people, clients, supply chain, and communities.

Our overall performance as a responsible business is reflected in 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 3.3 out of 5 (2019: 3.2), firmly securing a place in the top third of the index and scoring well above the heavy construction sector average of 1.5. We achieved the top rating possible for corporate governance and anti-corruption as well as scoring highly on environmental supply chain and community matters.

Success comes from our people. We therefore focus on attracting and retaining the right talent for our business and create an inclusive environment in which they are enabled to thrive. We prioritise inclusivity, knowing that it facilitates the diversity of thought, innovative approaches and experiences that create stronger, better balanced teams.

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.

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

Two-way communication is central to a robust culture and the Board is benefiting from Terry Miller's role as our designated Non-executive Director with responsibility for engaging with the workforce as chair of the Employee Forum. Terry is also helping to shape our approach to stakeholder engagement through chairing our Stakeholder Steering Committee.

We also take part in the Considerate Constructors Scheme (CCS), which assesses sites on criteria including being considerate of local neighbourhoods and the public. The Group achieved an average CCS score of 41.1 (2019: 40.5), which continues to exceed the industry average of 37.1 (2019: 36.5). We donated more than £195,000 in time, materials and money to charitable causes (2019: £142,198) and we were pleased to mark 21 years of supporting CRASH, which assists homelessness and hospice charities with construction-related projects.

We continue to retain Gold status from the Supply Chain Sustainability School.

## **AUDITOR**

At the AGM held on 12 November 2019 shareholders appointed BDO LLP as the Group's auditors.

## **BOARD**

On 3 January 2020, as previously announced, Graham Prothero resigned from the Board and Bill Hocking was appointed Chief Executive. On 6 July 2020 we announced that Jeremy Townsend, Non-executive Director and Chair of the Audit Committee, will step down from the Group later in the year. Jeremy will not stand for re-election as a director at the AGM in November 2020.

## Consolidated income statement

for the year ended 30 June 2020

	Notes	2020			2019		
		Pre-exceptional items Unaudited £m	Exceptional items (note 5) Unaudited £m	Total Unaudited £m	Pre-exceptional items £m	Exceptional items (note 5) £m	Total £m
Revenue	4	1,089.6	32.0	1,121.6	1,402.9	(2.8)	1,400.1
Cost of sales <sup>1</sup>		(1,085.9)	(6.3)	(1,092.2)	(1,348.4)	(42.0)	(1,390.4)
<b>Gross profit</b>		<b>3.7</b>	<b>25.7</b>	<b>29.4</b>	54.5	(44.8)	9.7
Administrative expenses <sup>1</sup>		(68.0)	(0.6)	(68.6)	(74.1)	(2.5)	(76.6)
Share of post tax (losses)/profits from joint ventures		(0.2)	–	(0.2)	0.4	–	0.4
<b>(Loss)/profit before finance costs</b>		<b>(64.5)</b>	<b>25.1</b>	<b>(39.4)</b>	(19.2)	(47.3)	(66.5)
Finance income <sup>1</sup>	6	5.8	–	5.8	3.6	–	3.6
Finance costs	6	(1.0)	–	(1.0)	(1.6)	–	(1.6)
<b>(Loss)/profit before income tax</b>		<b>(59.7)</b>	<b>25.1</b>	<b>(34.6)</b>	(17.2)	(47.3)	(64.5)
Income tax credit/(expense) <sup>1</sup>	7	6.8	(4.8)	2.0	5.4	9.6	15.0
<b>(Loss)/profit from continuing operations for the year</b>		<b>(52.9)</b>	<b>20.3</b>	<b>(32.6)</b>	(11.8)	(37.7)	(49.5)
Profit from discontinued operations, net of income tax for the year	8	353.0	–	353.0	139.9	(3.5)	136.4
<b>Profit for the year</b>		<b>300.1</b>	<b>20.3</b>	<b>320.4</b>	128.1	(41.2)	86.9

(Loss)/earnings per share

Basic

> Profit from continuing operations attributable to ordinary shareholders	10	(47.7)p		(29.4)p	(10.7)p		(44.7)p
> Profit attributable to ordinary shareholders	10	270.9p		289.2p	115.7p		78.5p
Diluted							
> Profit from continuing operations attributable to ordinary shareholders	10	(47.7)p		(29.4)p	(10.6)p		(44.7)p
> Profit attributable to ordinary shareholders	10	270.9p		289.2p	115.6p		78.4p

<sup>1</sup> The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within cost of sales and administrative expenses and an increase in depreciation charge and interest expense (notes 1 & 23).

## Consolidated statement of comprehensive income

for the year ended 30 June 2020

	Notes	2020 Unaudited £m	2019 £m
<b>Profit for the year</b>		<b>320.4</b>	86.9

**Other comprehensive income/(expense):**

*Items that will not be reclassified to profit or loss*

Remeasurement of retirement benefit obligations – discontinued operations		2.0	(2.4)
Current tax through equity – continuing operations	7	–	0.3
Current tax through equity – discontinued operations		–	0.4
<b>Total items that will not be reclassified to profit or loss</b>		<b>2.0</b>	(1.7)

*Items that may be reclassified subsequently to profit or loss*

Movement in fair value of cash flow hedges:

> Movement arising during the financial year – discontinued operations		<b>0.8</b>	0.9
> Reclassification adjustments for amounts included in profit or loss – discontinued operations		<b>(0.4)</b>	(0.4)
Net movement in fair value of PPP and other investments – continuing operations	12	<b>(1.8)</b>	0.8
Deferred tax on items recognised in equity that may be reclassified – discontinued operations		<b>(0.1)</b>	(0.1)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(1.5)</b>	1.2

<b>Other comprehensive income/(expense) for the year net of tax</b>		<b>0.5</b>	(0.5)
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<b>Total comprehensive income for the year</b>		<b>320.9</b>	86.4
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## Balance sheet

		30 June 2020 Unaudited £m	30 June 2019 (restated – notes 1 & 24) £m	1 July 2018 (restated – notes 1 & 24) £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		<b>7.8</b>	11.8	15.3
Goodwill	11	<b>77.2</b>	159.6	159.6
Property, plant and equipment		<b>3.8</b>	16.2	16.7
Right of use assets <sup>1</sup>		<b>22.8</b>	–	–
Investments in subsidiaries		–	–	–
Investments in joint ventures		<b>0.2</b>	67.0	49.9
PPP and other investments	12	<b>40.7</b>	41.6	26.8
Trade and other receivables	13	–	238.4	148.9
Retirement benefit asset	21	<b>1.0</b>	7.0	7.0
Deferred income tax assets	18	<b>4.3</b>	1.3	–
Total non-current assets		<b>157.8</b>	542.9	424.2
<b>Current assets</b>				
Developments		–	876.7	724.9
Trade and other receivables	13	<b>247.5</b>	674.3	731.6
Current income tax assets		<b>23.1</b>	8.7	12.3
Cash and cash equivalents	14	<b>197.2</b>	591.2	912.4
Total current assets		<b>467.8</b>	2,150.9	2,381.2
<b>Total assets</b>		<b>625.6</b>	2,693.8	2,805.4
<b>Liabilities</b>				
<b>Current liabilities</b>				
Borrowings	14	–	(547.8)	(617.1)
Trade and other payables <sup>1</sup>	15	<b>(458.8)</b>	(1,262.5)	(1,184.0)
Lease liabilities <sup>1</sup>		<b>(9.5)</b>	–	–
Provisions for other liabilities and charges		<b>(13.9)</b>	(0.4)	(0.3)
Total current liabilities		<b>(482.2)</b>	(1,810.7)	(1,801.4)
<b>Non-current liabilities</b>				
Financial liabilities				
> Borrowings	14	–	(100.0)	(197.1)
> Derivative financial liabilities		–	(0.4)	(0.9)
Deferred income tax liabilities		–	–	(0.7)
Other non-current liabilities	16	–	(103.0)	(122.3)
Lease liabilities <sup>1</sup>		<b>(12.8)</b>	–	–
Provisions for other liabilities and charges		<b>(10.1)</b>	(0.4)	(0.8)
Total non-current liabilities		<b>(22.9)</b>	(203.8)	(321.8)
<b>Total liabilities</b>		<b>(505.1)</b>	(2,014.5)	(2,123.2)
<b>Net assets</b>		<b>120.5</b>	679.3	682.2
<b>Equity</b>				
Ordinary shares		<b>55.5</b>	55.5	55.5
Share premium		–	197.7	197.6
Other reserves	20	<b>85.7</b>	4.8	4.8

Retained earnings	20	(20.7)	421.3	424.3
<b>Total equity attributable to owners of the Company</b>		<b>120.5</b>	<b>679.3</b>	<b>682.2</b>

1 The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23). This is in addition to the prior year adjustments detailed in notes 1 and 24.

## Consolidated statement of changes in equity

for the year ended 30 June 2020

	Notes	Ordinary shares Unaudited £m	Share premium Unaudited £m	Other reserves Unaudited £m	Retained earnings Unaudited £m	Total shareholders' equity Unaudited £m
<b>Consolidated statement</b>						
At 30 June 2018 (as originally reported)		55.5	197.6	4.8	518.6	776.5
Restatement as a result of correction of previous error	24	–	–	–	(94.3)	(94.3)
At 30 June 2018 (restated)		55.5	197.6	4.8	424.3	682.2
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018		–	–	–	(10.4)	(10.4)
Adjusted equity at 1 July 2018		55.5	197.6	4.8	413.9	671.8
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
<b>Transactions with owners:</b>						
Dividends	9	–	–	–	(79.9)	(79.9)
Share-based payments	19	–	–	–	0.9	0.9
Issue of shares		–	0.1	–	–	0.1
At 30 June 2019 (restated)		55.5	197.7	4.8	421.3	679.3
Adjustment as a result of transition to IFRS 16 on 1 July 2019 <sup>1</sup>	1 & 23	–	–	–	(1.0)	(1.0)
Adjusted equity at 1 July 2019		<b>55.5</b>	<b>197.7</b>	<b>4.8</b>	<b>420.3</b>	<b>678.3</b>
Profit for the year		–	–	–	320.4	320.4
Other comprehensive expense		–	–	–	0.5	0.5
Total comprehensive income for the year		–	–	–	320.9	320.9
<b>Transactions with owners:</b>						
Dividends	9	–	–	–	(38.9)	(38.9)
Distribution of Galliford Try Homes Ltd	1 & 8	–	–	–	(840.0)	(840.0)
Capital reorganisation <sup>2,3</sup>	1 & 8	–	(197.7)	80.9	116.8	–
Share-based payments – discontinued operations		–	–	–	0.2	0.2
<b>At 30 June 2020</b>		<b>55.5</b>	<b>–</b>	<b>85.7</b>	<b>(20.7)</b>	<b>120.5</b>

1 The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23). This is in addition to the prior year adjustments detailed in notes 1 and 24.

2 Galliford Try Holdings plc was incorporated on 19 September 2019. On 3 January 2020 its entire share capital was admitted to the premium listing segment of the Official List of the FCA and its trading on the main market for listed securities of the London Stock Exchange (notes 1 & 8).

3 On 3 January 2020, as part of the overall process to dispose of the Group's housebuilding operations to Vistry Group plc, a scheme of arrangement was completed under section 26 of the Companies Act 2006 which resulted in the admission of Galliford Try Holdings plc to the premium listing segment of the Official List of the FCA and its trading on the main market for listed securities of the London Stock Exchange (see above). Consequently, the previously consolidated share premium and merger reserve balances of Galliford Try Limited (previously known as Galliford Try plc) were replaced by the equivalent balances of Galliford Try Holdings plc (notes 1 & 8).

## Statement of cash flows

for the year ended 30 June 2020

	2020 Unaudited £m	2019 £m
<b>Cash flows from operating activities</b>		
Pre-exceptional profit for the year	<b>300.1</b>	128.1

Exceptional profit for the year	5	20.3	(41.2)
Profit for the year		320.4	86.9
Adjustments for:			
Profit for the year from discontinued operations	8	(353.0)	(136.4)
Income tax credit - continuing operations	7	(2.0)	(15.0)
Net finance income - continuing operations	6	(4.8)	(2.0)
(Loss) before finance costs for continuing operations		(39.4)	(66.5)
Adjustments for continuing operations:			
Depreciation and amortisation		13.8	5.0
Loss on sale of property, plant and equipment		–	0.2
Profit on sale of PPP and other investments		(0.6)	(6.9)
Share-based payments		–	0.5
Share of post-tax losses/(profits) from joint ventures		0.2	(0.4)
Movement on provisions		23.2	(0.3)
Other non-cash movements		–	0.1
<b>Net cash used in operations before changes in working capital</b>		<b>(2.8)</b>	<b>(68.3)</b>
Decrease in trade and other receivables		128.5	31.7
Decrease in trade and other payables		(257.1)	(92.6)
<b>Net cash used in operations</b>		<b>(131.4)</b>	<b>(129.2)</b>
Interest received		4.9	5.0
Interest paid		(1.0)	(2.1)
Income tax received		7.5	16.6
<b>Net cash used in operating activities from continuing operations</b>		<b>(120.0)</b>	<b>(109.7)</b>
Net cash (used in)/generated from operating activities from discontinued operations		(32.1)	50.1
<b>Net cash used in operating activities</b>		<b>(152.1)</b>	<b>(59.6)</b>
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures		–	0.4
Movement in net working capital balances due from joint ventures		(2.4)	0.1
Acquisition of PPP and other investments		(6.6)	(22.7)
Proceeds from disposal of PPP and other investments		5.8	21.1
Acquisition of property, plant and equipment		(1.4)	(2.7)
Proceeds from sale of property, plant and equipment		–	0.5
<b>Net cash used in investing activities from continuing operations</b>		<b>(4.6)</b>	<b>(3.3)</b>
Net cash generated from/(used in) investing activities from discontinued operations		362.6	(11.0)
<b>Net cash generated from/(used in) investing activities</b>		<b>358.0</b>	<b>(14.3)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		–	0.1
Repayment of lease liabilities <sup>1</sup>		(10.0)	–
Decrease in borrowings		–	(0.1)
Net dividends paid to Company shareholders	9	(38.9)	(79.9)
<b>Net cash used in financing activities from continuing operations</b>		<b>(48.9)</b>	<b>(79.9)</b>
Net cash generated from financing activities from discontinued operations		(101.4)	–
<b>Net cash used in financing activities</b>		<b>(150.3)</b>	<b>(79.9)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>55.6</b>	<b>(153.8)</b>
Cash and cash equivalents at 1 July	14	141.6	295.4
<b>Cash and cash equivalents at 30 June</b>	14	<b>197.2</b>	<b>141.6</b>

<sup>1</sup> The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23).

## Notes to the consolidated financial statements

### 1 Basis of preparation

#### General information

The unaudited financial information set out above does not constitute the statutory accounts of Galliford Try Holdings plc for the year ended 30 June 2020, but is derived from those statutory accounts, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore they comply with Article 4 of the EU IAS Regulation. Statutory financial statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 30 June 2020 and 30 June 2019 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Following the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try Limited (formerly Galliford Try plc), effective from 3 January 2020, the entire issued share capital of Galliford Try Holdings plc, was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of trading in all shares of Galliford Try Limited (formerly Galliford Try plc).

The disposal of the housebuilding divisions of the Group was a complex transaction incorporating a court-approved scheme of arrangement under Part 26 of the Companies Act 2006, by which the ultimate result was that Galliford Try Limited (formerly Galliford Try plc):

- > distributed the Linden Homes assets and its 100% investment in the various Linden legal entities to its shareholders (who received 0.57406 shares in Vistry Group plc in addition to 1.0 shares in Galliford Try Holdings plc for each share they held in Galliford Try Limited). In these consolidated accounts, this resulted in a debit to equity equal to the fair value of assets distributed of £840m, de-recognition of the net assets of Linden Homes of £862m and a loss recognised in the income statement of £22m (being the difference).
- > sold its 100% investment in the various Partnerships & Regeneration legal entities for £300m in cash and the transfer of the £100m Pricoa Private Placement debt (ie £400m of net value). In these consolidated accounts, this resulted in the de-recognition of the net assets relating to these entities of £107m and recognition of a gain on disposal of £293m.
- > received a working capital adjustment of £76.3m which has been included within profit on disposal in the discontinued operations line of the income statement.

In addition, a new entity, Galliford Try Holdings plc, was established and acquired 100% of the share capital of Galliford Try Limited and as noted above, became the parent of the overall continuing Galliford Try Group, with its entire issued share capital admitted to the London Stock Exchange.

In effect, the substance of the transaction is that the Linden Homes operations were distributed to the shareholders of Galliford Try Limited and then the newly incorporated Galliford Try Holdings plc has issued shares to its shareholders in exchange for their shares in Galliford Try Limited and has subsequently sold the Partnerships & Regeneration operations for cash and the transfer of debt.

Further details on this transaction are included in note 8.

#### **Basis of consolidation and discontinued operations**

The Linden Homes and Partnerships & Regeneration segments (which comprise the housebuilding operations) and certain other assets and liabilities were transferred to Vistry Group plc on 3 January 2020 (including the £100m Private Placement notes and two of the Group's defined benefit pension schemes) and therefore have been treated as discontinued operations in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. Accordingly, prior periods in the income statement and the statement of cash flows have been restated to show separately those transactions in respect of discontinued operations; these are also disclosed in detail in note 8.

As the transaction does not represent either a common-control transaction nor a business combination as defined by IFRS 3 Business Combinations it has been accounted for as a reorganisation using merger accounting principles. Consequently, these consolidated financial statements have been prepared with the consolidated Group balances of the retained businesses unchanged from the transaction. The consolidated total equity reflects the legal position of the Group, reflecting the share capital and merger reserve of the parent, Galliford Try Holdings plc and retained earnings representing the balance. Therefore, these financial statements are a continuation of the prior year's and the previous Group's (ie Galliford Try Limited) consolidation reflecting historical balances previously disclosed.

Following the completion of the transaction, the ultimate holding company for the Group is Galliford Try Holdings plc (of which Galliford Try Limited (formerly Galliford Try plc) is now a wholly owned subsidiary) and therefore, it is for this entity that the Company financial statements are shown within these accounts. This entity was incorporated on 19 September 2019 and hence there are no prior year comparative balances.

The Group has adopted IFRS 16 Leases 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. The Group, as lessee, has recognised a long-term depreciating right of use asset and corresponding lease liability. The leases were previously categorised as either operating leases or finance leases.

The Group has adopted 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. The weighted average incremental borrowing rate applied was 3.77%.

The Group has used the following practical expedients permitted by the standard on transition to IFRS 16:

- > the treatment of leases with a remaining term of less than 12 months at 1 July 2019 as short-term leases
- > the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- > the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- > the reliance on assessments made under IAS 37 prior to transition as to whether leases are onerous as an alternative to performing an impairment review.

Payments associated with short-term leases (with a lease term of 12 months or less) and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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 leasing standards, IAS 17. As required by IFRS 16, the Group has provided a reconciliation of the lease commitment disclosed as at 30 June 2019 to the opening lease liability under IFRS 16 as at 1 July 2019 (in note 23).

The financial impact on transition (for the total Group) is as follows:

	£m
Right of use assets	42.1
Prepayment assets derecognised	(0.7)
Lease liabilities	(43.5)
Accrual liabilities derecognised	0.9
Deferred tax asset recognised on transition	0.2

**Prior year adjustments**

The Group has a number of prior year adjustments, primarily as a result of revisiting the initial application of the accounting standards IFRS 9 and 15 and as a result of discussions with the FRC's Corporate Reporting Review Team ('CRRT') following the conclusion of their review of the Group's 2018 financial statements. Details of these adjustments is included in note 24.

**2 Accounting policies****Adoption of new and received standards by the Group**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2019.

**(i) IFRS 16 Leases**

Prior to 1 July 2019 leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Rentals under operating leases were charged to the income statement on a straight-line basis over the lease term.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the lease term on a straight-line basis, unless the useful life of the asset is shorter than the lease term.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group leases a variety of property, plant and equipment, such as offices, site plant and accommodation and cars. Rental contracts are usually made for fixed periods of 1 to 5 years but may be for longer or shorter periods or include extension options or break clauses. Leases of site plant and accommodation are not made for fixed periods but can be terminated when no longer required. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets (defined as those with a weekly lease payment of less than £25) are recognised on a straight-line basis as an expense.

Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities comprise the net present value of the following lease payments:

- > fixed payments (including in-substance fixed payments), less any lease incentives receivable
- > variable lease payments that depend on an index or a rate

The lease payments are discounted using the appropriate incremental borrowing rate specific to each lease within each asset class.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with similar security, the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred or expected to dismantle and remove the underlying asset, less any lease incentives received.

**Covid-19**

The Covid-19 outbreak has developed rapidly in 2020. Measures taken to contain the virus have affected the wider economy and directly impacted on the Group's trading results (as detailed further in the Strategic Report in the Annual Report). The Group continued to operate sites where possible, in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. In light of the pandemic, the Group has performed a further review of its accounting policies and consider they remain appropriate. Some of the key points and clarifications resulting from this review are highlighted below:

- > The main impact to the trading results has been to the revenue and margin shortfall due to lockdown and to the ongoing costs incurred on projects which ultimately have not fulfilled performance obligations under IFRS 15 as efficiently as expected (or not at all). The Group continues to recognise these costs as incurred (in accordance with IFRS 15 paragraph 98), and the associated revenue to the extent it is highly probable not to result in a significant reversal, adjusting for the measure of progress in accordance with IFRS 15: B19 (a). When measuring progress towards completion of a performance obligation recognised over time, future costs include costs associated with the new working guidelines in respect of Covid-19 secure environment, providing such costs are expected to contribute to the satisfaction of the performance obligation. Inefficient costs and any costs that are not expected to contribute to the satisfaction of the performance obligation are excluded when measuring progress and are expensed through the trading results (not exceptional items).
- > The Group has utilised the Government's Job Retention Scheme. The grant income received has been accounted for in accordance with IAS 20, and has been offset against the costs incurred in line with our existing accounting policy in the Income Statement.
- > The Group has reviewed any potential impairment indicators of both financial and non-financial assets (in accordance with IAS 36 and IFRS 9 in particular), especially where operations have been curtailed or customers are in financial distress. This has been further incorporated into the impairment reviews and sensitivity analysis over goodwill which is detailed in note 11. As detailed in the Strategic Report, the Group benefits from a customer base predominantly within the public sector, which the Group considers provides greater financial security over the balances held within trade and other receivables.
- > The Group has successfully negotiated a limited number of rent concessions on leased properties. The practical expedient available from the recently endorsed amendment to IFRS 16 - 'Covid-19-Related Rent Concessions' has not been utilised on the basis it does not have a material impact to the Group and its application is optional.

### 3 Segmental reporting

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

The chief operating decision-makers ('CODM') have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Following the disposal of the Group's housebuilding operations to Vistry Group plc on 3 January 2020 (notes 1 & 8), management has determined the operating segments of the resulting Group to be Building, Infrastructure, PPP Investments and Central (primarily representing central overheads). Previously, they were assessed as Linden Homes, Galliford Try Partnerships and Regeneration, Construction, including Building and Infrastructure, PPP Investments and Central.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are included in the result for each operating segment that is reviewed by the CODM. Other information provided to them is measured in a manner consistent with that in the financial statements.

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
<b>Year ended 30 June 2020 – continuing operations</b>					
Pre-exceptional revenue	719.9	357.1	8.2	4.4	1,089.6
Exceptional items (note 5)	–	32.0	–	–	32.0
Revenue	719.9	389.1	8.2	4.4	1,121.6
Pre-exceptional loss from operations <sup>1,2</sup>	(51.9)	(1.8)	(0.5)	(8.2)	(62.4)
Exceptional items (note 5)	(2.0)	27.3	–	(0.2)	25.1
Share of joint ventures' interest and tax	–	–	–	–	–
(Loss)/profit before finance costs, amortisation and taxation	(53.9)	25.5	(0.5)	(8.4)	(37.3)
Finance income	–	–	4.3	1.5	5.8
Finance costs <sup>1</sup>	(2.7)	(5.8)	(1.4)	8.9	(1.0)
(Loss)/profit before amortisation and taxation	(56.6)	19.7	2.4	2.0	(32.5)
Amortisation of intangibles	(1.0)	–	–	(1.1)	(2.1)
(Loss)/profit before taxation	(57.6)	19.7	2.4	0.9	(34.6)
Income tax credit	–	–	–	–	2.0
(Loss) for the year	–	–	–	–	(32.6)

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
<b>Year ended 30 June 2019 – continuing operations</b>					
Pre-exceptional revenue	858.3	527.0	17.0	0.6	1,402.9
Exceptional items (note 5)	–	(2.8)	–	–	(2.8)
Revenue	858.3	524.2	17.0	0.6	1,400.1
Pre-exceptional profit/(loss) from operations <sup>2</sup>	(9.5)	(5.5)	4.5	(6.4)	(16.9)
Exceptional items (note 5)	(0.9)	(45.5)	–	(0.9)	(47.3)
Share of joint ventures' interest and tax	(0.1)	–	(0.1)	–	(0.2)
(Loss)/profit before finance costs, amortisation and taxation	(10.5)	(51.0)	4.4	(7.3)	(64.4)
Finance income	–	–	3.4	0.2	3.6
Finance costs	(1.4)	(7.0)	(1.6)	8.4	(1.6)
(Loss)/profit before amortisation and taxation	(11.9)	(58.0)	6.2	1.3	(62.4)
Amortisation of intangibles	(1.0)	–	–	(1.1)	(2.1)
(Loss)/profit before taxation	(12.9)	(58.0)	6.2	0.2	(64.5)
Income tax credit	–	–	–	–	15.0
(Loss) for the year	–	–	–	–	(49.5)

<sup>1</sup> The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23).

<sup>2</sup> 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 revenue above. In the year to 30 June 2020 this amounted to £51.8m (2019: £57.3m) for continuing operations, of which £16.9m (2019: £23.2m) was in Building, £21.9m (2019: £22.1m) was in Infrastructure and £13.0m (2019: £12.0m) was in central costs.

#### Balance Sheet

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
<b>30 June 2020</b>					

Goodwill and intangible assets	43.9	37.2	–	3.9	85.0
Working capital employed <sup>1</sup>	(160.7)	(26.1)	37.7	(12.6)	(161.7)
Net cash/(debt)	111.1	(66.3)	(10.0)	162.4	197.2
Net (liabilities)/assets	(5.7)	(55.2)	27.7	153.7	120.5
Total Group liabilities					(505.1)
Total Group assets					625.6

<sup>1</sup> Includes lease liabilities as per IFRS 16. The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23).

30 June 2019 (Restated – note 24)	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Linden Homes £m	Partnerships & Regeneration £m	Total £m
Goodwill and intangible assets	44.6	37.2	–	4.8	52.5	32.3	171.4
Working capital employed	(73.5)	(17.8)	47.6	(208.0)	759.2	57.0	564.5
Net cash/(debt)	77.4	(93.2)	(22.2)	557.8	(567.1)	(9.3)	(56.6)
Net assets	48.5	(73.8)	25.4	354.6	244.6	80.0	679.3
Total Group liabilities							(2,014.5)
Total Group assets							2,693.8

## 4 Revenue

### Nature of revenue streams - continuing operations

#### (i) Building and 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
<b>Fixed price</b>	<p>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.</p> <p>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.</p> <p>Management does not expect a financing component to exist.</p>
<b>Cost-reimbursable</b>	<p>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.</p> <p>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.</p> <p>Management does not expect a financing component to exist.</p>
<b>Framework</b>	<p>Projects within the Building and 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).</p> <p>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).</p> <p>Revenue is therefore recognised over time based on an input model (reference to costs incurred to date).</p>

#### (ii) Investments segment

Through public private partnerships, the business leads bid consortia and arranges finance, makes debt and equity investments (which are recycled) and manages construction through to operations.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
<b>PPP Investments</b>	<p>The Group has investments in a number of PPP Special Purpose Vehicles (SPVs), delivering major building and infrastructure projects.</p> <p>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.</p> <p>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).</p>

## Disaggregation of revenue

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 of the Group (of the continuing operations) as per IFRS 8 'Operating Segments'.

Year ended 30 June 2020	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total
Over time	719.9	389.1	7.4	4.4	1,120.8
Point in time	–	–	0.8	–	0.8
Revenue	719.9	389.1	8.2	4.4	1,121.6

Year ended 30 June 2019	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total
Over time	858.3	524.2	12.1	0.6	1,395.2
Point in time	–	–	4.9	–	4.9
Revenue	858.3	524.2	17.0	0.6	1,400.1

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

Revenue - year ended 30 June 2020	2021 £m	2022	2023 onwards £m	Total £m
Building	519.3	172.9	10.3	702.5
Infrastructure	203.1	49.6	27.3	280.0
Total Construction	722.4	222.5	37.6	982.5
PPP Investments	1.9	1.6	25.1	28.6
Central	–	–	–	–
Total transaction price allocated to performance obligations yet to be satisfied	724.3	224.1	62.7	1,011.1

Revenue - year ended 30 June 2019	2020 £m	2021	2022 onwards £m	Total £m
Building	575.9	128.5	4.8	709.2
Infrastructure	316.1	75.4	1.0	392.5
Total Construction	892.0	203.9	5.8	1,101.7
PPP Investments	2.1	1.8	25.4	29.3
Central	–	–	–	–
Total transaction price allocated to performance obligations yet to be satisfied	894.1	205.7	31.2	1,131.0

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

## 5 Exceptional items

	2020 £m	2019 £m
Revenue – Impact of legacy contracts <sup>1</sup>	32.0	–
Revenue – expected credit loss per IFRS 9 in respect of legacy contract <sup>2</sup>	–	(2.8)
Cost of sales – charge on legacy contracts <sup>1,2</sup>	(4.0)	(39.0)
Cost of sales – restructure costs <sup>3</sup>	(2.3)	(3.0)
Administrative expenses – restructure costs <sup>3</sup>	(0.6)	(1.6)
Administrative expenses – pension costs <sup>4</sup> (note 21)	–	(0.9)
Profit/(loss) from operations	25.1	(47.3)

1 On 23 December 2019, the Group announced that following a lengthy period of negotiation, the AWPR joint venture had substantially agreed settlement terms with the client in respect of the final account of this major infrastructure project. Together with an adverse adjudication award on an unrelated historical project, the Group announced that it expected to receive a cash payment of £32.0m. After discussion with the Corporate Reporting Review Team of the FRC (as stated in notes 1 & 24), the Group has treated the write down of the AWPR asset as a prior period adjustment, with the settlement income of £32.0m recognised (in revenue) net of final cost estimates of £4.0m (in cost of sales) as exceptional items in the current year.

2 In the prior year, exceptional items of £32.3m were 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. Both of these items were recorded within cost of sales. The exceptional charge in the prior year also included £6.7m in respect of other legacy contracts (recorded within cost of sales). In accordance with IFRS 9 Financial Instruments (which was adopted on 1 July 2018), the Group had 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 exceptional impairment charge of £2.8m incurred in the year to 30 June 2019.

- 3 During the year and following the disposal of the housebuilding operations to Vistry Group plc on 3 January 2020 and the impact of the Covid-19 pandemic during 2020, the Group completed a restructure exercise to reflect the revised size and structure of the business, resulting in £2.9m of redundancy costs (of which £2.3m was recorded in cost of sales and £0.6m was recorded in administrative expenses). In the prior year, redundancy costs of £4.6m were recorded in respect of the restructure announced in May 2019 completed within the Construction business, (of which £3.0m was recorded in cost of sales and £1.6m was recorded in administrative expenses).
- 4 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 recorded within administrative expenses in the income statement. Of the total reported exceptional costs of £4.5m relating to defined benefit pension schemes in the year to 30 June 2019, the remaining £3.5m has been classified as part of discontinued operations.

	2020 £m	2019 £m
Loss before income tax	<b>(34.6)</b>	(64.5)
Expected credit loss in respect of legacy contract	–	2.8
Net (income)/charge on legacy contracts	<b>(28.0)</b>	39.0
Pension costs	–	0.9
Restructure costs	<b>2.9</b>	4.6
Pre-exceptional loss before income tax	<b>(59.7)</b>	(17.2)

## 6 Net finance income

Group	2020 £m	2019 £m
Interest receivable on bank deposits	<b>0.3</b>	0.2
Interest receivable from PPP investments and joint ventures	<b>5.4</b>	3.4
Net finance income on retirement benefit obligations	<b>0.1</b>	–
Finance income	<b>5.8</b>	3.6
Other (including interest on lease liabilities <sup>1</sup> )	<b>(1.0)</b>	(1.6)
Finance costs	<b>(1.0)</b>	(1.6)
<b>Net finance income</b>	<b>4.8</b>	2.0

<sup>1</sup> The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 23). This resulted in the recognition of a lease liability for leases that were previously recognised as operating leases and therefore captured off-balance sheet. Interest expense is charged on the lease liability and included within Other finance costs above.

## 7 Income tax credit

Group – continuing operations	Note	2020 £m	2019 £m
<b>Analysis of expense in year</b>			
Current year's income tax			
Current tax		<b>(7.1)</b>	(20.4)
Deferred tax	18	<b>0.3</b>	4.5
Adjustments in respect of prior years			
Current tax		<b>8.2</b>	0.9
Deferred tax	18	<b>(3.4)</b>	–
Income tax credit		<b>(2.0)</b>	(15.0)

### Tax on items recognised in other comprehensive income

Current tax (credit) for share-based payments	–	(0.3)
Tax recognised in other comprehensive income	–	(0.3)
<b>Total taxation</b>	<b>(2.0)</b>	(15.3)

The total income tax credit for the year of £2.0m (2019: £15.0m) is lower (2019: higher) than the blended standard rate of corporation tax in the UK of 19.0% (2019: 19.0%).

We have recognised deferred tax at 19.0% as it is likely that most assets and liabilities will have reversed within one year.

## 8 Discontinued operations

On 3 January 2020, the Group completed the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc (in addition to certain other assets and liabilities transferred to Vistry Group plc as part of this transaction) following the implementation of a Group restructuring and scheme of arrangement under Part 26 of the Companies Act 2006 becoming effective on 2 January 2020. Additionally, with effect from 8:00 a.m. on 3 January 2020, 111,053,489 Galliford Try Holdings plc shares with a nominal value of 50p each, being the entire issued share capital of Galliford Try Holdings plc, was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of all shares of Galliford Try plc.

Further information on the nature and steps required to complete the transaction are included in note 1.

As a result of this disposal, the Linden Homes and Partnerships & Regeneration segments have been classified as discontinued operations in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. Accordingly, prior periods in the income statement and the statement of cash flows have been restated to show separately those balances in respect of discontinued operations.

The profit for the year (and associated comparative periods) of these discontinued operations are as follows:

	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
<b>Year ended 30 June 2020 – discontinued operations<sup>1</sup></b>				
Revenue	303.1	348.8	–	651.9
Profit/(loss) from operations	50.1	18.7	(27.9)	40.9
Share of joint ventures' interest and tax	(6.6)	–	–	(6.6)
Profit/(loss) before finance costs, amortisation and tax	43.5	18.7	(27.9)	34.3
Net finance (costs)/income	(17.5)	(0.7)	17.5	(0.7)
Amortisation costs	–	(1.0)	–	(1.0)
Profit/(loss) before taxation	26.0	17.0	(10.4)	32.6
Income tax expense				(7.8)
Profit after tax of discontinued operations				24.8

1 The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This resulted in the recognition of a lease liability for leases that were previously recognised as operating leases and therefore captured off-balance sheet. Interest expense is charged on the lease liability and included within net finance (costs)/income above.

	Linden Homes £m	Partnerships & Regeneration £m	Central Restated £m	Total £m
<b>Year ended 30 June 2019 – discontinued operations</b>				
Revenue	758.7	551.9	–	1,310.6
Profit from operations	160.5	34.8	(0.6)	194.7
Share of joint ventures' interest and tax	(9.3)	(3.4)	–	(12.7)
Profit before finance costs, amortisation and tax	151.2	31.4	(0.6)	182.0
Net finance (costs)/income	(36.2)	(1.8)	30.2	(7.8)
Exceptional items	–	–	(3.5)	(3.5)
Amortisation costs	–	(1.4)	–	(1.4)
Profit before taxation	115.0	28.2	26.1	169.3
Income tax expense				(32.9)
<b>Profit for the period</b>				136.4

The Linden Homes and Partnerships & Regeneration segments (which comprise the housebuilding operations) and certain other assets and liabilities were transferred to Vistry Group plc on 3 January 2020 (including the £100m Private Placement notes and two of the Group's defined benefit pension schemes).

	2020 £m
<b>Gain on sale and distribution of the discontinued operations</b>	
Net proceeds	476.3
Transaction costs	(18.9)
Total net disposal consideration	457.4
Carrying amount of net assets disposed and distributed	(969.2)
	(511.8)
Fair value of distribution of Galliford Try Homes Limited	840.0
<b>Net gain on sale before income tax</b>	328.2
Income tax expense on gain	–
<b>Net gain on sale after income tax</b>	328.2
<b>Net profit from discontinued operations for the year per Income Statement</b>	353.0

The transaction has been described in detail in note 1 with the businesses sold on a cash-free debt-free basis with Linden Homes being distributed to shareholders (plus a further cash working capital adjustment being paid by the buyer to the Group) and the Partnerships & Regeneration business being sold for cash.

The total proceeds received of £476.3m consist of £300.0m in cash, the transfer of the £100.0m Private Placement 10-year sterling notes to the buyer and a further provisional working capital adjustment of £76.3m. The Group incurred total third-party advisor fees, professional fees and stamp duty in respect of the transaction of £18.9m resulting in net disposal proceeds of £457.4m. The carrying amount of net assets immediately prior to the disposal in respect of the discontinued operations was £969.2m, as noted in the table below.

As indicated above, Linden Homes was disposed via a distribution to shareholders. The owner of each Galliford Try share (in Galliford Try Limited, formerly Galliford Try plc) received 0.57406 shares in Vistry Group plc (formerly Bovis Homes plc) as well as one replacement share in Galliford Try Holdings plc. Under IFRIC 17 Distributions of Non-cash Assets to Owners, this distribution is reflected at fair value, with the difference between the fair value of the assets distributed and their carrying value (within the total housebuilding net assets carrying value of £969.2m) reflected in profit or loss. Based on the market value of the shares in Vistry Group plc at the time of completion (of £13.12), the fair value of the assets distributed was £840.0m.

Finally, as a result of the transaction, incorporating the disposal of the housebuilding divisions, the completion of the court-approved scheme of arrangement, reorganisation of the Group structure with the insertion of Galliford Try Holdings plc as the ultimate parent of the Group (under Part 26 of the Companies Act 2006) and the subsequent capital reduction of Galliford Try Limited, the Group's consolidated share premium and other reserves were reduced by £197.7m to nil and increased by £80.9m to £85.7m respectively, with the net balance recycled through retained earnings (see note 20).

This resulted in a net gain on sale from the transaction of £328.2m which in addition to the trading profit for the year of £24.8m resulted in a net profit for the year from discontinued operations of £353.0m, as reflected in the Income Statement.

The carrying amounts of assets and liabilities as at the date of disposal and the distribution of Galliford Try Homes Ltd (3 January 2020) were:

	3 January 2020 £m
Goodwill and intangible assets	92.8
Property, plant & equipment	3.6
Right of use assets <sup>1</sup>	16.3
Investments in joint ventures	71.8
Developments	821.6
Trade and other receivables	595.3
Cash and cash equivalents	869.9
Retirement benefit assets	12.0
<b>Total assets</b>	<b>2,483.3</b>
Trade and other payables	(626.2)
Lease liabilities <sup>1</sup>	(16.7)
Borrowings	(869.9)
Deferred income tax liabilities <sup>1</sup>	(1.3)
<b>Total liabilities</b>	<b>(1,514.1)</b>
<b>Net assets</b>	<b>969.2</b>

<sup>1</sup> The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity.

The assets noted above include items previously segmented to Central that were transferred to Vistry Group plc as part of the sale of the housebuilding division completed on 3 January 2020, such as the £100m Private Placement notes and £12.0m in respect of two of the Group's defined benefit pension schemes.

## 9 Dividends

Group	2020		2019	
	£m	pence per share	£m	pence per share
Previous year final	38.9	35.0	54.4	49.0
Current year interim	–	–	25.5	23.0
<b>Dividend recognised in the year</b>	<b>38.9</b>	<b>35.0</b>	<b>79.9</b>	<b>72.0</b>

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

	2020		2019	
	£m	pence per share	£m	pence per share
Interim	–	–	25.5	23.0
Final	–	–	38.9	35.0
<b>Dividend relating to the year</b>	<b>–</b>	<b>–</b>	<b>64.4</b>	<b>58.0</b>

The directors are not proposing a final dividend in respect of the financial year ended 30 June 2020 (2019: 35.0p), bringing the total dividend in respect of 2020 to nil pence per share (2019: 58.0p).

The Company became the ultimate holding company of the Group on 3 January 2020 and paid no dividends in the year (2019: n/a).

## 10 Earnings Per Share

### Basic and diluted earnings/(losses) 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.

	2020			2019		
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
<b>Continuing operations</b>						
<b>Basic EPS – pre-exceptional</b>						
Earnings attributable to ordinary shareholders pre-exceptional items	(52.9)	110,798,602	(47.7)	(11.8)	110,704,829	(10.7)
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders post-exceptional items	(32.6)	110,798,602	(29.4)	(49.5)	110,704,829	(44.7)
<b>Effect of dilutive securities:</b>						
Options	n/a	–	n/a	n/a	94,166	n/a
Diluted EPS – pre-exceptional	(52.9)	110,798,602	(47.7)	(11.8)	110,798,995	(10.6)
Diluted EPS	(32.6)	110,798,602	(29.4)	(49.5)	110,798,995	(44.7)
<b>Total operations</b>						
<b>Basic EPS – pre-exceptional</b>						
Earnings attributable to ordinary shareholders pre-exceptional items	300.1	110,798,602	270.9	128.1	110,704,829	115.7
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders post-exceptional items	320.4	110,798,602	289.2	86.9	110,704,829	78.5
<b>Effect of dilutive securities:</b>						
Options	n/a	–	n/a	n/a	94,166	n/a
Diluted EPS – pre-exceptional	300.1	110,798,602	270.9	128.1	110,798,995	115.6
Diluted EPS	320.4	110,798,602	289.2	86.9	110,798,995	78.4
<b>Discontinued operations</b>						
<b>Basic EPS – pre-exceptional</b>						
Earnings attributable to ordinary shareholders pre-exceptional items	353.0	110,798,602	318.6	139.9	110,704,829	126.4
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders post-exceptional items	353.0	110,798,602	318.6	136.4	110,704,829	123.2
<b>Effect of dilutive securities:</b>						
Options	n/a	–	n/a	n/a	94,166	n/a
Diluted EPS – pre-exceptional	353.0	110,798,602	318.6	139.9	110,798,995	126.3
Diluted EPS	353.0	110,798,602	318.6	136.4	110,798,995	123.1

## 11 Goodwill

Group	£m
<b>Cost</b>	
At 30 June 2018, 1 July 2018 and 30 June 2019	160.3
Addition	6.9
Disposal	(90.0)
<b>At 30 June 2020</b>	<b>77.2</b>

Aggregate impairment at 30 June 2018, 1 July 2018 and 30 June 2019 (0.7)

Disposal	0.7
<b>At 30 June 2020</b>	<b>–</b>
<b>Net book amount</b>	
<b>At 30 June 2020</b>	<b>77.2</b>
At 30 June 2019	159.6
At 30 June 2018	159.6

The addition in the year related to the acquisition of STG and the disposal was in respect of the sale of the Group's housebuilding divisions to Vistry Group plc on 3 January 2020 (notes 1 & 8).

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

	2020 £m	2019 £m
Linden Homes	–	52.5
Partnerships & Regeneration	–	29.9
Building	40.0	40.0
Infrastructure	37.2	37.2
	<b>77.2</b>	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 and management's expectation of the future level of work available within the market sector. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category. In Building and Infrastructure, the margins currently being achieved are expected to increase in line with the strategy set out in the Strategic Report in the Group's annual report.

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 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. Furthermore, 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, and the results are noted below.

The pre-tax discount rates for each CGU are noted below and the significant increase in these rates compared to the prior year reflects the change in the Group's capital and debt structure following the disposal of the housebuilding operations as well as reflecting the current uncertainty and risk premium inherent in the capital markets with the ongoing Covid-19 pandemic.

The impact of Covid-19 has been reflected in the Group's approved budgets for the next three years with budgeted operating margins updated on a contract by contract basis to reflect new standard operating procedures and potential increased costs to reflect revised government and industry health and safety guidelines as well as any delays to existing projects due to site curtailments or closures in early 2020.

#### Building CGU

A pre-tax discount rate of 14.5% (2019: 8.7%) in Building has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of that division.

A long-term growth rate of 2.0% per annum has been applied to the budgeted cash flows (reflecting the board approved budget operating margins and working capital cashflows) into perpetuity and these assumptions result in the recoverable value of this CGU being significantly in excess of the carrying value of the CGU assets.

The Building CGU is not sensitive to changes in key assumptions and management does not consider that any reasonable possible change in any single assumption would give rise to an impairment of the carrying value of goodwill and intangibles.

#### Infrastructure CGU

A pre-tax discount rate of 14.7% (2019: 9.4%) in Infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of that division.

A long-term growth rate of 2.0% per annum has been applied to the budgeted cash flows (reflecting the board approved budget operating margins and working capital cashflows) into perpetuity and these assumptions result in the recoverable value of this CGU being in excess of the carrying value of the CGU assets (by £19m).

However, the headroom resulting from the value in use calculations indicates that this CGU is sensitive to changes in the key assumptions and management considers that a reasonably possible change in any single assumption could give rise to an impairment of the carrying value of goodwill and intangibles.

The detailed sensitivity analysis indicates that the following changes in each of these key assumptions would result in an impairment:

- > Budgeted revenue annual growth rates across the three years of the budget period, range from nil to 14% at an average of 5.8%. A reduction of this rate to 2.6% per annum would result in the headroom being eliminated.

- > A long term growth rate of 2.0% has been applied. Even if this was reduced to nil, the headroom would remain greater than £9m.
- > Gross operating margins (before divisional and central overheads and contingencies) are forecast to range from 2.3% to over 3.0% across the three years of the budget period, at an annual average of over 3.0%. These margins would need to reduce to an average of approximately 2.5% per annum to eliminate the headroom.
- > The pre-tax discount rate is 14.7% and an increase of more than 26% to 18.6% would eliminate the headroom. This increase in discount rate would reflect an additional risk premium in respect of the current growth assumptions.
- > A reduction of 27% in the overall forecast operating cash flows of the CGU would eliminate the headroom.

It should be noted that a deterioration in a combination of these key assumptions (especially the WACC) would result in a larger reduction in assessed headroom.

## 12 PPP and other investments

Group	2020 £m	2019 £m
At 1 July	41.6	26.8
Effect of change in accounting policy <sup>1</sup>	–	5.5
Restated at 1 July	41.6	32.3
Additions	6.6	22.7
Disposals of housebuilding divisions (notes 1 & 8)	(0.5)	–
Disposals and subordinated loan repayments	(5.2)	(14.2)
Movement in fair value	(1.8)	0.8
<b>At 30 June</b>	<b>40.7</b>	<b>41.6</b>

<sup>1</sup> 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.

These comprise PPP/PFI investments, shared equity receivables (disposed of during the year) and investments in other listed securities (acquired during the year as a result of the shares held in the Employee Benefit Trust in Galliford try Limited, formerly Galliford Try plc which resulted in the receipt of shares in Vistry Group plc, held at fair value, following the sale of the housebuilding divisions to Vistry Group plc on 3 January 2020).

## 13 Trade and other receivables

	2020 £m	2019 (Restated – note 24) £m
Amounts falling due within one year:		
Trade receivables	49.4	169.6
Less: provision for impairment of receivables	(1.6)	(0.4)
Trade receivables – net	47.8	169.2
Contract assets <sup>1</sup> (note 17)	172.0	332.8
Amounts due from joint ventures	0.9	93.5
Other receivables	9.8	4.9
Prepayments	17.0	73.9
	<b>247.5</b>	<b>674.3</b>

<sup>1</sup> Contract assets of £172.0m at 30 June 2020 includes a life-time expected credit loss allowance of £14.0m (2019: £14.0). The contract asset as at 30 June 2019 has been restated (notes 1 and 24).

	2020 £m	2019 £m
Amounts falling due in more than one year:		
Amounts due from joint ventures	–	238.1
Other receivables	–	0.3
	<b>–</b>	<b>238.4</b>

## 14 Cash and cash equivalents

Group	2020 £m	2019 £m
<b>Net cash/(debt)</b>		
Cash and cash equivalents excluding bank overdrafts	197.2	591.2
Current borrowings – bank overdrafts	–	(449.6)
Cash and cash equivalents per the statements of cashflows	197.2	141.6
Current borrowings – bank loans <sup>1</sup>	–	(98.2)
Non-current borrowings – debt private placement <sup>1</sup>	–	(100.0)

<b>Net cash/(debt)</b>	<b>197.2</b>	(56.6)
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1 On completion of the disposal of Group's housebuilding divisions on 3 January 2020, the Company received £300m of cash, transferred the £100m debt private placement 10-year sterling notes to Vistry Group plc and received a further working capital cash adjustment. This has resulted in the Group holding a net cash position at all times since the transaction.

Net cash excludes IFRS 16 lease liabilities.

## 15 Trade and other payables

	2020 £m	2019 (Restated) £m
Trade payables	108.1	284.9
Development land payables	–	150.5
Contract liabilities (note 17)	112.3	237.9
Amounts due to joint ventures	–	24.8
Other taxation and social security payable	18.6	11.1
Other payables	1.2	25.0
Accruals	218.6	528.3
	<b>458.8</b>	<b>1,262.5</b>

## 16 Other non-current liabilities

	2020 £m	2019 £m
Development land payables	–	66.4
Contract liabilities	–	26.1
Accruals	–	10.5
	<b>–</b>	<b>103.0</b>

## 17 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:

	Contract asset £m	Contract liability £m
As 30 June 2019 as reported	412.8	(254.6)
Restatement (note 24)	(80.0)	(9.4)
At 30 June 2019 and 1 July 2019	<b>332.8</b>	<b>(264.0)</b>
Balances removed due to business disposals <sup>1</sup>	<b>(68.3)</b>	<b>127.6</b>
Revenue recognised in the year (continuing operations) <sup>2</sup>	<b>1,051.3</b>	<b>70.3</b>
Net cash received in advance of performance obligations being fully satisfied	–	<b>(46.2)</b>
Transfers in the period from contract assets to trade receivables	<b>(1,143.8)</b>	–
<b>30 June 2020</b>	<b>172.0</b>	<b>(112.3)</b>

1 Disposal of housebuilding divisions (note 8). The balances reflect those at 30 June 2019.

2 Of the revenue recognised, £32.0m is in respect of the final agreement for AWPR. The revenue was previously constrained due to uncertainty of the ongoing negotiation as at 30 June 2019.

## 18 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method, using a tax rate of 19.0% (2019: 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:

	2020 £m	2019 £m
Deferred income tax assets – non-current	<b>5.3</b>	5.7
Deferred income tax assets	<b>5.3</b>	5.7
Deferred income tax liabilities – non-current	<b>(1.0)</b>	(4.4)
Deferred income tax liabilities	<b>(1.0)</b>	(4.4)

Net deferred income tax	<b>4.3</b>	1.3
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The movement for the year in the net deferred income tax account is as shown below:

	2020 £m	2019 £m
<b>At 30 June</b>	<b>1.3</b>	<b>(0.7)</b>
Effect of transition to IFRS 9 and IFRS 15	–	8.8
Restated at 1 July	<b>1.3</b>	8.1
Current year's deferred income tax – continuing operations	<b>(0.3)</b>	(6.6)
Current year's deferred income tax – discontinued operations	<b>0.3</b>	–
Adjustment in respect of prior years – continuing operations	<b>3.4</b>	(0.1)
Adjustment in respect of prior years - discontinued operations	<b>(0.1)</b>	–
(Expense) recognised in equity – continuing operations	–	(0.1)
(Expense) recognised in equity - discontinued operations	<b>(0.1)</b>	–
Acquisition of subsidiaries <sup>1</sup>	<b>(1.0)</b>	–
Disposal of subsidiaries <sup>2</sup>	<b>0.8</b>	–
<b>At 30 June</b>	<b>4.3</b>	<b>1.3</b>

1 Acquisition of STG.

2 Disposal of housebuilding divisions on 3 January 2020.

## 19 Share-based payments

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' remuneration report in the Annual Report. The Company also operates sharesave schemes although there are no live grants as at 30 June 2020. The total charge for the year relating to employee share-based payment plans for continuing operations was £nil (2019: £0.9m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £nil (2019: £0.8m).

Following the disposal of the housebuilding operations to Vistry Group plc on 3 January 2020 (notes 1 & 8) and the associated scheme of arrangement resulting in Galliford try Holdings plc becoming the ultimate holding company of the Galliford Try Group, all existing savings related share options and performance-related long-term incentive plans vested or expired. Following the completion of the transaction, a new performance-related long-term incentive plan was established and 2.2m options were granted to the members of the Executive Board. As at 30 June 2020, these are therefore the sole in-flight share options.

## 20 Other reserves and retained earnings

	Notes	Other reserves £m	Retained earnings £m
At 30 June 2018 (as originally reported)		4.8	518.6
Restatement <sup>1</sup>		–	(94.3)
Restated at 1 July 2018		4.8	424.3
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018 (restated)		–	(10.4)
Adjusted at 1 July 2018		4.8	413.9
Profit for the year		–	86.9
Movement in fair value of PPP and other investments - continuing operations	12	–	0.8
Deferred and current tax on movements in equity - continuing operations	18	–	(0.1)
Actuarial losses recognised related to retirement benefit obligations - discontinued operations		–	(2.4)
Deferred and current tax on movements in equity - discontinued operations		–	0.7
Movement in fair value of derivative financial instruments - discontinued operations		–	0.5
Dividends paid	9	–	(79.9)
Share-based payments	19	–	0.9
Restated at 30 June 2019		<b>4.8</b>	<b>421.3</b>
Adjustment as a result of transition to IFRS 16 on 1 July 2019	1 & 23	–	<b>(1.0)</b>
<b>Restated at 1 July 2019</b>		<b>4.8</b>	<b>420.3</b>
Profit for the year		–	<b>320.4</b>
Dividends paid	9	–	<b>(38.9)</b>
Actuarial gains recognised related to retirement benefit obligations – discontinued operations		–	<b>2.0</b>
Share-based payments - continuing and discontinued operations	19	–	<b>0.2</b>
Movement in fair value of PPP and other investments	12	–	<b>(1.8)</b>
Movement in fair value of derivative financial instruments		–	<b>0.4</b>
Deferred and current tax on movements in equity	18	–	<b>(0.1)</b>

Capital reorganisation <sup>1</sup>	1 & 8	227.4	(29.7)
Disposal of housebuilding operations to Vistry Group plc	1 & 8	–	(840.0)
Impairment of investment in Galliford Try Limited and associated recycling of merger reserve to retained earnings		(146.5)	146.5
<b>At 30 June 2020</b>		<b>85.7</b>	<b>(20.7)</b>

The Group's other reserves relates to a merger reserve amounting to £85.7m (2019: £4.7m) and the movement on PPP and other investments amounting to £nil (2019: £0.1m).

<sup>1</sup> Following the disposal of the housebuilding divisions of Galliford Try Limited (formerly Galliford Try plc), effective from 3 January 2020, the entire issued share capital of Galliford Try Holdings plc, was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of all shares of Galliford Try Limited (formerly Galliford Try plc).

## 21 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.

Pension costs for the schemes were as follows:

	2020 £m	2019 £m
Defined benefit schemes – expense recognised in the income statement	–	–
Defined contribution schemes	15.5	15.2
Total included within employee benefit expenses	15.5	15.2

Of the total charge for all schemes £8.2m (2019: £7.3m) and £7.3m (2019: £7.9m) were included, respectively, within cost of sales and administrative expenses. £nil (2019: nil) was included within net finance costs.

### Defined benefit schemes

Historically, the Group has also operated 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 prior year balance sheet (for 2019) includes all three of these arrangements. However, the Group's two principal funded pension schemes (being the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme) were transferred to Vistry Group plc as part of the disposal of the Linden Homes and Partnerships & Regeneration divisions to Vistry Group plc on 3 January 2020 (see notes 1 & 8).

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 will be completed during the coming financial year, at which time it is expected that the remaining surplus assets will be returned to the Group. Therefore, the balances detailed below represent the current value of these remaining surplus assets.

	2020 £m	2019 £m
Fair value of plan assets	1.0	245.7
Present value of defined benefit obligations	–	(238.7)
Net surplus in scheme recognised as a non-current asset 30 June	1.0	7.0

## 22 Guarantees and contingent liabilities

Galliford Try Holdings 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 £157.4m (2019: £239.2m).

## 23 Impact of the adoption of IFRS 16 Leases

The following is the impact of transition on the individual balance sheet accounts:

	As originally stated at 30 June 2019 £m	Impact on Continuing operations £m	Impact on Discontinued operations £m	As at 1 July 2019 Group total £m
Right of use assets	–	25.5	16.6	42.1
Lease prepayment assets (de-recognised)	0.7	(0.4)	(0.3)	–
Lease liabilities	–	(25.6)	(17.9)	(43.5)
Lease accrual liabilities (de-recognised)	(0.9)	0.2	0.7	–
Deferred tax (associated with leases)	–	–	0.2	0.2
Net impact on retained earnings on transition at 1 July 2019	(0.2)	(0.3)	(0.7)	(1.2)

The following is a reconciliation of the operating lease commitment disclosed at 30 June 2019 to opening lease liability at 1 July 2019:

	£m
Operating lease commitment disclosed at 30 June 2019	41.6
Less: short term leases <sup>1</sup>	(1.9)
Balance of commitment	39.7
Discounted at the incremental borrowing rate <sup>2</sup>	(2.6)
Adjustments as a result of a different lease term under IFRS 16	6.4
Lease liability recognised at 1 July 2019	43.5

1 short term leases and leases of low value assets are expensed on a straight-line basis over the term of the lease.

2 the weighted average borrowing rate was 3.77%, with a range of values between 3.10% and 5.98%.

### Impact in the period

As a result of the application of IFRS 16, the operating lease rental expense previously charged to operating profit in the income statement is 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. During the year ended 30 June 2020, for the total Group including continuing and discontinued operations, the depreciation charge relating to right of use assets was £9.3m and the interest charge was £1.0m. Further lease charges have been recognised as operating expenses of £12.1m in respect of exempt short term leases and £0.4m in respect of exempt low value long term leases.

## 24 Prior year adjustments

The Group has a number of prior year adjustments, primarily as a result of revisiting the application of the accounting standards IFRS 9 and 15 and as a result of discussions with the FRC's Corporate Reporting Review Team ('CRRT') following the conclusion of their review of the Group's 2018 financial statements.

Their review was based on the Group's annual report and accounts and did not benefit from detailed knowledge of Galliford Try's business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

As a result of the opening net assets for the comparative year being adjusted following the application of these prior year adjustments, an additional prior year comparative consolidated balance sheet for (as at 30 June 2018) has also been disclosed.

The prior year adjustments relate to:

- > AWPR contract accounting
- > Accounting for downstream claims
- > Accounting for other legacy contracts

The total impact of these adjustments is summarised below:

### (i) AWPR contract

As at 30 June 2018 and 30 June 2019, the Group had recognised an asset (within 'Trade and Other Receivables') in relation to the AWPR contract, in respect of the amount assessed to be recoverable from claims against the client, Transport Scotland (TS). The Group had previously considered that this balance was assessed in accordance with the appropriate accounting standard (IAS 11 Construction Contracts) as at 30 June 2018. Reference to these expected recoveries was included in the Annual Report at 30 June 2018 and 30 June 2019.

As disclosed in the Group's 30 June 2019 financial statements, the CRRT undertook a review of the Group's 30 June 2018 financial statements. Following this review and discussions held between the CRRT and the Group, the Group has revised its assessment as to whether negotiations with TS had reached a sufficiently advanced stage to allow the Directors to reliably assess the amount of revenue expected to be recovered and concluded that it was incorrect to recognise revenue and the associated contract asset in respect of the claim under IAS 11 as at 30 June 2018, or under IFRS 15 as at 30 June 2019.

The Group has therefore undertaken a prior year adjustment to reverse the recognition of the Trade and Other Receivables balance of £80.0m (and the associated tax liability), reduce those items to nil and to restate retained earnings by £64.8m as at 30 June 2018 and 30 June 2019. This adjustment would have reduced revenue and profit before tax in the years to 30 June 2017 and 30 June 2018 by £62.5m and £17.5m respectively.

As a result of the above adjustments, following settlement with the client, the Group has recognised exceptional income of £32.0m (net of final cost estimates of £4.0m) in the year to 30 June 2020 (note 5).

### (ii) Downstream claims

On adoption of IFRS 15 from 1 July 2018, as disclosed in the 30 June 2019 financial statements, the Group 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. Accordingly, in the 30 June 2019 financial statements, the Group included £28.7m as a net IFRS 15 transition adjustment.

As part of its review of the financial statements for the year ended 30 June 2018, the CRRT challenged the Group as to whether or not it was in sufficiently advanced negotiations with third parties over certain downstream claims to warrant recognising an asset under the previous IAS 11 accounting standard. The Group has reviewed its accounting at 30 June 2018 and concluded that it had incorrectly recognised net assets of £21.9m at 30 June 2018 relating to these downstream claims under IAS 11. Therefore, the Group is now of the opinion that £21.9m of the total net balance of £28.7m that was derecognised on transition to IFRS 15 on 1 July 2018 should have been presented as the correction of an error under IAS 11 at 30 June 2018. This adjustment would have increased cost of sales and reduced profit before tax in the years to 30 June 2016 and earlier, 30 June 2017 and 30 June 2018 by £13.8m, £8.7m and £4.6m respectively.

### (iii) Other contract assets

On 23 December 2019, the Group announced that an adverse adjudication on a historical contract had resulted in a loss of £9.4m. On reviewing this adjudication decision, the Group has reconsidered whether or not the amount of revenue previously recognised in relation to this contract met the criteria for recognition under IAS 11 and IFRS 15. As a result, the Group is now of the opinion that it had overstated revenue by £8.0m and had understated costs by £1.4m as at 30 June 2018 and 30 June 2019. The impact of the correction of this error is to reduce retained earnings at 30 June 2018 and 30 June 2019 by £7.6m, increase trade and other payables by £9.4m and to reduce the corporation tax creditor by £1.8m. This adjustment would have reduced revenue by £8.0m, increased cost of sales by £1.4m and reduced profit before tax by £9.4m in the year ended 30 June 2018.

The impact of these adjustments to the reported prior year net assets can be summarised as below:

	30 June 2019 £m	30 June 2018 £m
<b>Closing net assets as originally reported</b>	<b>751.7</b>	<b>776.5</b>
Net asset restatement in respect of:		
(i) AWPR contract	(64.8)	(64.8)
(ii) Downstream claims	–	(21.9)
(iii) Other contracts assets	(7.6)	(7.6)
Total net asset restatement	(72.4)	(94.3)
<b>Restated closing net assets</b>	<b>679.3</b>	<b>682.2</b>

The impact on the individual balances in the balance sheet as at 30 June 2019 is shown below:

	30 June 2019 as reported £m	Adjustment (i) £m	Adjustment (ii) £m	Adjustment (iii) £m	30 June 2019 restated £m
<b>Assets</b>					
<b>Non-current assets</b>					
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
<b>Current assets</b>					
Developments	876.7	–	–	–	876.7
Trade and other receivables	754.3	(80.0)	–	–	674.3
Current income tax assets	–	6.9	–	1.8	8.7
Cash and cash equivalents	591.2	–	–	–	591.2
Total current assets	2,222.2	(73.1)	–	1.8	2,150.9
<b>Total assets</b>	<b>2,765.1</b>	<b>(73.1)</b>	<b>–</b>	<b>1.8</b>	<b>2,693.8</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Financial liabilities					
– Borrowings	(547.8)	–	–	–	(547.8)
Trade and other payables	(1,253.1)	–	–	(9.4)	(1,262.5)
Current income tax liabilities	(8.3)	8.3	–	–	–
Provisions for other liabilities and charges	(0.4)	–	–	–	(0.4)
Total current liabilities	(1,809.6)	8.3	–	(9.4)	(1,810.7)
<b>Non-current liabilities</b>					
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)
<b>Total liabilities</b>	<b>(2,013.4)</b>	<b>8.3</b>	<b>–</b>	<b>(9.4)</b>	<b>(2,014.5)</b>
<b>Net assets</b>	<b>751.7</b>	<b>(64.8)</b>	<b>–</b>	<b>(7.6)</b>	<b>679.3</b>