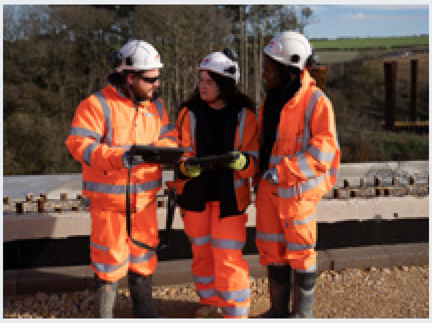
Delivering Sustainable Growth

Galliford Try Holdings plc

Annual Report and Financial Statements 2023

Delivering Sustainable Growth

Find out how our Sustainable Growth Strategy...



Champions a people-orientated, progressive culture

We prioritise health, safety and wellbeing above all and invest in retaining, developing and attracting the right talent.

Read more p24 →

Drives us to operate in a socially responsible way

Across our operations, we seek to protect the environment and make a positive impact in the community.

Read more p30 →

Delivers high-quality buildings and infrastructure

Our approach to innovation, digitalisation, low carbon and collaborative supply chain relationships enables us to deliver excellence for our clients.

Read more p36 →

Provides sustainable financial returns

A disciplined approach to contract selection, embedded risk management practices and strong balance sheet ensures we earn a sustainable return on the value we deliver.

Read more p45 →

Strategic report

Governance

Financial information

Financial performance

£1,394m
Revenue
(2022: £1,237m)

£19.1m
Pre-exceptional operating profit before amortisation[1]
(2022: £18.5m)

2.4%
Divisional operating margin[1]
(2022: 2.4%)

£20.6m
Pre-exceptional profit before tax[1]
(2022: £19.1m)

£10.1m
Profit before tax
(2022: £5.4m)

£135m
Average month-end cash
(2022: £174m)

16.6p
Pre-exceptional earnings per share[1]
(2022: 16.0p)

£8.7p
Earnings per share
(2022: £5.8p)

10.5p
Full year dividend per share
(2022: 8.0p)

£3.7bn
Order book
(2022: £3.4bn)

1 See note 32 for our alternative performance measures.

Leading on all fronts

"We are proud to be at the forefront of the vital role construction is playing in the future of the UK.

"Construction is all about people, so we lead with the idea that what we do makes a real difference to people's lives. We are contributing to the decarbonisation of the UK, while unlocking the potential of digitalisation and innovation to drive efficiency. We are working in partnership with our supply chain to deliver high-quality buildings and infrastructure for our clients and communities, and we are leaving a positive legacy for wider society through the skills, training and employment we provide. This pursuit of long term-value for our stakeholders is key to our success and is demonstrated across all our key performance indicators, from revenue to margin and order book. Coupled with our excellent market position and continued demand, we are excited about the future and look forward with confidence."

Bill Hocking
Chief Executive

Chief Executive's review p18 →

At a glance

A progressive UK construction business

We are playing our part in the improvement of the UK's built environment, driving forward the role of construction as an agent of change

What we believe

Our purpose

To improve people's lives by building the facilities and infrastructure that communities need, while providing opportunities for our people to learn, grow and progress; working with our supply chain to promote the very best working practices; and caring for the environment in which we work.

Our vision

To be a people-orientated, progressive business, driven by our values to deliver for our stakeholders and the communities we work in.

Our values

Excellence
Striving to deliver the best.

Passion
Committed and enthusiastic in all we do.

Integrity
Demonstrating strong ethical standards with openness and honesty.

Collaboration
Dedicated to working together to achieve results.

See People p27 →

What we do

We are a major construction group, operating predominantly as Galliford Try in England and Wales, and Morrison Construction in Scotland. Our network of regional offices is a key advantage, offering clients the benefit of national strength with local relationships. Our approach to digitalisation and low carbon capabilities are increasingly sought after by clients in our sectors.

Building

Operates across the UK, designing, constructing and refurbishing assets across markets where we have expertise and significant opportunities, particularly the education, health, defence, custodial and commercial sectors. Our Facilities Management business works with Building, with an emphasis on the education and health sectors. Its capabilities include delivering high-quality, full life-cycle solutions to our clients.

Operating review p48 →

Infrastructure

Our Infrastructure division carries out vital civil engineering projects across the UK.

In the water and sewage sectors, we are one of the largest players in the market, and carry out capital delivery and maintenance, and asset optimisation.

We contribute substantially to the national road network, from major project delivery of large-scale schemes to local authority works, maintenance and urban, multi-modal transport schemes.

Investments

Has expertise in leading bid consortia and arranging finance to devise and secure the right solution on an individual basis, making us attractive to clients. We specialise in managing construction through to operations for major building projects via public private partnerships. These skill sets are now being used to progress co-development opportunities, with a focus on the PRS (Private Rented Sector).

A flagship carbon neutral research and development facility
Delivered for the National Manufacturing Institute Scotland, part of the University of Strathclyde (read more on page 40).

Who we work with

We primarily work with clients in the public and regulated sectors, where we have core strengths and a track record, based on a strong understanding of client requirements, the market and risk profile. We focus on education, health, defence, custodial, highways and environment, as well as the commercial sector.

We seek clients who value a collaborative approach and long-term relationships, for example by working in frameworks. Frameworks are multi-year procurement vehicles used by public and regulated sector clients. They provide greater opportunities for deeper, collaborative working and support the achievement of wider strategic and social goals, better understanding between parties, early mitigation of risk and ultimately repeat business.

87%
of our order book is in the public and regulated sectors.

87%
of our order book is with repeat clients.

82%
of our order book is in frameworks.

A progressive UK construction business

We are proud to deliver vital buildings and infrastructure across the country that make a real difference to people's lives.

What we do

Building

Design	Build
Refurb	Fit-Out

Education

Defence & Custodial

Health

Commercial/Other

Infrastructure

Design	Build
Maintain	Optimise

Highways

Environment

Investments

+ Manages construction through to operations for major building projects via public private partnerships.
+ Participates in co-development opportunities, focusing on the PRS (Private Rented Sector).

Facilities Management

+ Provides full life-cycle Facilities Management (FM) solutions for clients from the Building sectors.

How we do it

Identifying opportunities

We seek opportunities within our chosen markets and only pursue those where we have the skills, expertise and resources to successfully complete the work safely, profitably and to a high quality.

Alignment to risk appetite

We assess risks to ensure all aspects of a contract's terms and conditions satisfy our strict criteria.

Risk management p52 →

Assembling a team and procuring products and services

We assemble the right team, including subcontractors, suppliers and consultants, to carry out specific aspects of works such as mechanical and electrical work.

People p27 →
Supply chain p41 →

Construction

We carry out the agreed work managing safety, time, budget, quality and carbon requirements, as well as programme, resources and costs.

How we make money

We make a profit by carefully selecting the work we take on and executing it well.

High-quality revenue

We target lower-risk contracts that typically comprise:

Target cost/cost reimbursable
An overall target contract value is agreed with the client, including margin, risk and inflation contingencies, and the actual cost of the work plus an agreed fee is paid by the client. Any cost savings or overspends against the target are shared between us and the client.

Fixed-price
The final price and programme is negotiated on a sole basis following early involvement, resulting in a fixed-price for a defined scope at point of final contract award.

We earn revenue and profit from our PPP Investments and FM businesses, which offer lower-risk annuity type income and margin accretion.

Good capital management

Our business is typically cash generative, as we receive regular payments from clients as projects progress. We do not require significant investment in fixed assets or working capital and deploy a modest amount of cash for ongoing investment in the business and for investing in PPP or co-development projects. This supports predictable cash flow, margin improvement and shareholder returns.

Capital allocation p47 →

Resources and relationships

Value we create

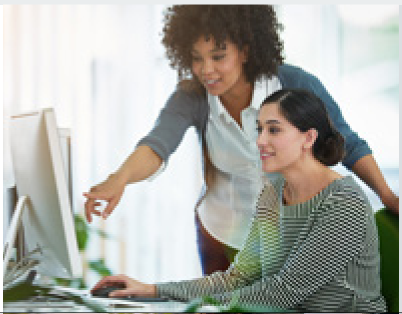
Discover more

People

Success comes from our people so we attract, retain and develop the right talent for our business, prioritising their health, safety and wellbeing and creating an inclusive environment where they can thrive.

3,747
jobs provided.

13,528 days
of learning and development provided.



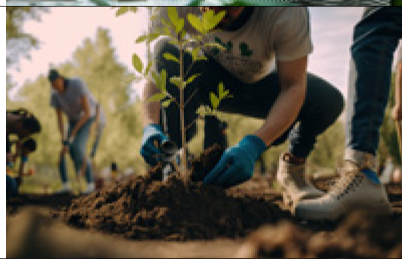
Health and safety p25

People p27

Natural resources

Our building processes use natural resources, including land, materials and energy.

69%
reduction in Scope 1 and 2 carbon emissions, since we started reporting them in 2012, and excluding recent acquisitions.



Environment and climate change p31

Clients

We carefully choose the sectors we want to work in and the clients we partner with.

87% of our £3.7bn
order book is for the public and regulated sectors.

Clients p37

Supply chain

Our supply chain predominantly consists of i) subcontractors – who operate on our sites and ii) suppliers – who provide materials.

Gold status
from the Supply Chain Sustainability School.

98%
of invoices paid in 60 days.

Supply chain p41

Communities

Engaging with the communities where we work enables us to deliver greater social value for them, and ensures we can carry out our work effectively.

£328m
of Social and Local Economic Value created through the work we do.

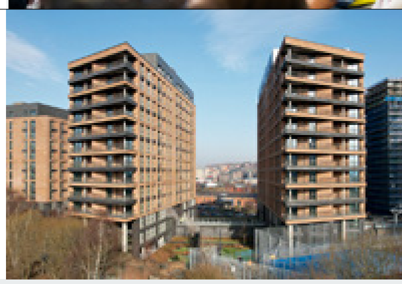
£347k
Charitable donations.

Communities p34

Financial strength

We maintain a robust balance sheet to give clients, our supply chain and shareholders reassurance that we are a financially sustainable business.

10.5p
Full year dividend per share.



Financial review p45

Our investment case

A compelling investment

Our high-quality business, driven by a progressive culture and leading positions in robust market sectors, is generating increasing returns for our shareholders.

Robust market opportunity

The UK's investment in economic and social infrastructure remains resilient. This demand for our services is underpinning growth in our existing markets, where we have leading positions, and adjacent markets where the nature of the work is complementary to our existing capabilities, and where risk profiles are within our appetite, and there are higher margins to take advantage of.

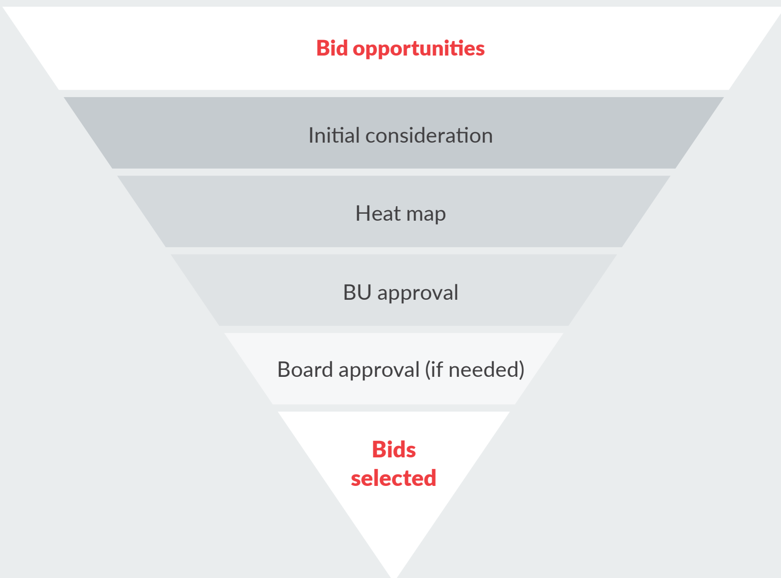
Read more p10 →

Rigorous risk management

We have a strong culture of discipline and risk management and only pursue opportunities where we have the skills, resources and contract terms and conditions to be successful.

We are selective about the work we take on and prioritise bottom line growth over revenue. This drives a high-quality order book which is characterised by its longevity through frameworks; a repeat client base who we know and can work collaboratively with; and embedded cash and margin profiles. This leads to work we can execute with confidence in addition to pipeline visibility, which enables us to effectively resource projects with our people and supply chain.

Read more p52 →



A progressive culture

Our approach to running a good construction business that can perform consistently and predictably revolves around attracting and retaining the right people, who share our purpose, values and objectives. We create a productive working environment where people can be themselves and are motivated to give their best, we empower them with the tools and resources required to carry out their work, and we reward them with development opportunities, a comprehensive benefits package and the flexibility to balance their personal lives with their professional goals.

Read more p24 →

Strong financial position

We are demonstrating a track record of consistent and predictable financial results. Our robust balance sheet is attractive to clients, as they seek to work with contractors who can deliver for them in the long term. It is also valued by our supply chain who want prompt payment and forward visibility of work. This, in turn, enables us to resource our projects effectively in periods of high demand. Balance sheet strength means we can invest in our people, technology and business to develop our capabilities and it gives us agility and the ability to react quickly to strategic opportunities, including bolt-on acquisitions aimed at enhancing our capabilities and driving up margin. Finally, it reinforces our ability to maintain a selective approach to the work we pursue.

Read more p45 →

Chair's statement

A culture-driven performance

A strong culture and progressive attitude are driving great performance and delivering long-term value for Galliford Try's stakeholders

Alison Wood
Chair

Overview

In my first year as Chair, I have been impressed by the contribution the Group is making to the future of the UK. This is being achieved both through the buildings and infrastructure the Group delivers, and a legacy of education, training, and investment in local initiatives, people and businesses. There is a genuine focus on wider societal benefit that is shared from site to Board room, by passionate teams, who are working towards a common goal, with shared values. This starts with h ealth, safety and wellbeing, and extends to decarbonising the environment. A successful construction company by its nature must consider its stakeholders and environment, and it is evident this has been long-ingrained in Galliford Try's culture, decision-making and operations.

The business is built on a strong foundation of risk management which is embedded in the culture of the business and drives long-term sustainability.

A strong performance driving enhanced shareholder returns

This year has proven to be another successful year for Galliford Try despite industry challenges around inflation, skills and material shortages, which now appear to be easing.

Pre-exceptional profit before tax rose by 7.9% to £20.6m (2022: £19.1m) and by 23% to £23.4m excluding the £2.8m contract settlement previously announced. Divisional operating margin remained robust at 2.4%. Cash remains a differentiator for Galliford Try and, encouraged by a consistently strong average month-end cash balance, the Group launched a share buyback programme in September 2022 to repurchase up to £15m of ordinary shares of 50 pence per share. The Board is satisfied with the progress of this buyback programme, with a total of 7,985,696 shares purchased and cancelled as at 15 September 2023.

During the year, the Group resolved a long running, complex and challenging multi-contract dispute, which resulted in settlement via a cash payment to the Group of £26m, generating an initial cash distribution by way of special dividend declared by the Board of 12.0p per share payable to shareholders in October 2023.

The Board's confidence in the outlook has led to an improved dividend policy, of earnings covering the dividend by 1.8 times. Alongside dividend growth from our operational performance, this improvement reflects the low-risk nature of the PPP asset portfolio and its annuity interest income, and provides a sustainable increase in dividend to shareholders while retaining capital to invest in growing the business. Having paid an interim dividend of 3.0p, up by 36% on the 2.2p per share paid in the prior year, the Board has proposed a final dividend of 7.5p per share (2022: 5.8p per share). The total dividend for the year is therefore 10.5p, up 31% (2022: 8.0p) and in line with the improved cover policy, reflecting the Board's confidence in the Group's performance, outlook and strong balance sheet.

Sustainable Growth Strategy

Progress is being made across all aspects of the Group's Sustainable Growth Strategy with improvement in key areas including margin and revenue. The acquisitions of specialist businesses MCS Control Systems and Ham Baker, during the year, have further enhanced the Environment business, while growth in Building and Infrastructure is also contributing to strategic goals.

Underpinning the Sustainable Growth Strategy are our four pillars of a progressive culture, socially responsible delivery, quality and innovation, and sustainable financial returns. These Environment, Social and Governance (ESG) pillars are a core part of the Board's strategic focus, and also reflect the needs of our stakeholders.

Monitoring and assessing stakeholders' interests and ESG

Monitoring and assessing how we engage with our stakeholders, their interests and how we manage ESG matters are significant themes for the Board during decision-making and form an important part of the Group's Sustainable Growth Strategy, where stakeholders' interests and ESG are viewed as an opportunity.

We have an ESG Committee and Employee Forum and both are led and chaired by plc Board directors. These platforms provide valuable insights for the Board and enable us to test ideas for future consideration as well as understanding current sentiment on strategic direction.

Management and the Board

I became Chair on 21 September 2022, when Peter Ventress stepped down from the role. On 31 March 2023, Gavin Slark, Non-executive Director, resigned from the Board after over seven years. The Board is grateful for the contributions of Peter and Gavin over the years and wishes them every success in the future.

We were pleased to welcome Michael Topham as Non-executive Director on 1 June 2023, as you can read about on pages 91 and 94.

Looking forward

I am delighted with the progress Galliford Try has made during the year and am confident that the business is in an excellent position to meet its 2026 objectives. I thank Bill, his leadership team and all our people for their continued efforts.

Alison Wood
Chair

A purpose-led culture

Employee survey highlights

Our 2023 survey of our people confirmed we have embedded a strong culture, which will fuel our ambitions, and ensure we grow our business the right way.

95%

of people said we give health and safety a high priority (2022: 95%).

86%

of people said they would recommend Galliford Try as a great place to work (2022: 85%).

72%

of people said we give quality high priority (2022: 63%).

See People p27 →

Seizing opportunities

Macroeconomic challenges are showing signs of easing, with inflation subisiding and positive signs for longer-term prospects across the construction sector.

Careful management of supply chain and inflationary pressures have helped to mitigate against our exposure to cost and availability challenges and we are seeing preferred bidder positions, which were previously delayed by inflation, now converting to contract awards.

Our chosen markets are non-cyclical and show strong demand, driven by the UK's ambitions for innovation, decarbonisation and digitalisation. The availability of materials is generally good, having eased during the year.

Our investment in our people and future talent pools will ensure we retain a skilled and competent workforce, which remains in demand across our sector.

There is a strong overall sense of confidence in the future of the industry, and, this provides encouragement for the Group's future.

The £17m Birmingham Ormiston Academy Digital Academy
A brand new, purpose-built academy delivering a specialist education in creative and digital technologies which will help to address the growing demand for higher level digital skills.

Market opportunity

Investment in the UK's social and economic infrastructure, driven by long-term demand for physical buildings and infrastructure

There is a continued drive to build a stronger economy following the pandemic, using construction as a way to stimulate activity, provide high levels of employment and ensure we have the infrastructure to support the country. The Autumn Statement in November 2022 earmarked an investment of over £600bn over the next five years, maintaining commitments to deliver major infrastructure projects. The Government announced plans to accelerate delivery of projects across its infrastructure portfolio, and ensure that all infrastructure is delivered quickly through reforms to the planning system, including updating National Policy Statements for transport and water resources.

How our approach responds to the market

+ **Established operations in growth markets:** we are a key contractor for the Government working across sectors including roads, water, education, health and defence, which form the backbone of the country's infrastructure. A significant 87% of our order book is in the public and regulated sectors and 82% of our order book is in frameworks, which are a key procurement route for the delivery of national infrastructure projects.
+ **National presence and local relationships:** we have a national presence from the Highlands in Scotland, to Plymouth in the South West of England. Our local relationships position us well to help the Government's aim to tackle geographic disparities in key services and outcomes, such as health, education and jobs and improving lives by bringing more places across the UK closer to opportunity through infrastructure.

Strategy in action

Meeting the increasing needs of the water sector

Our water sector clients are facing unprecedented, widely publicised challenges which are driving urgent investment. Our actions have positioned our Environment business uniquely to help meet these needs.

Sector challenge

An ageing asset base means infrastructure is in need of replacing or maintenance must be carried out more frequently.

There is increasing regulatory focus on asset optimisation to extend the operational lifespan of existing facilities.

Increasingly stringent environmental and carbon regulations such as The Environment Act 2021 have introduced targets to improve biodiversity, tackle pollution, reduce waste and to deliver a supply of clean and plentiful water for all.

Clients are under pressure to be resilient to both short-term shocks and long-term challenges such as population growth and climate change, while delivering value and service for customers.

How our Sustainable Growth Strategy has responded

+ Our Environment business has evolved its capabilities from traditional design and build to include capital maintenance and asset optimisation through the acquisitions of nmcn's water operations, Lintott, MCS Control Panels and Ham Baker.
+ This has facilitated a 'Source to Sea approach' which uniquely positions us to offer capabilities across the lifecycle of client assets, including asset efficiency, resilience and optimisation.
+ Our acquisitions have introduced off-site build capabilities, enabling the manufacture and assembly of key components in a controlled factory environment. This delivers increased efficiency and predictability, and reduces safety risk on site.
+ Our investment in digitalisation, including digital twins and AI, is enabling optimisation of processes, and allowing for benchmarking and real-time analysis and responses.
+ Our carbon capabilities are enabling our clients to meet both their net zero carbon ambitions, and objectives to deliver value for customers in the long run.

Market opportunity

Drive for decarbonisation and action on climate change

As the frequency and severity of extreme weather events such as prolonged heatwaves and intense rainfall increases, there is a need to make public infrastructure more resilient to the changing climate (page 57). This is already a significant issue for the water sector where the capacity of the existing sewerage and wastewater treatment infrastructure is struggling to keep pace with the demands placed on it, for example by population growth.

The UK's Ten Point Plan for a Green Industrial Revolution prioritises 'clean growth' as it delivers on its aim to achieve net zero carbon emissions by 2050, and earmarks £12bn of spending in areas from energy generation to building retrofits. The 2022 Autumn Statement also identified the construction sector as a key means of achieving the country's net zero carbon objectives and The Construction Playbook, which sets out guidance for how public works are procured, places a major focus on sustainability. Decarbonisation therefore provides a revenue growth opportunity for us.

How our approach responds to the market

+ **Asset optimisation and retrofit capabilities:** our capabilities in asset optimisation and retrofit enable our clients to reduce carbon emissions, increase the lifespan of their facilities and to optimise their performance including environmental credentials.
+ **Investing in knowledge:** upskilling our teams to better understand how we can design, build and maintain low carbon infrastructure and buildings through selection of materials and construction methodologies, operational energy consumption and, where relevant, end-of-life decommissioning, is increasingly enabling our clients to achieve their carbon goals.
+ **Digitalisation for efficiency:** our approach to digitalisation and adoption of new technologies such as design rationalisation using our Building Information Modelling (BIM) tools and experience helps us avoid over-specification and reduce materials consumed and waste created.
+ **Adopting Modern Methods of Construction (MMC)** such as off-site manufacture helps to minimise waste and uses materials more efficiently.
+ **Our Journey to Net Zero:** our record of reducing our own carbon emissions and commitment to achieving net zero carbon are attractive to existing and potential clients, as well as being important to employees who want to work for a company that does the right thing.

Market challenge

Managing inflation and supply shortages

Material cost inflation reduced over the year as supply imbalances have eased and lead times for key materials are now more predictable and shorter than in 2022.

The length of time taken to enter new contracts in 2022 increased, initially in response to rising inflation and later due to delays in public sector decision-making. Delays in signing new contracts are now easing and preferred bidder positions are converting to contract award.

How our approach responds to the market

+ **Early planning** gives us visibility of product availability during times of higher demand and helps us to plan for longer lead times where needed. Maintaining matrices of key materials ensures we are aware of any shortages, and can plan effectively to mitigate potential delay. These processes are stepped up during times of shortages.
+ **Preventative measures** such as building protections into our contracts and procuring materials early help us to mitigate against inflation and build in a degree of tolerance. Inflation is also assessed and managed during bidding.
+ **Collaborative relationships:** we maintain strong relationships with key suppliers and subcontractors by giving them an insight into our pipeline, paying them promptly and offering them training and resources, for example through our Advantage through Alignment scheme, our behavioural safety programme, membership of the Supply Chain Sustainability School and our recently launched Net Zero Partners initiative. This two-way relationship ensures we remain a priority customer for our supply chain during times of heightened demand.
+ **Our strong financial position and disciplined focus on risk management** enable us to plan for the future and successfully manage, without any significant overall impact on trading, challenges around inflation and material shortages.

Market opportunity

Drive for innovation and digital

The Construction Sector Deal recognises our industry's potential to be at the core of the UK's digital and technical transformation through innovative technologies and methods of construction.

How our approach responds to the market

- **Digitised approach to project delivery**: we have a proactive approach towards digital-driven processes and technology throughout our operations, and have an entirely digitised approach to project delivery, which helps improve safety, quality and collaboration, and can drive down carbon.
- **BIM (Building Information Modelling):** we have authored part of ISO 19650 as well as being active contributors to BIM industry guidance. Together with standards such as ISO 16739 and our BIM and technical services policies, these form the foundation of our BIM strategy, which is updated regularly to keep abreast of advancements in the field.
- **COBie (Construction Operations Building Information Exchange):** we are one of the few contractors in the UK with advanced knowledge in the UK Government's chosen standard industry exchange schema, COBie, and we have a BuildingSMART certified COBie professional leading our strategy.
- **MMC:** we embrace MMC, utilising pre-manufactured components to deliver reductions in time, material use and waste as well as cost-savings, health and safety benefits associated with less site activity, and a higher level of quality assurance. Recent acquisitions have bolstered our off-site build capability.

Market challenge

Skilled and experienced people are in high demand across the UK

As investment in construction projects starts to grow, demand is further highlighting the lack of skilled professionals in the market. These labour and talent shortages could significantly impact the delivery of the UK's infrastructure.

How our approach responds to the market

- **EVP (Employer Value Proposition):** over the last 18 months, we have invested in our EVP – the unique set of benefits that our people receive in return for the skills, capabilities, and experience they bring to our business so that we can attract top talent and encourage retention.
- **Our people-orientated culture** including initiatives such as agile working and our focus on wellbeing, make Galliford Try a more attractive employer and help us to appeal to a diverse audience, broadening the pool of potential recruits and supporting retention.
- **Benefits:** we continue to monitor and enhance our total rewards package to improve our proposition to employees. As well as salary and bonus, this extends to company car/car allowance, paid volunteering days, employee assistance programmes, private healthcare and more.
- **Building talent pools:** our graduate, trainee and apprentice programmes allow us to build our own talent pool. In addition, we actively promote our industry to school and college leavers, as well as graduates through social media use, presentations, visits to our sites and careers exhibitions, which help to encourage a career in construction for future generations. Our approach breaks down stereotypes of the industry and presents it as an important enabler of the UK's plans for the future.
- **Investment in our people's learning and development** ensures we have the skills we need to carry out our operations and is seen as an attractive benefit to existing and potential talent.
- **Succession planning:** a structured approach to succession planning enables us to meet the future needs of our business with less likelihood of disruption to operations.

Delivering Sustainable Growth

Our strategy targets sustainable growth across revenue and margin to 2026, from a baseline of our full year results in 2021. Our focus is on margin growth, with revenue targeted where our markets support growth.

A progressive culture

Health and safety

Our people

Socially responsible delivery

Environment & climate change

Communities

Quality and innovation

Clients

Supply chain

Sustainable financial returns

Delivering sustainable growth

Growth via existing markets

- Building
- Highways
- Environment

Growth via adjacent markets

- Private Rented Sector (PRS)
- Capital maintenance and asset optimisation within the existing Environment sector
- Green retrofit

To ensure our long-term success, our strategy considers the needs of our stakeholders to ensure we create value for them as well as meeting our financial objectives, by prioritising a progressive culture, socially responsible delivery, and focus on quality and innovation.

What we want to do	How we will achieve it	Why we want to do it
Increase margin and revenue in existing markets.	**Increasing volumes** in our existing markets within Environment, Highways and Building by growing in our current geographies will enable margin and revenue growth. **Continuing to operate sustainably** with a focus on risk management and disciplined contract selection, targeting a high-quality order book, investing in our people, and embracing digitalisation and MMC.	We understand these markets and their risk profiles and are already working in these sectors, predominantly in frameworks. We have the potential to grow within these areas by bringing all of our Business Units up to critical mass.
Increase margin and revenue through growth in complementary and adjacent markets.	**Pursue work in:** 1 Private Rented Sector (PRS). 2 Capital maintenance and asset optimisation within the existing Environment sector. 3 Green retrofit.	These are all higher-margin activities and will contribute considerably to our margin growth targets. The nature of the work is complementary to our existing capabilities, we are present in these markets across the UK, and they have acceptable risk profiles within our appetite.

Our Sustainable Growth Strategy is to:

	Strategic priority	Objective	KPI
Champion a people-orientated progressive culture.	**Health and safety** See p25 →	Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.	+ Lost Time Frequency Rate (LTFR) + Accident Frequency Rate (AFR)
	Our people See p27 →	Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.	+ Employee advocacy score + Early careers as a % of total employees + Women as a % of total employees
Operate in a socially responsible way.	**Environment and climate change** See p31 →	Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.	+ Scope 1 and 2 carbon emissions (CO_2e tonnes) + Scope 3 carbon emissions (CO_2e tonnes) + Waste intensity (tn/£100k revenue)
	Communities See p34 →	Making a positive impact in communities where we operate by delivering greater social value and improving lives.	+ % of completed projects delivering >25% Social and Local Economic Value (SLEV) as a % of contract value + Considerate Constructors Scheme (CCS) performance
Deliver high-quality buildings and infrastructure.	**Clients** See p37 →	Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.	+ % of repeat business in our order book + % of full year planned revenue secured at the start of the financial year
	Supply chain See p41 →	Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.	+ % of Business Unit core trades spend with Aligned subcontractors + Prompt payment: % of invoices paid within 60 days
Provide sustainable financial returns.	**Finance** See p45 →	Earning a sustainable return on the value we deliver.	+ Focus on bottom line margin growth + Disciplined contract selection and sustainable revenue growth + Maintain strong balance sheet + Sustainable dividends

1 During 2022, CCS changed their scoring methodology, meaning that the highest achievable score is now 50, if full innovation points are awarded. As a result, we have increased our target to be greater than 39, which is the minimum score to achieve the 'Excellent' performance level.

Ambition	FY22	FY23	Progress
No harm	0.26	0.20	+ Our health and safety performance remained relatively stable. AFR rose slightly while LTFR, a broader measure of safety, fell. + At the same time, 95% of employees said we give health and safety high priority.
No harm	0.06	0.09	
>80%	85%	86%	+ Our employee advocacy score increased slightly this year. It was also significantly higher than the sector benchmarks at 71%.
>8%	6.1%	6.3%	
Year-on-year increase	21.2%	21.6%	
Net zero by 2030	10,795	11,822	+ Since 2012, we have reduced our Scope 1 and 2 carbon emissions (location-based) by 69% on a like-for-like basis when excluding our recently acquired businesses. + We are now able to estimate our full Scope 3 emissions for the first time, and have received validation of our near-term science-based targets.
Net zero by 2045	487,220	477,042	
Year-on-year reduction	21.0	21.8	
>60%	50%	94%	+ A quantification of the economic and social value we delivered to our communities in the year demonstrated an 88% increase in the number of projects achieving the target performance level.
>39[1] and above industry average	41.8 (industry ave. 39.0)	43.4 (industry ave. 40.0)	+ We continued to achieve an above sector average score from CCS which benchmarks our sites on their local impact.
>80%	94%	87%	+ We maintained a high level of repeat business, demonstrating our continued levels of client satisfaction. + We have secured 92% of our work for the next financial year giving us forward visibility and reinforcing our selective approach to the contracts we pursue.
>85%	90%	92%	
70%–80%	60%	58%	+ We have put significant effort into ensuring our processes enable prompt payment, which since 2019 has resulted in almost halving our average payment time from 49 to 26 days, and paying 98% of invoices within 60 days.
>95%	98%	98%	

2026 targets			
Divisional operating margin growth to 3.0%	Divisional operating margin 2.4%	Divisional operating margin 2.4%	+ Strong performance across all operations delivering increased revenue and profit. + Divisional operating margin of 2.4% (2022: 2.4%), with increased confidence in our target margin of 3% by 2026. + Strong cash generation and well-capitalised debt-free balance sheet. + Full year dividend of 10.5p up 31% (2022: 8.0p), based on improved annual dividend policy. + Special dividend to shareholders of 12.0p per share, as previously announced following resolution of a long running dispute.
Revenue growth towards £1.6bn	Revenue £1.2bn	Revenue £1.4bn	
Operating cash generation	Average month-end cash £174m	Average month-end cash £135m	
Dividend cover of 1.8x	Dividend cover of 2.0x	Dividend cover of 1.8x	

Chief Executive's review

Looking forward with confidence

The Group continues its strong performance and progress on its Sustainable Growth Strategy of risk managed controlled growth, supporting our financial and non-financial targets to 2026.

Bill Hocking
Chief Executive

Performance on track with revenue and profit growth

We are pleased to report another excellent set of results as we enter the defining period of our Sustainable Growth Strategy to 2026. Thanks to our people, our businesses are performing well and we are doing what we said we would do, consistently delivering robust margins and revenue growth, supported by a strong balance sheet, excellent order book and good supply chain and client relationships.

Revenue is up 12.6% from £1.2bn to £1.4bn, our divisional operating margin has remained robust at 2.4% despite the macroeconomic challenges in the year, and pre-exceptional profit before tax is up 7.9% to £20.6m. We have a high-quality £3.7bn order book, in our chosen sectors, which provides visibility and security of future workloads.

Our strong position enabled us to carry out the acquisitions of MCS Control Systems and Ham Baker's asset maintenance operations in the financial year, supporting our strategy to grow in adjacent markets that complement our core offering. We have successfully integrated these acquisitions and we are starting to see the positive impact of these specialist teams in our Environment business and across significant AMP8 opportunities.

Across the business, we are seeing preferred bidder positions, which were delayed by inflation during 2022 converting to contract award. Continuing to maintain close engagement with our supply chain and clients has helped us to successfully manage and mitigate the risks of material shortages and inflation, which are now subsiding.

As a result of the strong performance in the financial year, we declared a final dividend of 7.5p to give a full year dividend of 10.5p.

Financial review p45 →
Operating review p48 →

A progressive culture

Health and safety

Health and safety is the number one priority for our business, with our commitment to no harm leading the actions that we take to keep each other safe every day. This was, once again, highlighted in our employee survey, where 95% of respondents stated that we give health and safety high priority.

As part of our drive for no harm, we made a concerted effort to tackle our LTFR (Lost Time Frequency Rate), which measures every incident that results in more than a day away from work. We were pleased this figure improved, falling from 0.26 to 0.20. At the same time, our AFR (Accident Frequency Rate), which measures the number of injuries resulting in more than seven days away from work, rose to 0.09 from 0.06. While we take any decline in safety performance seriously, this reaffirms that we have a strong reporting culture where people feel confident in their ability to report incidents. As part of our response, in March 2023, we created a new position for a leader for our Challenging Beliefs, Affecting Behaviour Programme to reinvigorate our efforts to tackle accident behaviour and link wider elements of the business' strategy such as wellbeing and quality into the programme.

People

Attracting, developing and retaining talented people is a cornerstone of our strategy. During the year, we made significant investment in our Employee Value Proposition (EVP), acknowledging the correlation between a strong EVP and engaged employees. This included the launch of our 'Grow Together' campaign, which showcases the unique set of benefits such as culture, compensation, career development, work-life balance, stability and location that our people receive in return for their skills, capabilities and experience. We also launched our internal mobility programme, Explore, to ensure we retain the talent we have built up by enabling our people to move between roles and locations within our organisation, rather than seeking alternative employment to meet their professional and personal needs.

We pride ourselves on being people-orientated, progressive and inclusive, and, we sought our first EDI (Equity, Diversity and Inclusion) rating from Clear Assured. In January 2023, we achieved Bronze under this standard for our commitment to embedding inclusive practices across our organisation. We have set our sights on improving this rating and have established an inclusion team to lead on this.

Early careers remain a key part of our long-term resource planning and succession planning. We were pleased to be voted number one Graduate Employer in Construction and Civil Engineering, and number two for apprentices in a list compiled by TheJobCrowd, based on employee feedback. We also received our second Gold Award from The 5% Club's Employer Audit Scheme for our approach to inclusion and social mobility.

In recognition of the increased costs of living, we took early action and, in October 2022, we paid a one-off cost of living payment of up to £750 to more than half our employees and additionally became early adopters of the new rate of Real Living Wage.

As a testimony to our efforts, 86% of our people would recommend Galliford Try as an employer.

Strategy in action

Retaining talent through internal mobility

In a market where there is fierce competition for talent, we want to retain the skills and expertise we have nurtured.

Our new 'Explore' programme encourages and empowers employees to review opportunities within our Group should they wish for a change in career, location, discipline or working pattern. The programme heavily advocates leadership support for moves within the business and features videos, guidance and dedicated resource to support managers and employees to take advantage of the programme.

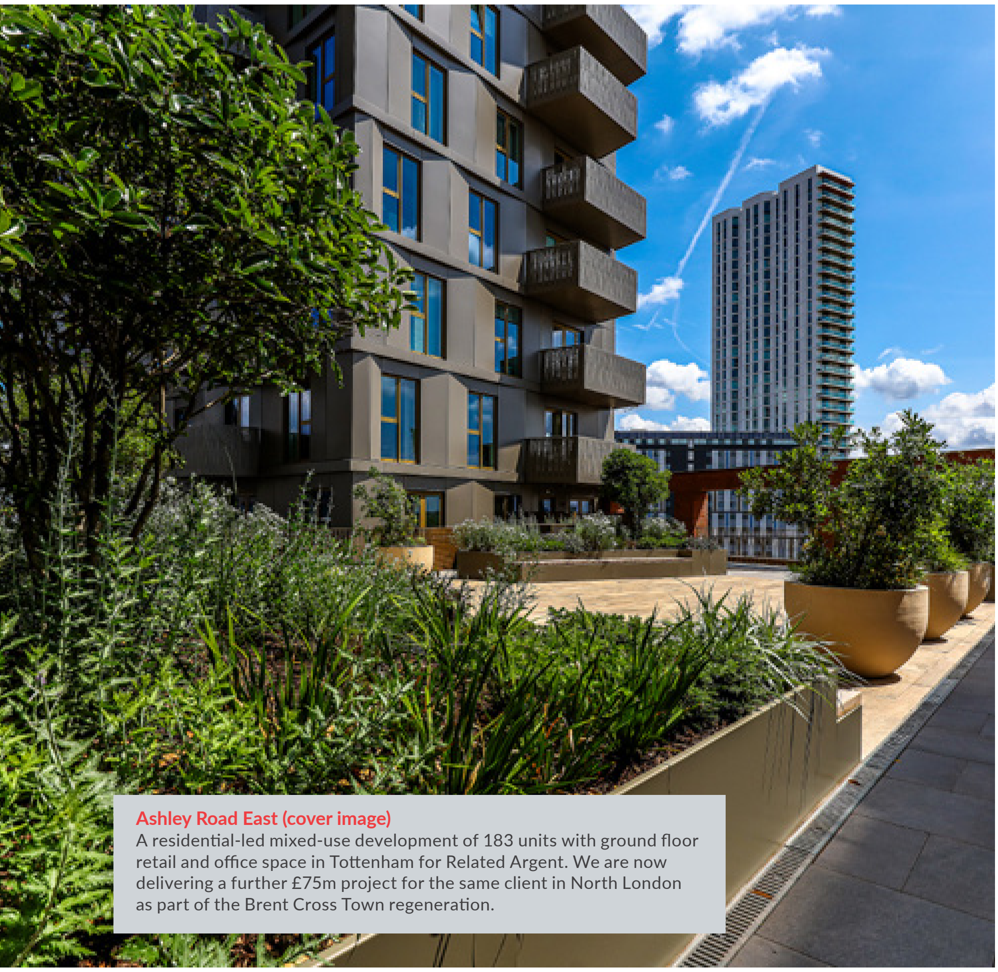
Benefits of Explore include:

- **Retention of high-quality talent** that has been invested in and already aligns to our culture.
- **Time and money savings** on costs otherwise incurred by recruitment activities such as advertising and managing applications.
- **Encouraging diversity** by reskilling people or reshaping pathways for growth within the organisation, including leadership.
- **Boosting employee morale** by supporting employees' personal circumstances.
- **Building our brand** by increasing employee satisfaction.

EXPLORE

Our Sustainable Growth Strategy continued
Chief Executive's review

"Our balance sheet strength and high-quality order book continue to be differentiators and put us in an excellent position as we look forward to the new financial year"



Ashley Road East (cover image)
A residential-led mixed-use development of 183 units with ground floor retail and office space in Tottenham for Related Argent. We are now delivering a further £75m project for the same client in North London as part of the Brent Cross Town regeneration.

69%

Reduction in carbon emissions since 2012

We have reduced our Scope 1 and Scope 2 carbon emissions by 69% on a like-for like-basis, excluding acquisitions, since we began carbon reporting in 2012.

See p31 →

Socially responsible delivery

Environment and climate change

We champion the role we have to play in decarbonising the environment for a greener, more sustainable future and reduced our Scope 1 and 2 emissions by a further 5.6% on a like-for-like basis excluding recent acquisitions, as a result of a number of initiatives.

Having pledged to achieve net zero carbon across our own operations by 2030 and all activities by 2045, we performed a full inventory of our Scope 3 emissions which enabled us to set near-term emissions reduction targets which have subsequently been validated by the Science Based Targets initiative (SBTi).

We participated in CDP, a global disclosure system for organisations to manage their environmental impacts, and, in our first submission as a standalone construction company, we achieved a climate change score of 'C' for 'Awareness Level', which provides a baseline against which we can monitor progress.

We continue to invest in our capabilities to support clients to deliver low and net zero carbon projects and now have a team of 10 low carbon specialists across our business. We have embedded our Net Zero Partners programme, an initiative to collaborate closely with our supply chain and design consultants to help everyone in the industry on their journeys to net zero carbon.

Communities

Delivering a legacy of positive social value outcomes is increasingly important for our clients and employees. This year, we have delivered £328m in social and local economic value by providing employment for local people, procuring through local supply chain, using local subcontractors, and providing apprenticeships and training.

Driving the UK Net Zero Carbon Buildings Standard

We are on two working groups developing the UK Net Zero Carbon Buildings Standard, which will provide a single agreed definition and methodology for the industry to determine what constitutes a net zero carbon building.

We continue to take part in the Considerate Constructors Scheme (CCS), which assesses sites on their approach to communities, the environment and workforce. We increased our average CCS score to 43.4 out of 50, which is above the industry average of 40.0.

Quality and innovation

Clients

Delivering excellence for our clients is key to the long-term sustainability of our business. Our approach is reflected by the fact that 87% of our order book is repeat business (2022: 94%) and we have already secured 92% of our order book for FY24 (2022: 90%).

Delivering a high-quality product to our clients is a fundamental plank of our strategy and underpins our reputation and client relationships. Our approach is to embed quality and buildability into our designs and to follow through into project delivery and handover. This is supported by Modern Methods of Construction, and our BMS (Business Management System), which contains the processes and templates required to provide quality assurance at every step of a project, irrespective of size and complexity.

We are developing our digital tools and have an entirely digitised approach to project delivery, improving safety, quality and collaboration, and driving down carbon.

Our increasing capability in supporting clients to design, build and maintain low carbon infrastructure and buildings is recognised by our selection to be on two of the working groups developing the UK Net Zero Carbon Buildings Standard, a cross-industry initiative which will provide a single agreed definition and methodology for the industry to determine what constitutes a net zero carbon building.

We continue to drive innovation and secured funding under the National Highways Innovation and Modernisation Designated Fund to trial an autonomous roadworks compaction process which could deliver significant outperformance compared to traditional methods. We are also collaborating in the first UK field trials of a paint robot, supported by AI.

Supply chain

The majority of our work is delivered in partnership with our supply chain so we work with supply chain members who are aligned to our culture and develop collaborative relationships that improve social, environmental and economic outcomes. This is delivered through our Advantage through Alignment (AtA) programme and 58% of our core Aligned trades spend is now with 'Aligned' subcontractors.

Training and education remain a key theme beyond AtA, and we continue to offer our CBAB and Net Zero Partners programme to key supply chain members.

We are signatories of the Prompt Payment Code, and pay 98.1% of invoices within 60 days (FY22: 97.6%), with the average days to pay now 26 days. We are also making progress against the additional metric of paying 95% of invoices from suppliers with fewer than 50 employees within 30 days.

We continue to retain Gold status from the Supply Chain Sustainability School, a collaboration designed to upskill its members through free training and resources covering sustainability, off-site manufacturing, BIM, Lean and Management.

Outlook

I am pleased with the Group's performance, as we make good progress against our strategic objectives.

Our high-quality order book provides visibility and security of future workloads. Together with our excellent people and our strong balance sheet, this gives us confidence in our ability to deliver our Sustainable Growth Strategy and continue to provide long-term sustainable value for our stakeholders.

I thank all our teams and supply chain partners for their ongoing efforts in keeping our projects safely on track and enabling us to deliver a strong result.

Bill Hocking
Chief Executive

Our Sustainable Growth Strategy continued

Operating sustainably

Sustainability is central to our strategy

Operating sustainably helps us to win work, engages our employees, benefits communities and the environment, and makes us more efficient. This is why ESG is an integral part of our strategy, and at the core of how we deliver stakeholder value.

Stakeholder materiality assessment

We monitor our ESG practices and performance through a robust structure and are committed to publicly reporting our progress across six areas: health and safety, our people, environment and climate change, communities, clients and supply chain. When developing our Sustainable Growth Strategy in 2021, we performed an assessment of the relative materiality of sustainability priorities for different stakeholder groups across these six pillars.

This comprised a series of workshops with our sustainability pillar leads, who each have knowledge of their respective subject matter and stakeholder groups, and other members of the Senior Leadership Team including the Executive Board. This assessment was reviewed and updated by the ESG Committee in 2023. A summary of the priorities is outlined below and guides our sustainability priorities and targets as detailed on the following pages.

		Key stakeholder groups					
Sustainability pillars	**Priorities**	**Clients**	**Investors**	**Employees**	**Supply chain**	**Communities**	**Regulators**
Health and safety	Physical health and safety	High	High	High	High	Moderate	High
	Mental health and wellbeing	High	High	High	High	Low	Moderate
People	Diversity and inclusion	Moderate	High	High	Moderate	Low	Moderate
	Human rights	High	High	High	High	Low	High
	Talent and development	Low	Moderate	High	Moderate	Low	Low
Environment and climate change	Carbon emissions	High	High	Moderate	Moderate	Moderate	High
	Energy efficiency of built assets	High	Moderate	Moderate	Moderate	High	High
	Waste	High	Moderate	Low	High	Moderate	Moderate
	Water	Moderate	Moderate	Low	Low	Moderate	Moderate
	Biodiversity	High	Moderate	Moderate	Low	High	Moderate
	Noise and air quality	Moderate	Low	Moderate	Moderate	High	High
Communities	Employment	High	High	Moderate	High	High	Low
	Economic growth	High	Moderate	Moderate	High	High	Low
	Disadvantaged or underrepresented groups	High	Moderate	Moderate	Low	High	Low
	Community engagement	High	High	Moderate	Low	High	Low
Clients	Innovation and efficiency	High	Moderate	Low	Moderate	Low	Low
	Energy efficiency of built assets	High	Moderate	Moderate	Moderate	High	High
Supply chain	Responsible sourcing	High	High	Moderate	Moderate	Moderate	High
	Prompt payment	Moderate	Moderate	Low	High	Low	High

Level of risk

High Moderate Low

Oversight of ESG

The Executive Board has overall responsibility for setting policy and monitoring our sustainability performance.

Main plc Board oversight of sustainability is maintained through our newly-established Board-level ESG Committee which is chaired by the Finance Director and is comprised of the Director of Risk and Sustainability and senior representatives from our operating divisions and Support Services.

The Committee is an amalgamation of our former Carbon and Social Value Forum, and Stakeholder Steering Committee, which were combined given the overlap of responsibilities and audiences.

A progressive culture

The right culture is key to achieving our aspirations so we place great importance on how we achieve that, from prioritising the health, safety and wellbeing of our people, to creating an environment where they are enabled to give their best

→

95%

of employees believe we give health and safety a high priority

(2022: 95%)

86%

of employees would recommend us as an employer

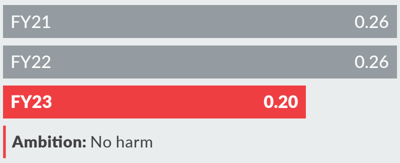
(2022: 85%)

Health and safety

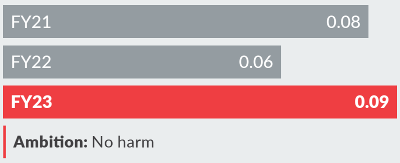
Our objective is to prioritise health, safety and wellbeing and ensure no harm to anyone linked with our operations. We achieve this through our behavioural safety programme Challenging Beliefs, Affecting Behaviour and our wellbeing initiative, Be Well.

KPI

Lost Time Frequency Rate (LTFR)



Accident Frequency Rate (AFR)



Performance in the year

+ Our LTFR improved as a result of a decline in the number of total incidents.
+ Our AFR deteriorated due to a number of RIDDOR reportable injuries.
+ In our employee survey, 95% of our employees said we give health and safety high priority.
+ We did not receive any prohibition or improvement notices during the year.

We aspire to no harm, believing that nothing we do is so important that we cannot take the time to do it safely. For FY23, we targeted the LTFR (Lost Time Frequency Rate) which measures every incident that results in more than a day away from work, as an improvement area. This had remained at 0.26 for a number of years. We were pleased this figure improved, falling from 0.26 to 0.20. At the same time, our AFR (Accident Frequency Rate), which measures the number of injuries resulting in more than seven days away from work or those listed as RIDDOR specified, rose to 0.09 from 0.06.

While we were pleased to see the fall in the number of incidents overall, we take any increase in accident behaviour seriously and have taken a number of steps to support a downward trajectory of incidents as detailed in this section.

Challenging Beliefs, Affecting Behaviour

Our safety culture is embedded through Challenging Beliefs, Affecting Behaviour (CBAB), a programme based on awareness, training, coaching and visible leadership, which has formed the backbone of our approach since its inception in 2012.

While our health and safety performance continues to be industry-leading, analysis of the increase in our AFR demonstrated that we have the right processes in place, and instead behaviours and mindsets are influencing and increasing incident rates.

To help address this, we appointed a new leader for our CBAB programme to reinvigorate our efforts to tackle accident behaviour in the short, medium and long term. These efforts will integrate wider elements of the business's strategy such as wellbeing and quality, which can influence behaviour, into the programme. This recognises the fact that post pandemic, there are factors at play that influence accident behaviour that are not work-related.

Leading from the front

While accident frequency rates remain the industry standard measure of safety performance, internally, we use Lead Indicators to drive improvement in safety culture and behaviour as they enable a proactive approach to the management of health and safety. Our Lead Indicators span six areas: leadership, communication, competence, culture, contractors and planning. These indicators were reviewed at our Group HS&E Forum where senior representatives from across the Group agreed that the indicators were effective, realistic and focused on the right areas. Highlights from the period include:

+ An increase in the number of director tours from 1,144 to 1,332 and an increase in Safe Behaviour Discussions from 60,019 to 65,281. These activities provide visible leadership and an open dialogue with our site teams and are a powerful way for management to promote and maintain safe behaviours on site by engaging with operatives to reaffirm positive behaviour.
+ Strong compliance with our Back to Basics requirements which test that we have the right person, planning, equipment and workplace for each activity.
+ 100% completion rate for SSERs (Site and Safety Environmental Reviews), which provide a comprehensive overview of how each site is running.

Our Sustainable Growth Strategy continued

Health and safety continued

98%

of people said they understand their role in keeping their colleagues safe.

83%

of people believe their manager genuinely cares about their wellbeing.

Wellbeing

Our 'Be Well' programme takes the form of wellbeing sessions hosted by a psychologist, online health checks, advice lines, discounts on gym memberships and guides on how to improve wellbeing. During the year, we commenced a refresh of the programme to shine a spotlight on the industry's greatest challenges.

A highlight of Be Well was a panel discussion co-hosted by three of our regional managing directors, where they discussed personal challenges they have overcome, how it is important to normalise talking about mental health, and how we can support each other.

Focus areas during the year

The 2022/23 'Focus Areas' extended to:

Inductions

We undertook a review of our induction process to make it more impactful. A key development was the adoption of 'MSite', a digital workforce management solution. Through the platform, all our employees, those of our supply chain and visitors to our sites and offices can complete an online induction and assessments before arrival on our sites, ensuring our workforce understands our objectives, are qualified to do the job they are tasked with, and have received the correct and consistent induction and training.

Plant minimum standards

We carried out a review of our plant minimum standards to enhance the in-built safety features and ensure equipment supports our carbon targets. This resulted in the development of a new competency assessment document for plant operators.

Occupational health

We completed a review of occupational health to treat health like safety and focus on the elimination of hazards and implementation of proactive controls.

Looking forward

Our focus for the next year will be to:

+ Develop our CBAB programme to ensure it continues to engage our people and subcontractors, and integrate areas such as wellbeing and quality.
+ Create a CBAB Academy by upskilling a selected group of individuals from within our business.
+ Embed the use of MSite across our organisation.
+ Promote the learnings from our occupational health review including new technological solutions.

Our people

Our objective is to create an inclusive environment and progressive culture that enables all individuals to reach their potential.

KPI

Early careers as a % of total employees

FY21	7.2%
FY22	6.1%
FY23	**6.3%**
Ambition:	**>8%**

Women as a % of total employees

FY21	23.0%
FY22	21.2%
FY23	**21.6%**
Ambition:	**YoY increase**

Employee advocacy

FY21	Not reported
FY22	85%
FY23	**86%**
Ambition:	**>80%**

Performance in the year

Early careers

Early careers roles (apprentices, trainees and graduates) remain a key area of focus for both recruitment and retention as these roles help us to grow our own talent, shape our leaders and influence the diversity of our future workforce.

+ We grew our early careers roles to 6.3% of our workforce, from 6.1% in 2022.
+ We were voted the number one place for graduates to work, and number two for apprentices, in TheJobCrowd's list of Top Construction and Civil Engineering Companies. In addition, Galliford Try ranked 22nd for graduates and 24th for apprentices across all sectors, out of more than 600 UK companies.
+ In November 2022, we received our second Gold Award through The 5% Club's Employer Audit Scheme for early careers in recognition of the continued development of our early careers 'earn and learn' programmes.

Gender diversity

Attracting more women into our business is key to accessing the skills we need and promoting a more diverse culture.

+ For the reported year, the proportion of females across Galliford Try was 21.6% compared to 21.2% last year.
+ We were awarded Bronze for embedding inclusive practices across our organisation by The Clear Company, which runs a globally recognised standard for inclusion, for demonstrating a cultural shift in recruitment and retention practices.
+ We launched a Menopause Policy and signed the Menopause Workplace Pledge to reduce the risk of menopause being a barrier for women as they navigate health with career progression. Our approach includes training for managers and colleagues.
+ We established an inclusion team to drive activity across EDI (Equity, Diversity and Inclusion).

6.3%

of our population is in early careers roles, which enable us to grow our own talent.

Nº1

We were voted Best Graduate Employer in Construction/Civil Engineering and ranked second for apprentices in the sector.

Our Sustainable Growth Strategy continued

Our people continued

24.1%

We have reduced our mean gender pay gap from 28.8% to 24.1% since 2020.

-9.6%

A gender pay gap of -9.6% in our early careers roles will help narrow the gender pay gap as this population progresses to senior roles.

Gender Pay reporting

Gender pay is different to equal pay where men and women are paid the same for the same work.

The historic underrepresentation of women in the industry means that our industry has fewer females than others, and that fewer females rise to senior positions. This is why we target early careers as a way of improving the diversity of our business, as well as the gender pay gap.

+ Since 2020, we have reduced our mean gender pay gap from 28.8% to 24.1% and median gender pay gap from 32.2% to 27.6%.
+ The proportion of males and females across our business remained stable, with 21.6% of our employees being female.
+ There is a strong negative gender pay gap in our early careers population, meaning there are more females in higher paid positions than males, which will enable us to tackle the pay gap as this group progresses into more senior roles.

Employee advocacy

Employee advocacy is a powerful indicator of how engaged employees are, measuring how likely they are to recommend our business.

+ In our 2023 employee survey, we achieved an employee advocacy score of 86% compared to a sector average of 71%. Our employee engagement score, which is made up of a number of factors including motivation, commitment to our vision and pride in the company, was also above the sector average at 74%.
+ We had a response rate of 75%, which provides a representative view from employees, and confirms to our business that we are on the right path.

Gender split of males and females across our business at 30 June 2023

Gender[1]	Female	Male
plc Board	4	3
Senior grades (A-D)[2]	74	582
Total company including plc Board	846	3,076

1 Gender figures are based on employee numbers at year-end.

2 Senior grades are defined as job grades A–D which encompasses senior managers and directors, excluding Board directors.

Key developments during the year

Employee Value Proposition (EVP)

Attracting, developing and retaining talent is a cornerstone of our people strategy. Over the last 18 months, we have ramped up activities through significant investment in our EVP. This comprised a campaign called 'Grow Together' which showcases the unique set of benefits – including compensation, work-life balance, stability, location and culture – that our people receive in return for the skills, capabilities and experience they bring to our company. The EVP programme has delivered support to our hiring managers in selling our proposition as a business to potential employees, including videos and interactive toolkits that showcase our business. It also includes our first social media advertising campaign designed specifically to attract untapped talent pools into our business.

Promoting an inclusive environment

In July 2022, we signed up to The Clear Company's Clear Assured scheme to assess the areas of our business that influence diversity including recruitment processes, commitment to flexible working and inclusive working environments.

Having achieved Bronze standard in January 2023, we continue to work with The Clear Company to develop our approach to EDI to identify and remove barriers from recruitment and retention practices which have the potential to exclude under-represented groups including disabled, ethnic and LGBTQ+ candidates across the employee lifecycle. This exercise is focused on areas where we have the opportunity to make the most significant impact including more focused EDI education and awareness and has included the appointment of an inclusion lead to head up our inclusion team.

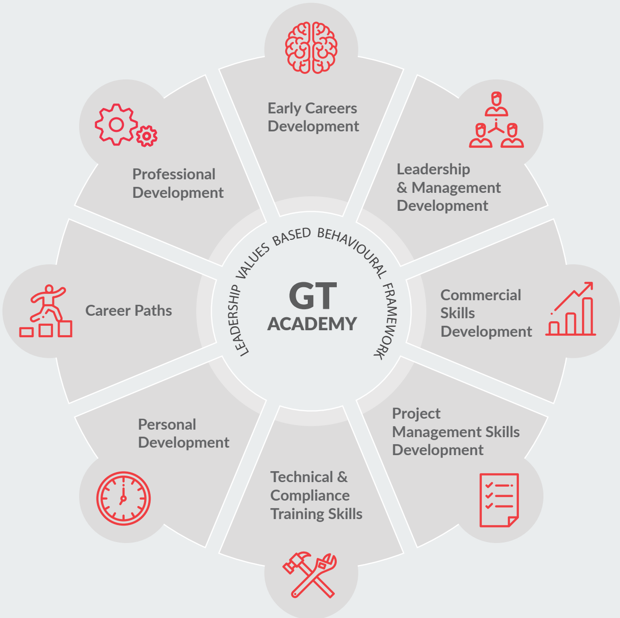
We continue to use our EDI series to put a spotlight on different communities across the UK through blogs and interviews. The series aims to break down barriers by educating people about the experiences of individuals, sharing commonalities and celebrating differences. It has included experiences of being gay in the construction industry, profiling women as role models, using Black History Month to challenge negative stereotypes, and giving insights into religious and cultural festivals.

We continue to promote our agile working practices, which are attractive to people with different needs and support inclusion, offering flexibility to suit individual needs including staggered start and finish times, job shares, compressed hours, sabbaticals and return to work programmes as well as remote working.

ERP launch

In September 2023, we launched 'Orbit', our new cloud-based Enterprise Resource Planning (ERP) system. Orbit will drive efficiency by joining up processes across for our people, pre-construction, commercial, finance and procurement processes. The new system is data and insight driven, supporting informed decision-making and has been designed to empower employees and decision-makers.

Investing in systems such as Orbit enables us to continuously improve and optimise our processes ensuring we have a modern solution that is fit for the future.



Learning and development

We use the 70:20:10 methodology to help drive employee development. This comprises 10% formal training, 20% learning from others and 70% learning on-the-job. Our approach is delivered through the GT Academy, a platform that brings together resources, training and guidance with our own structured programmes and extensively developed Career Paths that define the core learning needed for various roles and the path to get there.

We delivered a total of 13,528 training days during the year (2022: 10,588), equivalent to 3.6 days per employee (2022: 3.3).

13,528
training days during the year.

Looking forward

Our focus for the next year will be to:

+ Develop an EDI strategy, including the development and implementation of EDI policies and procedures, and education and training programmes to ensure the organisation remains an inclusive workplace for all.
+ Set-up a business-wide EDI steering group that assists in upskilling key individuals across the Group, and providing support to all areas of the business where required, including supply chain engagement.
+ Continue to work on our EVP and promote internal mobility.
+ Repackage our learning and development offering to improve visibility of the options available to employees.
+ Launch a new careers website to help sell our offer to potential employees.

Strategy in action

Enabling managers

Managers provide the link between organisational vision and strategy execution and play a pivotal role in leading their teams to deliver higher performance. In recognition of this, we launched ‘Leading the GT Way’, a bespoke programme, designed and delivered to ensure our managers are equipped with a toolkit of leadership skills and techniques to support and enable them to be successful in their roles. The programme comprises four half-day modules and four one-hour peer learning groups.

4
half-day modules.

4
peer learning groups.

Socially responsible delivery

Our approach to protecting the environment and biodiversity, tackling climate change and being a valued member of the communities we work in is key to achieving our aspirations.

→

£328m

of Social and Local Economic Value created through the work we do.

2030

target for net zero carbon emissions within our own operations.

Environment and climate change

Our objective is to adopt sustainable resourcing and consumption practices and take measures to mitigate carbon production and climate change to protect our environment and biodiversity.

KPI

Scope 1 and 2 carbon emissions on a like-for-like basis[1,2]
(CO_2e tonnes)

Calendar year 2020	11,424
Calendar year 2021	10,176
Calendar year 2022	**9,604**

Ambition: Net zero by 2030

Scope 3 verified carbon emissions on a like-for-like basis[1,2]
(CO_2e tonnes)

Calendar year 2020	not measured
Calendar year 2021	5,530
Calendar year 2022	**7,055**

Ambition: Net zero by 2045

Full Scope 3 estimated carbon emissions[2]
(CO_2e tonnes)

Calendar year 2020	not measured
Calendar year 2021	487,220
Calendar year 2022	**477,042**

Ambition: Net zero by 2045

Scope 1 and 2 carbon emissions[2]
(CO_2e tonnes)

Calendar year 2020	11,525
Calendar year 2021	10,795
Calendar year 2022	**11,822**

Ambition: Net zero by 2030

Scope 3 verified carbon emissions[2]
(CO_2e tonnes)

Calendar year 2020	not measured
Calendar year 2021	6,041
Calendar year 2022	**8,760**

Ambition: Net zero by 2045

Waste intensity[2]
(tn/£100k revenue)

Calendar year 2020	7.6
Calendar year 2021	21.0
Calendar year 2022	**21.8**

Ambition: YoY decrease

1 Like-for-like emissions exclude from all years, the impact of the acquisitions in 2021 and 2022, and minor changes made to the Scope 2 methodology in 2022 to: include an estimate of energy consumption in offices where the electricity usage is included in the rent/service charge; to use mileage claim data to calculate emissions from electric vehicle charging; and to exclude consumption for our FM clients where we pay the bill, as these should not have been included.

2 Carbon dioxide equivalent emissions and waste intensity are reported by calendar year, therefore the emissions reported for FY23 relate to the calendar year 2022. Since 2014, our reported emissions have been externally verified to the ISO 14064-3 assurance standard.

Performance in the year

Scope 1 and 2 carbon emissions

Our Scope 1 emissions predominantly relate to fuel use in company cars and vans and on-site plant and equipment. Scope 2 emissions relate to consumption of electricity in our sites and permanent offices.

On a like-for-like basis, excluding the impact of the acquisitions in 2021 and 2022, and minor changes (see footnote 1 above) made to the Scope 2 methodology in 2022, our Scope 1 and 2 emissions showed a 5.6% reduction, from 10,176 tonnes of carbon dioxide equivalent emissions in 2021 to 9,604 in 2022, continuing our downward trajectory since we first started reporting in 2012.

Our performance reflects a number of ongoing initiatives including:

+ A reduction in the amount of diesel used to power plant and equipment on our sites.
+ Earlier connections of sites to mains electricity supply.
+ More energy efficient site office and welfare cabins.
+ A transition to an electric and plug-in hybrid vehicle company car fleet following which, at 30 June 2023, 79% of the 1,512 vehicles in our company car fleet were electric or plug-in hybrid and the average emissions per vehicle had reduced to 30.0g/km (30 June 2022: 60.1g/km).

Including the acquisitions and Scope 2 methodology changes, we saw a 9.5% increase in our Scope 1 and 2 carbon emissions from 10,795 tonnes in 2021 to 11,822 tonnes in 2022. We have now reduced carbon emissions within our own operations by 69% from 2012 to 2022 on a like-for-like basis, and remain on track to achieve our target of achieving net zero by 2030.

Our Sustainable Growth Strategy continued
Environment and climate change continued

Strategy in action

Connecting The Cairn to its environment

The Cairn is the first new distillery built in the area since the Cairngorms National Park was created.

The challenge
Pre-development the site comprised species-poor grazed pasture, with dried out wetlands, a lack of vegetation for breeding birdlife and overgrown reeds. The team set out to transform this into a diversity of habitats for native wildlife to thrive.

The solution
+ 10 goldeneye nest boxes installed with seven being successful, representing circa 8% of the UK breeding goldeneye population.
+ 476 new Aspen trees planted to re-establish a woodland corridor for the benefit of species such as the red-listed Aspen Hoverfly.
+ 1,920 native woodland trees planted.
+ A turf roof created with an automatic irrigation system as part of the distillery to attract pollinators in large numbers.

Scope 3 emissions

Scope 3 – verified emissions
For calendar years 2021 and 2022, we have reported emissions from Scope 3 categories where we have sufficient source data such as business travel expense claims, and information regarding employee commuting to calculate emissions using a distance-based method. These emissions are included within the boundary of the external verification.

+ Our verified Scope 3 emissions increased by 27.6% from 5,530 tonnes in 2021 to 7,055 tonnes in 2022 on a like-for-like basis, excluding acquisitions from both years. Including the acquisitions, our verified Scope 3 emissions increased from 6,041 tonnes in 2021 to 8,760 tonnes in 2022. The biggest contributor to this increase was the expected post pandemic return to more normal levels of employee commuting and business travel.

Full Scope 3 – estimated emissions
To gain a better understanding of our full carbon footprint, during the year, we developed a model for estimating the carbon emissions across all other Scope 3 categories, with support from the Carbon Trust. The model is aligned to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard, and uses a spend-based method to estimate our emissions for categories of activity where detailed activity data is not readily available, such as construction materials that are procured indirectly through our subcontractors, rather than directly from the product supplier. Using this model, we have been able to estimate our full Scope 3 emissions for the first time.

Currently, we do not include full Scope 3 emissions within the boundary of the external verification due to the inherent limitations of the spend-based method, and we will continue to report the verified Scope 3 emissions as well as our estimate of our full Scope 3 emissions.

+ Our estimated Scope 3 emissions decreased by 2.1% from 487,220 tonnes of carbon dioxide equivalent emissions to 477,042. We are unable to calculate a like for like basis excluding acquisitions due to current limitations in the model.

Waste intensity

Our waste intensity increased in the year, reflecting the growth in our Infrastructure business, which tends to have higher waste intensity projects. However, waste continues to be an area of focus, with increased use of Modern Methods of Construction, especially off-site manufacture, which can reduce the volumes of waste produced. We also manage our waste streams to maximise recycling and minimise waste to landfill, with 94.5% of our waste diverted from landfill (2022: 96.3%).

Progress in the year

Biodiversity

We have reviewed and updated our environmental strategy, which now includes the ambition to deliver a biodiversity net gain of 10% across the business. We undertake a biodiversity baseline on our design and build projects, using the DEFRA biodiversity metric. From here, a landscaping strategy is written for the project detailing the biodiversity net gain to be delivered. Monitoring periods are detailed within the landscaping strategy for the handover process back to the client.

The environmental strategy is supported by enabling initiatives including biodiversity lunch and learn sessions to upskill and inform our teams and developing environmental KPIs and performance dashboards.

Journey to net zero and Science-based targets

In 2021, we committed to achieving net zero across our own operations (Scope 1 and 2) by 2030 and net zero across all activities (Scope 1, 2 and 3) by 2045. In setting these net zero targets, we committed to reducing our emissions as far as possible, and offsetting the residual emissions at the target years. During 2023, our near-term targets, which support our net zero targets, were validated by the SBTi (Science Based Targets initiative). This provides independent assurance that our projected emissions reduction trajectory is aligned to the ambition of limiting global warming to 1.5°C. The trajectory towards net zero is unlikely to be linear, and in some years, we may see our emissions increase as the volume and mix of projects changes.

CDP disclosure

CDP (formerly Carbon Disclosure Project) is the global 'gold standard' for corporate environmental reporting. In 2022, we participated in the CDP Climate Change reporting process for the first time as a standalone construction group, achieving a score of C – Awareness Level. Making public disclosures through CDP provides transparent reporting of our carbon reduction targets, initiatives and performance, and also how we are managing the risks and opportunities presented by climate change. This score provides a baseline against which we can monitor the progress we are making in managing climate-related issues.

Learnings from our full Scope 3 carbon emissions estimate

We identified that the emissions from Scope 3 activities represent circa 98% of our total carbon footprint and the single largest source of emissions relates to the construction materials we use, representing circa 86% of our total carbon footprint. Concrete and steel are by far the largest sources of embodied carbon due to the volume of these materials used and the energy-intensive nature of the manufacturing processes.

We are working with our clients and supply chain to identify opportunities to reduce embodied carbon through design interventions and using lower-carbon materials. An example of this is our transition to use Electric Arc Furnace steel, on all future Scottish educational projects (page 41).

Investing in low carbon skills

We now have a team of 10 low carbon specialists to manage and drive our Business Units' activities in response to the low carbon agenda to reduce carbon within the assets we deliver and processes used, to support our clients' ambitions to reduce their carbon, and to support our Group initiative to achieve PAS 2080 accreditation in 2024.

Green site set-up guide

To support our project teams in reducing their carbon emissions as well as a broader range of environmental impacts, we have developed a green site set-up guide to help project teams set up and manage sites.

The guide covers all the key elements of a site set up including: mains power supply, off-grid power solutions, cars and vans, fuel for plant and equipment, office and welfare cabins, electric vehicle chargers, lighting and security and travel plans. For each area, the guide outlines a hierarchy of solutions, with the lowest environmental impacts being preferred. This will be updated as new products and services come to the market.

Science-based target

We achieved validation from the SBTi for our science-based near term carbon reduction targets.

Streamlined Energy & Carbon Reporting (SECR)

The data included in the table below covers the reporting requirements detailed in the SECR regulations. As we report our carbon and energy data in calendar years, the following section represents our carbon and energy performance for Galliford Try for the calendar years 2022 and 2021.

We are pleased to report another reduction in our Scope 1 and 2 carbon emissions intensity to 0.89 tonnes of carbon dioxide equivalent emissions per £100,000 of revenue in 2022 from 0.91 in 2021. This reflects the various initiatives we have taken to become more energy efficient and reduce the carbon footprint of our own operations. Overall, we have reduced our Scope 1 and 2 (location-based) carbon dioxide equivalent emissions by 61% since 2012 from 30,587 tonnes of carbon dioxide equivalent emissions in 2012 to 11,822 tonnes in 2022. On a like-for-like basis, re-baselining 2012 emissions to reflect the acquisitions made during 2021 and 2022, Scope 1 and 2 emissions have reduced by 69%.

	Tonnes of CO_2e	
Emissions source	2022	2021
Emissions from combustion of gas (Scope 1)	176	383
Emissions from combustion of fuel for transport purposes (Scope 1)	4,853	3,482
Emissions from fuel oil supplies ie diesel consumed (Scope 1)	5,533	4,556
Fugitive emissions from office facilities ie air conditioning systems (Scope 1)	51	212
Emissions from purchased electricity (Scope 2, location-based)	1,208	2,161
Emissions from purchased electricity (Scope 2, market-based)	633	1,341
Emissions from fuel and energy-related activities (Scope 3)	3,018	2,738
Emissions from business travel (Scope 3)	647	429
Emissions from employee commuting (Scope 3)	5,095	2,874

Methodology and conversion factors

Carbon dioxide equivalent emissions (tCO_2e) are calculated using the methodology in ISO 14064-1 and the UK Government GHG Conversion Factors and Methodology for Company Reporting 2022, which are also subject to external verification. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (for example diesel on site) including our share of emissions from joint ventures. Where data is obtained in litres used and distance travelled, these conversion factors have been used to convert to kWh.

Annual energy usage

Our total energy use, calculated from Defra 2022 conversion factors, for all our UK activities was 52,118,358kWh (2021: 48,382,602 kWh). This increase is driven by the acquisitions made in 2021 and 2022 and an increase in commuting and business travel post-pandemic, which is partially offset by reduced electricity consumption and other energy efficiencies.

Energy consumption is calculated using the same reporting boundary (operational control) that we use to calculate our carbon emissions.

Looking forward

Some of the key areas of focus over the next year include:

+ Working with our supply chain to reduce embodied carbon, for example through the materials we use.
+ Continuing to develop our carbon reporting capability by extending the number of activities and level of detail captured on our Diligent ESG GHG reporting platform.
+ Developing source systems and methodologies to capture activity data for Scope 3 activities including purchased goods and services, employee commuting and upstream transportation.
+ A targeted initiative to accelerate reductions in the amount of diesel we use in company vans, generators, and other plant and equipment.

Communities

Our objective is to make a positive impact in communities where we operate by delivering greater social value and improving lives.

KPI

% of completed projects delivering >25% SLEV[1] as a % of contract value

FY21	Not measured
FY22	50%
FY23	**94%**
Ambition:	**>60%**

Considerate Constructors Scheme (CCS) performance[2]

FY21	40.6
FY22	41.8
FY23	**43.4**
Ambition:	**>39**

1 SLEV (Social and Local Economic Value) is a measure for the social contribution made to society, in particular to the local community, estimated using the National TOMs (Themes, Outcomes, and Measures) Framework. The threshold of 25% was selected based on the SVP's (Social Value Portal's) 2021 Social Value Benchmarking Report. The SVP's analysis of 1,480 UK construction projects completed in the seven years to 2019 identified that the average SLEV as a percentage of project value was 24.67%. In its 2022 report, SVP reported that in 2021, the average SLEV% was 19.55%.

2 During 2022, CCS changed its scoring methodology, meaning that the highest achievable score is now 50, if full innovation points are awarded. As a result, we have changed the target to be greater than 39.0, which is the minimum score to achieve the 'Excellent' performance level.

Performance in the year

+ We delivered a combined Social and Local Economic Value[1] (SLEV) of £328m. Of the 35 projects assessed, 94% delivered a SLEV as percentage of contract value greater than our target of 25% against our ambition for 60% of projects to exceed this threshold.
+ Our average CCS[2] audit score increased from 41.8 to 43.4 and remains above the industry average, which for the reported year was 40.0.
+ We donated time, materials and money to the value of £347,000 (2022: £268,000) to charitable and community causes.

Social value

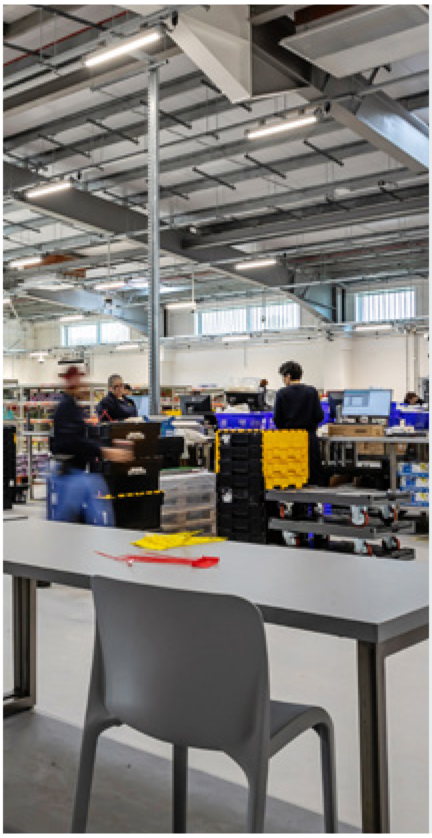
Delivering a legacy of positive social value outcomes is a key part of our strategy. This is the right thing to do as a responsible business and is also an increasingly important priority for our clients. The Construction Playbook states that central Government tenders must include a minimum of 10% of their evaluation criteria dedicated to social value, and the priority themes and outcomes are set out in 2020's Procurement Policy Note (PPN) 06/20 – Taking Account of Social Value in the Award of Central Government Contracts.

We measure the community impact we deliver on our projects using the Social Value Portal (SVP), a tool which is backed by the National TOMs (Themes, Outcomes and Measures) Framework, and helps organisations measure, report and enhance their social value. We were pleased to exceed our target of at least 60% of our projects delivering a Social and Local Economic Value (SLEV) of more than 25% of project value. Of the £328m in total SLEV, £323m is derived from procuring from small or medium-sized enterprises or businesses within a 30 mile radius of our project sites.

1,898
apprenticeship weeks delivered.

616
hours of volunteering time delivered.

1,286
hours dedicated to educational sessions.



Strategy in action

Providing new futures for prison leavers

+ Eight prisoners employed.
+ Three job offers upon release.
+ One technical apprentice in full-time position and NVQ Level 4 in Quantity Surveying.
+ £200k per annum benefit to society.
+ 25% reduction in reoffending rate.

Our award-winning construction mentoring programme is a flagship pilot and the first of its kind at HMP High Down, a Category C prison where we are delivering a DHL workshop building.

It supports the idea that effective rehabilitation can reduce re-offending by 25%, and provides work experience and training across construction management, mechanical and electrical installation and bricklaying.

We have also provided skills training, CV workshops and mock interviews to a number of prisoners.

As a result, Galliford Try has been invited to take part in discussions about prisoner employment, opportunities for Release on Temporary Licence across the MoJ programme and how this can be replicated across the prison estate.

The programme claimed the Value award, Building Project of the Year under £10m, and People Development prizes from Constructing Excellence.

"Employing men on the Galliford Try site has been a real game-changer for us at HMP High Down... If these eight prisoners that Galliford Try have employed do not go on to reoffend, it will save the taxpayer £200,000 per annum... If we can offset the cost of the reoffending against the cost of the building, everybody wins."

Ian Vandersluys, HMP High Down

Considerate Construction

The Considerate Constructors Scheme (CCS) is an industry-wide organisation that strives to improve the image of the construction industry and leave a positive legacy through implementation of best practice in the areas of community engagement, the environment and workforce wellbeing. CCS scores and benchmarks construction sites in terms of their positive impact within their locality. Again, we were pleased to increase our score from 41.8 to 43.4 out of 50, which remains above the industry average of 40.0.

Progress in the year

Open Doors

We took part in the Open Doors initiative again this year, inviting students and the general public to our sites to provide an insight into how we operate our sites, how we work alongside our subcontractors and supply chain, and what a career in construction can offer. We delivered presentations about possible career paths, the work we participate in, and gave attendees the opportunity to take part in site tours and see how a live site operates. This work builds upon similar work which our businesses carry our locally as part of their own community engagement efforts.

Local delivery supported by Group-wide network

Social value delivery is managed by Social Value Managers (SVMs) in each Business Unit who define, agree, plan and report on the community engagement and social value activities on each of our projects. This is based on a needs analysis, performed through collaboration with national and local stakeholders, and identifies the needs and priorities of the local community and the commitments made by our clients.

Over the past year, our SVMs have continued to share good practice and consistency of approach across our businesses. This has included supporting the implementation of the Social Value Portal which is driving a consistent and verified approach to measuring social value outcomes.

Looking forward

Much of the value we add to communities takes place locally, whether it is by providing employment, using the local supply chain or providing work experience and education opportunities. We aim to continue to support these activities at a project level by:

+ Piloting a mentor programme for year 9 female students, in conjunction with the Department of Work and Pensions careers advisers.
+ Increasing the visibility and promotion of volunteering opportunities to link with community benefit.

Quality and innovation

We deliver excellence for our clients by providing high-quality products and services, and by engaging and upskilling our supply chain to gain the best from them

87%
of our work is repeat business.

92%
of work secured for FY24.

Clients

Our objective is to deliver superior buildings and infrastructure with a better social footprint for clients through a focus on innovation, digitalisation and quality.

KPI

% of repeat business in our order book

FY21	92%
FY22	94%
FY23	**87%**
Ambition:	**>80%**

% of full year planned revenue secured at the start of the financial year

FY21	90%
FY22	90%
FY23	**92%**
Ambition:	**>85%**

Performance in the year

Our performance is driven by understanding client priorities, building trusted relationships, providing technical expertise to solve client challenges and delivering high-quality buildings and infrastructure. Our progress towards this is measured by our KPIs which show that:

+ We continue to have a strong pipeline of secured work in our chosen markets, with 92% of FY24 revenue already secured.
+ 87% of the work in our order book is repeat business, with clients whom we know and have built collaborative, long-term relationships with, based on a track record of delivering a high-quality product.

Strategy in action

Digital innovation

We have created an entirely digitised approach to project delivery using the latest technologies and industry standards.

We have invested in innovative technologies to improve quality and deliver efficiency and productivity improvements across the project lifecycle.

For example, our Environment business has partnered with Siemens to accelerate the integration of digital technologies across the lifecycle of water and wastewater projects. These tools aim to solve a range of challenges, such as the ability to identify potential blockages in sewer networks, improve operational efficiency of treatment works and become a net zero industry.

Our Sustainable Growth Strategy continued

Clients continued

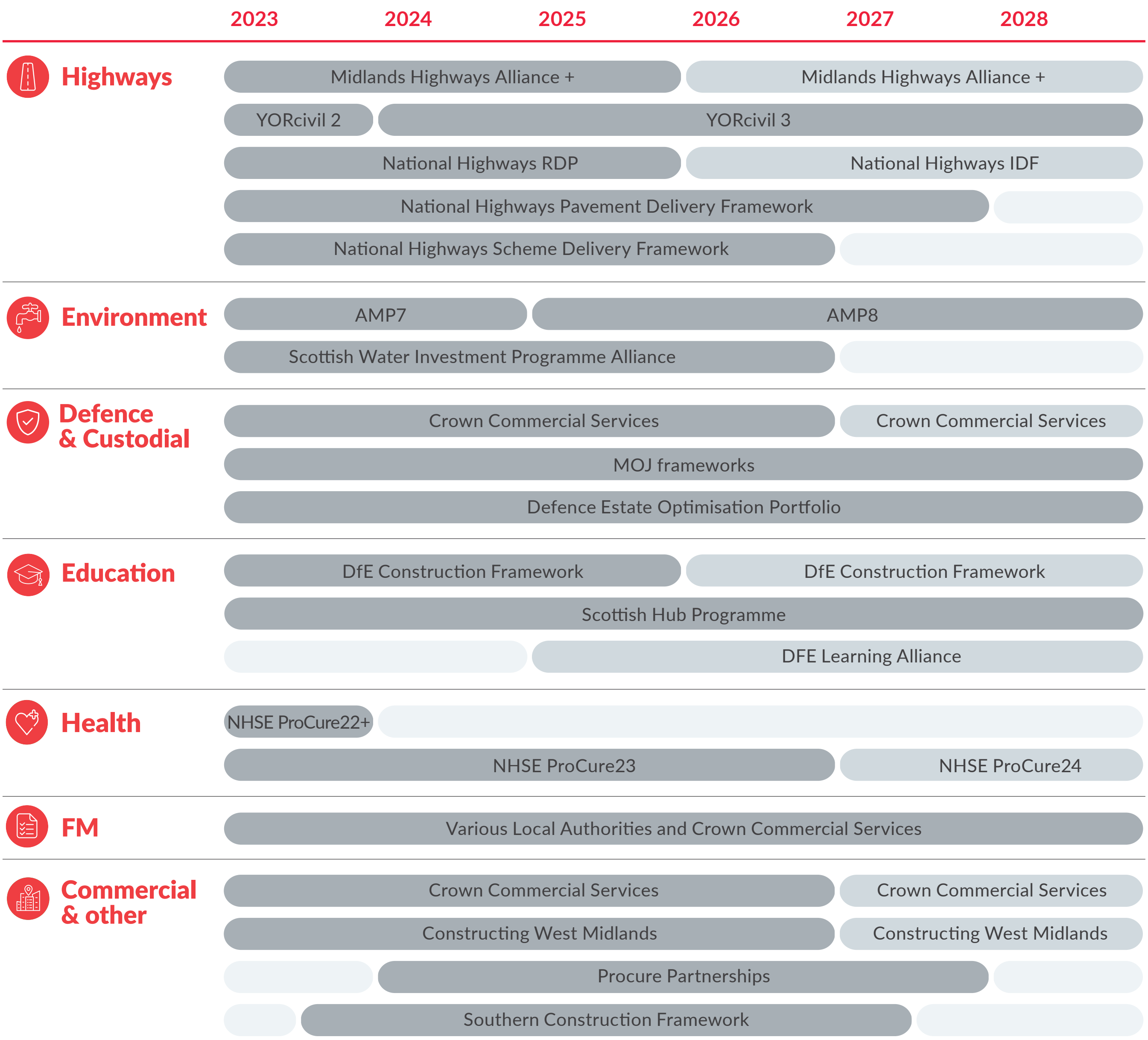
Strategic partnering through frameworks

Our focus on delivering quality outcomes and building trusted relationships with our clients is reflected by the fact that 82% of our order book is in frameworks. Frameworks are a vehicle for the public and regulated sectors to procure projects in a collaborative manner, forming long-term relationships, improving quality and creating efficiencies.

Securing positions on frameworks is our preferred route to market as it provides us with greater certainty and the ability to act more strategically. Key benefits include:

- Aligned objectives with acceptable risk.
- Established and well-understood terms and conditions with predictable behaviour.
- Transfer of knowledge from project to project.
- Reduction in the time and cost of repeat bidding.
- Creates an environment for continuous improvement.
- Enables the development of long-term strategic relationships.
- Provides long-term visibility of opportunity pipeline.

Examples of our framework positions and forward visibility beyond 2026



Progress in the year

Low carbon construction capability

Our ability to support clients in achieving their carbon reduction objectives, and demonstrate how together we can meet the Government strategy for net zero carbon, alongside our own net zero commitment by 2045 is key to our success.

We continue to invest in the people, processes and technology necessary to design and construct low carbon buildings and infrastructure. Some of the key developments during the year include:

+ Expanding our use of carbon calculator tools to measure embodied carbon and modelling design interventions to reduce embodied carbon.
+ Recruiting a team of Low Carbon Construction Managers, in addition to our Low Carbon Leads, to upskill and provide specialist support to our project teams.
+ Commencing the journey to achieve the PAS 2080 Carbon Management in Buildings and Infrastructure Standard.

UK Net Zero Carbon Buildings Standard

We have been selected to contribute to the development of the UK Net Zero Carbon Buildings Standard. The presence of our teams in these working groups ensures we are at the forefront to support our clients to design, build and maintain low carbon infrastructure and buildings.

The UK Net Zero Carbon Buildings Standard is a cross-industry initiative which will provide a single agreed definition and methodology for the industry to determine what constitutes a net zero carbon building.

Looking forward

Some of the key areas of focus over the next year include:

+ Continued presence on frameworks.
+ Assessment of frameworks against the Gold Standard report.
+ Measurement of embodied carbon.

Strategy in action

Underpinning building safety through quality

Galliford Try became one of the first contractors to be awarded Building a Safer Future Champion status. The accolade is awarded to companies following an assessment of their leadership, culture and quality management around building safety with actionable data.

Building a Safer Future was established to raise standards in construction and promote cultural change in the built environment. Galliford Try is a signatory to its charter which helps companies develop continuous improvement plans to advance their approach to building safer through a focus on quality.

"I want to congratulate the companies achieving Building a Safer Future Champion status...You can take real pride in the leadership you are showing in committing to a journey of continuous improvement in building safety. You have taken meaningful action instead of waiting for regulations to change, which should encourage many more organisations in the industry to follow the excellent example you are setting."

Steve Elliott, Non-Executive Chair of Building a Safer Future

Our Sustainable Growth Strategy continued

Clients continued

Strategy in action

Net zero operational carbon building for the National Manufacturing Institute Scotland

We delivered a new flagship research and development facility for National Manufacturing Institute Scotland, part of the University of Strathclyde. The facility is a hub for industry, academia and the public to collaborate on ground-breaking research, transform productivity levels and boost the skills of Scotland's workforce.

Leading the way in sustainable design, the facility features clean and innovative low carbon solutions to mitigate its impact on the environment and make it a great place to work, learn and collaborate.

The 11,500 sq m structure is operationally carbon neutral in design, allowing for the facility to minimise its impact on the environment. The building has achieved BREEAM 'Outstanding' for sustainability – the highest accolade possible – by utilising many sustainable initiatives and systems.

Features include:

+ An Ambient Water Loop and Water Source Heat Pumps supplied by a nearby wastewater treatment facility to provide low carbon heating and hot water for the facility.
+ Over 1,600 solar panels to provide power for the facility.
+ A demand control system for air-handling units based on monitoring carbon dioxide levels and adjustment of fan motor speed.
+ A lighting control system which utilises Bluetooth to allow the lighting to be programmed through a tablet or phone.
+ A rainwater harvesting system which stores and pumps rainwater into the building to be utilised to flush toilets.

Controlling all these is an advanced Building Management System which monitors the building performance and provides reports on the energy use across the facility.

Supply chain

Our objective is to align our supply chain with our culture and create collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

KPI

% of business unit core trades spend with Aligned subcontractors

FY21	59%
FY22	60%
FY23	**58%**
Ambition:	**70-80%**

Prompt payment: % of invoices paid within 60 days

FY21	93%
FY22	98%
FY23	**98%**
Ambition:	**>95%**

Performance in the year

Aligned subcontractors

We continue to focus on developing collaborative, long-term relationships with our supply chain partners through our Advantage through Alignment (AtA) programme. AtA is designed to enable deep collaboration and provide support to Aligned subcontractors through training and education, by sharing our working practices, values and our vision and by giving access to our behavioural safety programme, Challenging Beliefs, Affecting Behaviour, BIM training and Continuing Professional Development.

During the year, our core trades spend with Aligned subcontractors remained stable at 58%.

Prompt payment

As a signatory of the Prompt Payment Code, we are committed to paying 95% of supply chain invoices within 60 days. We maintained an excellent performance in terms of how quickly we pay our suppliers, with 98.1% now paid within 60 days (FY22: 97.6%) and the average days to pay is now 26 days. This places us in the top quarter of the sector, according to BuildUK's report of its 123 largest construction industry members. We are also making progress against the additional metric of paying 95% of invoices from suppliers with fewer than 50 employees within 30 days, with 88% now paid within 30 days (FY22: 84%).

PPE recycling scheme

An example of the power of collaboration with our supply chain is the Personal Protective Equipment (PPE) and packaging recycling scheme we operate with the help of our safety, welfare and site equipment supplier, OnSite Support. We have already collected approximately 350kg of PPE comprising hard hats, high-visibility vests and jackets and diverted this away from landfill. As well as avoiding unnecessary landfill, the recycled material is transformed into products such as insulation.

Strategy in action

Adopting low carbon steel

We have opted to use Electric Arc Furnace (EAF) steel on all future Scottish educational projects, assisting clients to achieve their embodied carbon targets.

The move has come as a direct result of our Net Zero Partners programme, which focuses on two-way education and information sharing to achieve net zero.

The manufacturing method of EAF steel significantly reduces the use of fossil fuels over Blast Furnace Basic Oxygen Furnace by using electrical processes and utilising higher percentages of recycled content.

Up to a 77% saving on carbon can be created compared to EAF's traditional counterpart.

Our Sustainable Growth Strategy continued

Supply chain continued

Strategy in action

Low carbon alternatives on temporary and remote sites

It can be challenging to reduce carbon and fuel on temporary and remote construction sites due to lack of access to mains power.

Our Infrastructure team commissioned temporary site accommodation supplier Algeco to undertake a trial on a satellite set-up, with the aim of reducing fuel, carbon dioxide and cost.

The solution uses a combination of innovative smart technology and sustainable solutions including smart energy controls, smart power sockets, solar roof panels, hybrid generator, Hydrotreated Vegetable Oil fuel, climate control and recycled/reusable temporary foundations to use on the compound.

As a result of the collaboration, the team was able to completely avoid the use of diesel on this site for a period of 13 weeks.

Progress in the year

Upskilling our supply chain

We continue to retain Gold status from the Supply Chain Sustainability School, an initiative designed to upskill its members through free training and resources. During the year, and as part of AtA, we developed learning pathways to help our supply chain partners upskill their teams.

The 'Energy and Carbon' pathway consists of three 45 minute e-learning sessions which will see all participants taking the first steps towards making decisions around their own carbon strategy and understand what is required to work with Galliford Try on our journey to net zero through introductory, intermediate and advanced sessions.

The pathway was launched in April 2023 and to date 46 partners have taken part.

Driving innovation and emerging technologies

We continue to work collaboratively with our supply chain partners to identify opportunities to deploy new technology to drive innovation and efficiency. Examples of some of the innovative technologies we have deployed during the year include:

+ The first UK field trials of an AI-supported paint robot, designed to work in partnership with humans.
+ A research project with National Highways to deploy a semi-autonomous roller, designed to improve safety by removing people from work zones, deliver productivity and efficiency improvements, and reduce carbon emissions.
+ The latest generator technology, working in conjunction with battery storage units, to improve the efficiency of site electricity generation and reduce carbon emissions.

Looking forward

Some of the key areas of focus over the next year include:

+ Embedding our Net Zero Partners programme and further supporting our supply chain to remove the main barriers to implementation for a first generational net zero carbon supply chain, supporting the industry on its net zero journey.
+ Upgrading our on-boarding platform to further enhance the checks we carry out on our subcontractors.
+ Working with our site accommodation suppliers to further improve the efficiency of our site accommodation.

Human rights and modern slavery

Ensuring human rights

We are committed to upholding human rights and we take steps to prevent slavery and human trafficking from taking place in our business and supply chain.

We support all UK legislation for human rights, recognising modern slavery and human trafficking to be the most significant human rights risks to UK construction businesses.

Action and performance

Since the Modern Slavery Act came into force, we have run awareness campaigns comprising posters, videos and educational material aimed at helping people to recognise the typical signs of modern slavery.

We ask suppliers of equipment and materials to our businesses to consider the risk of modern slavery and to ensure that there is no slavery or trafficking in their supply chain. We reviewed our statement to ensure its effectiveness again this year.

Our widely available independent and confidential whistleblowing procedure encourages employees and third parties to raise concerns.

Anti-bribery and corruption

Policy and management

Every three years, all employees must complete an online course regarding the Bribery Act, which is also a topic covered in employee inductions.

Twice a year, every Business Unit managing director and head of support function is required to sign a declaration to the Chief Executive that their respective teams are aware of the policy and the Code of Conduct, comply with their contents, and that any issues have been reported.

Performance

No material issues were reported or identified.

Non-financial and sustainability information statement and non-financial key performance indicators

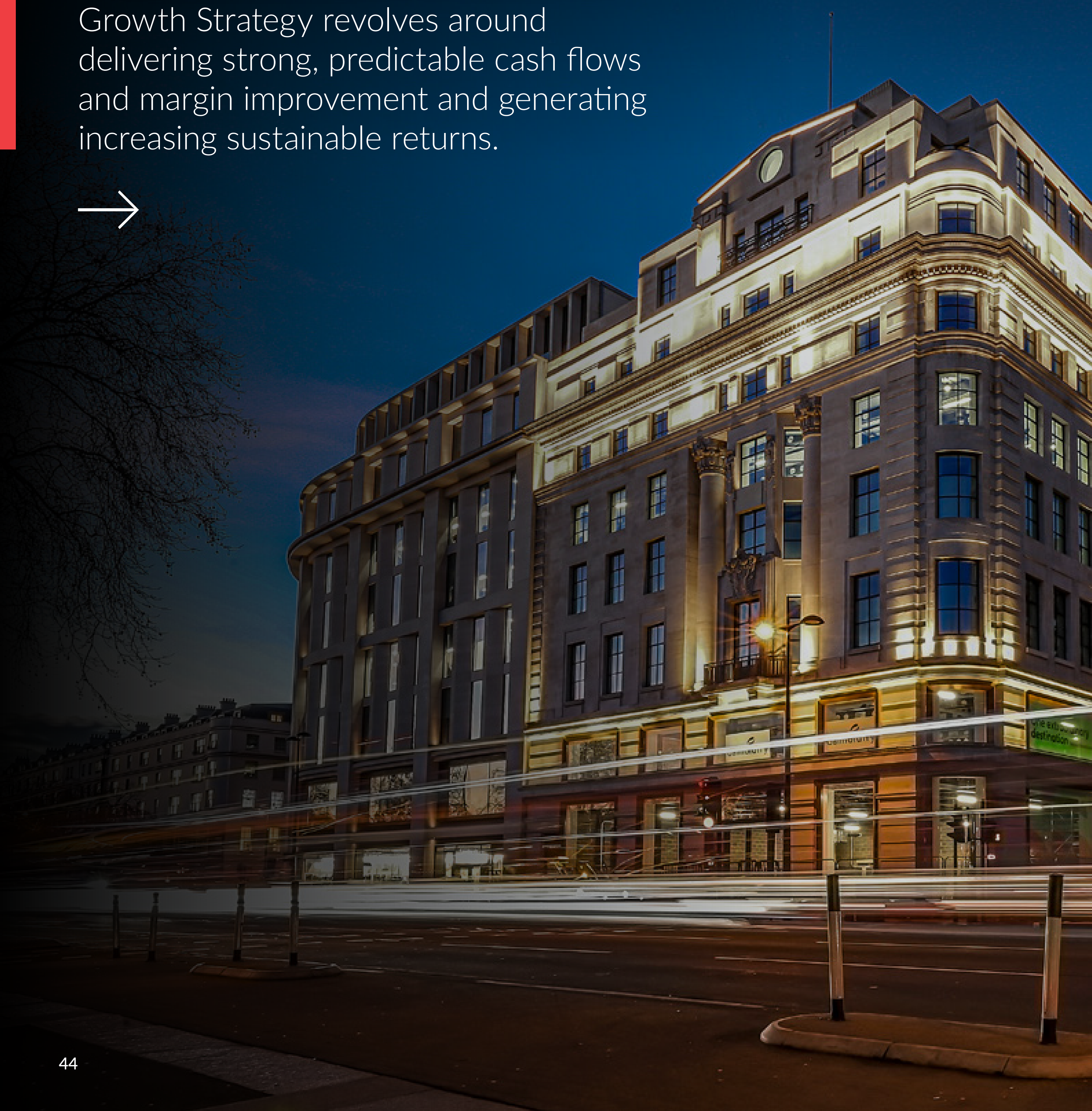
The information required to be included in our non-financial and sustainability information statement, under sections 414CA and 414CB of the Companies Act 2006, can be found in the following places in the Strategic report:

Area	Key policies – available on our website	Further information on related risks, KPIs and performance
Employees	Health and Safety Policy Statement	Pages 24 to 29
	Employee Wellbeing Policy	
	Flexible Working Policy	
	Maternity Leave Policy	
	Paternity Leave Policy	
	Adoption Leave Policy	
	Shared Parental Leave (Birth) Policy	
	Shared Parental Leave (Adoption) Policy	
Environmental matters and climate-related matters including TCFD disclosures	Energy Policy	Pages 30 to 33 and 57 to 68
	Environmental Policy Statement	
	Responsible Sourcing Policy	
	Sustainability Policy	
	Biodiversity Policy	
	Carbon reduction Plan	
Human rights	Modern Slavery Statement	Page 43
Social matters	Code of Conduct – Doing the Right Thing	Page 43
Anti-bribery and corruption	Policy and Guidance on the Prevention of Corruption and Fraud	Page 43
	Tax strategy	
	Corporate Criminal Offences Policy	
Business model	n/a	Pages 4 to 5
Principal risks	Risk Management Policy	Pages 52 to 56

Our Sustainable Growth Strategy continued

Sustainable financial returns

This cornerstone of our Sustainable Growth Strategy revolves around delivering strong, predictable cash flows and margin improvement and generating increasing sustainable returns.



Financial review

Delivering sustainable growth

We have delivered another year of growth in line with our strategy and expectations, resulting in a further increase in dividends to shareholders. The ongoing improvement in our operating performance, alongside our strong financial position and high-quality order book, provide increasing confidence in our ability to meet our sustainable growth targets to 2026.

Performance[1,2]

We have delivered an increase in revenue, operating profit and dividends, for the third consecutive year. Importantly, in a financial year that was characterised by macroeconomic challenges, our operating profit margin remained robust in line with our margin improvement targets.

Andrew Duxbury
Finance Director

Financial performance[1,2]

£1,394m
Revenue
(2022: £1,237m)

2.4%
Divisional operating margin[1,2]
(2022: 2.4%)

£19.1m
Operating profit before amortisation[2]
(2022: £18.5)

£20.6m
Profit before tax[2]
(2022: £19.1m)

£10.1m
Statutory profit before tax
(2022: £5.4m)

10.5p
Full year dividend per share
(2022: 8.0p)

£135m
Average month-end cash
(2022: £174m)

£44.6m
PPP portfolio
(2022: £47.5m)

1 See note 32 for a reconciliation of statutory numbers to Alternative Performance Measures.
2 Pre-exceptional items unless otherwise stated.

Our Sustainable Growth Strategy continued
Financial review continued

Revenue

Revenue for the year was up 12.6% at £1,393.7m (2022: £1,237.2m), reflecting particular growth in Infrastructure as we benefited from increased AMP7 spending and the first full year of trading following our acquisition of the water business of nmcn plc (in administration). In line with our strategic targets, we continue to see opportunities for further revenue growth across all of our key markets.

Of the total, Building contributed revenue of £797.1m (2022: £789.1), broadly in line with 2022 as a result of some delays to new contract starts through calendar year 2022, initially due to the increased length of client procurement in response to rising inflation and later due to delays in public sector decision making. These delays have now eased and the resulting contract awards provide excellent visibility into the new financial year. Infrastructure recorded revenue of £590.8m (2022: £441.9m), with substantial growth in Environment as noted above. PPP Investments' revenue was £5.8m (2022: £6.2m).

Operating profit before amortisation

Our pre-exceptional operating profit before amortisation, excluding a one-off contract settlement (see below), was £21.9m (2022: £18.5m), including the profit on disposal of our interest in a joint venture arrangement.

Of this, Building generated profit of £18.5m (2022: £18.9m), representing a margin of 2.3% (2022: 2.4%), and Infrastructure generated profit of £14.5m (2022: £10.8m), representing a margin of 2.5% (2022: 2.4%). The combined divisional operating margin of 2.4% (2022: 2.4%) has been achieved in line with our margin improvement targets, with further details of divisional performance set out on pages 48 to 51.

There was an £11.1m net pre-exceptional operating expense in aggregate between PPP Investments and Central Costs (2022: £11.2m). PPP Investments includes the £3.6m profit on disposal of an interest in a joint venture entity during the period. Central Costs were higher than 2022 reflecting increased share-based payment costs and some timing differences. We anticipate Central Costs reducing in 2024.

This margin performance was delivered against a backdrop of macroeconomic challenges in 2022, including inflation, materials shortages and rising interest rates, and also after allowing for a £1.1m cost of living payment in Autumn 2022 and £2.3m costs associated with two acquisitions in the year. The robust margin performance provides confidence against delivery of our 2026 financial targets.

The Group announced on 8 June 2023 that it had agreed settlement terms in respect of its longstanding dispute concerning three contracts with entities owned by a major infrastructure fund. The settlement brought to a conclusion a complex and challenging multi-contract dispute. 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 and had also previously assessed any expected credit loss provision in accordance with IFRS 9. As a result of the settlement a further one-off expected credit loss of £2.8m has been recognised in the current financial year.

Exceptional items

Exceptional items of £10.5m were incurred in the year (2022: £13.7m), as set out in note 4 to the financial statements related to our investment in cloud-based Enterprise Resource Planning (ERP) finance and commercial systems. These systems went into operation in summer 2023, and are part of our investment in our digital and data capabilities, which under updated accounting guidance, is not allowed to be capitalised. The exceptional items in 2022 related to the ERP investment (£6.0m) and the acquisition of the nmcn water business (£7.7m).

Net interest income

Net interest income of £4.5m is higher than 2022 (£2.9m), reflecting the stable portfolio of PPP sub-debt investments and increased interest received on our cash deposits as a result of improved interest rates.

Profit before tax

Pre-exceptional profit before tax for the year was £20.6m (2022: £19.1m) and excluding the £2.8m contract settlement write-off previously announced was £23.4m. Pre-exceptional profit before income tax is an alternative performance measure and a key metric we use to monitor our performance in years with exceptional or one-off items, such as 2023.

Post-exceptional profit before tax was £10.1m (2021: £5.4m).

Taxation

The pre-exceptional tax charge for the year is £3.1m (2022: £1.7m), which equates to an effective tax rate of 15.1% (2022: 8.9%). In previous years our tax rate was lower than the standard UK rate of corporation tax due to the recognition of previously unrecognised brought forward tax losses and corporate interest restrictions and, as expected, our rate is now normalising toward the standard corporation tax rate. The rate is lower in 2023 due primarily to non-taxable income. The post-exceptional tax charge is £1.0m (2022: credit of £0.9m).

We have a constructive and open relationship with HMRC, and look to comply with both the letter and spirit of relevant regulations and to pay our fair share of tax. Our tax strategy is available on our website at www.gallifordtry.co.uk.

Earnings and dividends per share

We recorded pre-exceptional earnings per share for the year of 16.6p (2022: 16.0p), or 18.9p excluding the one-off special contract settlement). The post-exceptional earnings per share in 2023 was 8.7p (2022: 5.8p).

The Board declared an interim dividend of 3.0p per share (2022: 2.2p), which was paid to shareholders on 14 April 2023.

The Board has proposed a final dividend of 7.5p per share (2022: 5.8p), bringing the total dividend for the financial year to 10.5p per share (2022: 8.0p). The full year dividend in 2023 is covered 1.8 times (2022: 2.0 times) by pre-exceptional earnings, excluding the one-off contract settlement, in line with the Board's updated policy.

In its announcement on 8 June 2023 following settlement of its long-standing dispute, referred to above, the Group announced that the Board had decided to declare a Special Dividend of 12 pence per share, payable following publication of the Group's results for the financial year ending

"The Board is committed to maintaining a strong balance sheet, which provides the Group with competitive advantage in its market and supports our growth strategy"

30 June 2023. The Special Dividend will be paid on 27 October 2023 to shareholders on the register as at 6 October 2023. The ex-dividend date is 5 October 2023.

At 30 June 2023, the Company had distributable reserves of £115m (2022: £109.7m).

Financial position

Our strong balance sheet, supported by a robust cash performance and valuable PPP assets, is important for our clients; provides confidence to our supply chain; and continues to provide a strong underpin for our future plans.

Cash and investments

The Group is well-capitalised, maintaining a clear focus on disciplined cash management. We have no debt or defined benefit pension obligations, and at 30 June 2023 had a cash balance of £220.2m (2022. £218.9m). The Group operates with daily net cash, with average month-end cash balance in the year of £135m (2022: £174m). This demonstrates continued robust cash performance throughout the year, with the reduction compared to the prior year reflecting recent acquisitions, our investment in cloud-based digital systems, some delays to new contract starts, and in excess of £20m of dividends and capital returns in the year.

We continue to be proud of our collaborative and open approach with all our supply chain and our performance under the Prompt Payment Code remained excellent, with 98% of invoices paid within 60 days (2022: 98%) and average days to pay invoices of 26 days (2022: 25 days).

At 30 June 2023, we had a PPP portfolio of £44.6m (2022: £47.5m). This reflects a blended 7.3% discount rate (2022: 7.0%), the increase attributable to changes in UK gilt rates. This portfolio contributes to our balance sheet strength and generated interest income of £3.9m (2022: £3.9m) in the year.

Working capital

We have modest working capital requirements. At 30 June 2023, net working capital employed was £268.5m (30 June 2022: £255.5m)

Total equity at the year-end was £118.6m (2022: £132.1m).

Capital allocation and dividends

The Board is committed to maintaining a strong balance sheet, which provides the Group with competitive advantage in its market and supports our growth strategy. Our capital allocation priorities are:

Strong balance sheet to support operations

A strong balance sheet is an important element in delivering the Group's Sustainable Growth Strategy, as it provides a competitive advantage in the market, supports the Group's disciplined approach, and provides confidence to our clients and supply chain. The current outlook across our markets remains encouraging and supports our strategy. However, the Group also ensures that it is prepared for any adverse change in market conditions that may arise. Our strong balance sheet is particularly important for the Group to continue to operate its disciplined approach to contract selection and focus on operating margin, irrespective of any short-term economic concerns. The inflationary pressures which are now subsiding, clearly demonstrate the value and importance of the Group's risk management framework and focus.

Invest in the business

We are able to allocate capital to assist the development of our adjacent markets, as demonstrated by our acquisitions during the year, of the water businesses of MCS Control Systems and Ham Baker. Our strong balance sheet enables the Group to react quickly to strategic opportunities, including bolt-on acquisitions that enhance our capabilities and increase value, and to continue to invest in enablers of growth such as digital capabilities.

Paying sustainable dividends to shareholders

The Board understands the importance of dividends to shareholders, and in setting its dividend, considers the Group's profitability, its strong balance sheet, high-quality order book and longer term prospects. Consistent with this approach the Group expects dividend per share to increase in line with earnings as the business grows. The Board's confidence in the outlook has led to an improved dividend policy, of earnings covering the dividend by 1.8 times. Alongside dividend growth from our operational performance, this improvement reflects the low-risk nature of the PPP asset portfolio and its annuity interest income, and provides a sustainable increase in dividend to shareholders while retaining capital to invest in growing the business.

Returning excess cash

We continue to assess the cash requirements of the business to ensure the Group remains well positioned to deliver on its Sustainable Growth Strategy and has sufficient funds to invest in the business.

As previously announced, where average month-end cash and PPP assets increase above the level required, the Board will consider making additional returns to shareholders.

In line with this approach, in June 2023 the Board declared a special dividend to be paid in October 2023, and in September 2022 the Group announced an initial share buyback programme to repurchase up to £15m of ordinary shares of 50 pence per share. The Board is satisfied with the progress of this buyback programme, with a total of 7,985,696 shares purchased and cancelled as at 15 September 2023, at a total cost of £14.1m.

Contingent liabilities

The directors ensure that contingent liabilities are appropriately assessed, documented and monitored. More information can be found in note 28.

Going concern and Viability Statement

Our going concern statement, together with further related information, can be found in the Directors' report on page 117. Our Viability Statement can be found on page 69.

Critical accounting policies and assumptions

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

We use alternative financial performance indicators to monitor our performance, alongside standard measures, which are designed to be useful to investors by providing a balanced view of our operations. An explanation of these measures and reconciliations to the corresponding statutory measures are included in note 32.

Andrew Duxbury
Finance Director

Our Sustainable Growth Strategy continued

Operating review

A strong performance

We delivered another strong set of results during the financial year, with good performance in our core businesses of Building, Infrastructure and PPP Investments.

Performance

Building

Building (which includes our FM business) had a revenue of £797.1m (2022: £789.1m), generating an operating profit before amortisation of £18.5m (2022: £18.9m), which represents a margin of 2.3% (2022: 2.4%).

	2023	2022
Revenue (£m)	**797.1**	789.1
Operating profit (£m)[1]	**18.5**	18.9
Operating profit margin (%) [1]	**2.3**	2.4
Order book (£m)	**2,249**	2,047

1 See note 32 for a reconciliation of statutory numbers to Alternative Performance Measures.

Revenue is in line with the previous year as a result of some delays to new contracts towards the end of the financial year, reflecting increased length of client procurement in response to rising inflation and some public sector delays. The margin change reflects the challenging macroeconomic conditions through 2022, and we remain on track for our 2026 targets.

Our FM business continues to complement our operations by providing high-quality building maintenance services. We continue to grow the capabilities of this operation, with a specific focus on decarbonising existing buildings through retrofit and other interventions.

Building won contracts and positions on frameworks worth over £999m, (2022: £945m). Significant appointments and wins for Building included the £5.1bn Defence Estate Optimisation Portfolio; the £4.5bn Southern Construction Framework; the £2.5bn Ministry of Justice Constructor Services Framework; Brent Cross residential project; the £72m remodelling and refurbishment of Adelaide House in central London; a £95m contract to deliver a new custodial facility at HMP Rye Hill; and a new £65m contract to build an industrial facility for JDR Cable Systems in Blyth, Northumberland.

Building's order book stands at £2,249m, compared to £2,047m last year including 25% in Education, 30% in Defence and Custodial, 15% in Facilities Management and 5% in Health.

Strategy in action

Collaborating for excellence

The £61m Winchburgh Schools Campus is West Lothian Council's largest investment in education comprising:

+ Two 660-place secondary schools.
+ A 231-place primary school.
+ A sports and wellbeing hub.

Pivotal to the success of the Winchburgh Schools project was a culture of collaboration developed over a series of projects which immediately preceded the Winchburgh campus.

Quality was given the same prominence as safety, cost and programme, and embedded into the design and delivery processes, with reinforcement at various checkpoints.

The project provided £22m of social and local economic value for the community of Winchburgh.

"A great example of how a large-scale construction project should work... the outcome is absolutely tremendous."

Lawrence Fitzpatrick,
Council Leader West Lothian Council

Strategy in action

Building a high-quality order book

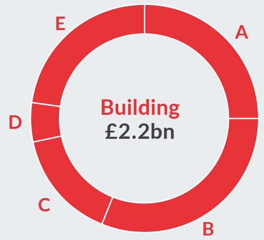
Our order book underpins our future plans and gives us excellent medium term visibility of pipeline, meaning that no part of the business needs to take on inappropriate levels of risk.

Our confidence in the quality of the order book comes from the following.

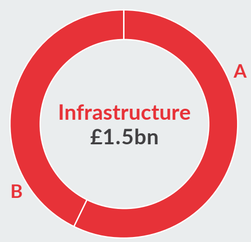
+ Our focus on core sectors increases our understanding of contract risk, our ability to put appropriate mitigations in place, and our ability to successfully deliver quality projects.
+ We actively target and maintain places on public sector frameworks in the UK as they help mitigate risk by enabling us to work within established and well-understood terms and conditions and provide consistent pipelines of work (page 38).
+ At 30 June 2023, 82% of our order book was in frameworks (2022: 90%).
+ Similarly, our focus on the public and regulated sectors helps mitigate risk by working with repeat clients on a relationship basis, and provides a strong pipeline of future opportunities.
+ At 30 June 2023, 87% of our order book was in the public and regulated sectors (2022: 91%), and 13% in the private sector (2022: 9%) with carefully selected blue-chip clients.
+ High visibility of the following year's revenue gives us further confidence to bid with the appropriate discipline and selectivity.
+ At 30 June 2023, 92% of planned revenue for the 2024 financial year was secured (2022: 90%).
+ At 30 June 2023, the average contract size in Building's order book is less than £20m.

Strong visibility of workload

Order book by sector

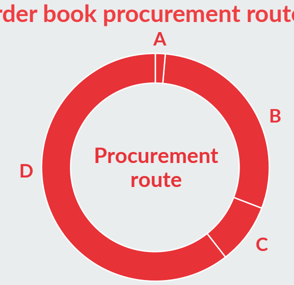


		£m
A	Education	555
B	Defence & custodial	685
C	Facilities Management	339
D	Health	120
E	Commercial & other	550
Total		£2.2bn



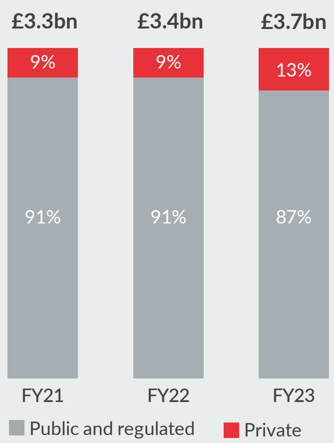
		£m
A	Environment	838
B	Highways	626
Total		£1.5bn

Order book procurement route

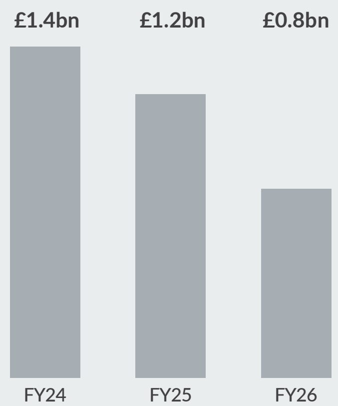


		%
A	Single-stage	1.5
B	Two-stage	29.5
C	Negotiated	8.5
D	Target/cost plus	60.5

Order book by client type



Order book by FY (£bn) exc FM



Our Sustainable Growth Strategy continued
Operating review continued

Performance
Infrastructure

Infrastructure's revenue was £590.8m (2022: £441.9m). As expected, revenue increased due to the higher level of activity from the AMP7 programme in the water sector and the full year impact from the acquired water operations of nmcn plc (in administration).

	2023	2022
Revenue (£m)	**590.8**	441.9
Operating profit (£m) excluding contract settlement [1]	**14.5**	10.8
Operating profit margin (%) [1]	**2.5**	2.4
Order book (£m)	**1,464**	1,396

1 See note 32 for a reconciliation of statutory numbers to Alternative Performance Measures.

Infrastructure generated an operating profit before amortisation of £14.5m (2022: £10.8m) which represents a margin of 2.5% (2022: 2.4%).

The improved profit performance is in line with our expectations, and includes the benefit of new contract frameworks.

Infrastructure won contracts and positions on frameworks worth £659m (2022: £466m). These include the £600m Southern Water AMP8 Framework and two frameworks for Welsh Water, representing the first capital maintenance framework wins for the Environment business since the acquisition of nmcn water; the £140m Carlisle Southern Link Road and the £81m Melton Mowbray distributor road.

Infrastructure division had an order book of £1,464m, compared to £1,396m last year, including £626m for clients in the Highways sector and £838m in the Environment sector.

In June 2023, we restructured our Environment business to provide enhanced service delivery across our operations including water, engineering, off-site build and asset optimisation, and to reflect the acquisitions of nmcn in 2021, MCS Control Systems Limited in July 2022 and Ham Baker Engineering in November 2022 (note 30).

The new structure will support the business to meet growing demand in the water sector over the next decade.

Our Highways business was also restructured to focus on three streams comprising National Highways, Local Authorities and Major Projects.

Strategy in action

Five ways Keadby Pumping Station enhances the environment and biodiversity

+ Flood control: by efficiently regulating water levels, the station helps prevent flooding, safeguarding homes, farmland, and vital infrastructure.
+ Improved agriculture: the pumping station plays a crucial role in land drainage, reducing waterlogging in the area. This boon for farmers enhances agricultural productivity, ensuring healthier crops and happier livestock.
+ Water resource management: the project efficiently channels excess water into the River Trent which promotes sustainable water usage and helps maintain ecological balance in the region.
+ Ecosystem preservation: careful water level control contributes to the preservation of local ecosystems and habitats ensuring the wellbeing of diverse plant and animal species.
+ Embedded carbon savings: the scheme reduced carbon emissions by 90% by procuring pre-used piles that avoided new manufacture.

The project won Large Project of the Year at the Institution of Civil Engineers' 2022 Sustainability Awards.

Performance

PPP Investments

As outlined in our 2022 Annual Report, with the reduction in traditional PPP/PFI bidding opportunities, PPP Investments has continued to move its focus towards co-development of Private Rented Sector (PRS) projects.

	2023	2022
Revenue (£m)	**5.8**	6.2
Operating profit/(loss) (£m)	**1.4**	(0.9)
Net interest income (£m)	**3.8**	3.9
Directors' valuation (£m)	**44.6**	47.5

The Group achieved contract completion on its first PRS development scheme in August 2023. The project will see the creation of 272 one and two-bedroom apartments in a 30-storey tower, close to the centre of Cardiff.

At the year end it was the preferred bidder on three further PRS schemes with a combined gross development value of c250m and anticipates further opportunities in the future.

At the year end, the directors' valuation of our PPP portfolio was £44.6m (2022: £47.5m), which is the fair value included in the balance sheet reflecting a blended discount rate of 7.3% (2022: 7.0%). The valuation compared with a value invested of £35.2m (2022: £35.7m). There is an active secondary market for these assets, which generated an annuity interest income of £3.9m (2022: £3.9m) and contributes to our balance sheet strength.

Risk management
Effective risk management

Our ability to identify, assess and manage risks and uncertainties is one of the key enablers to delivering our Sustainable Growth Strategy. It is vital that we understand the potential risks associated with every project opportunity and ensure that we only bid for projects that align to our risk appetite and our ability to manage the risks. We must also be able to identify and manage the risks associated with operating in a dynamic external environment.

Our embedded culture of risk awareness has been particularly important to enable the business to mitigate the macroeconomic challenges of the last financial year, such as high inflation. It also helps us identify and monitor the development of emerging risks, including the potential impact of climate change – both the physical risks and the risks associated with the transition to a low carbon economy.

Our principal risks are presented on pages 54 to 56.

Our approach to managing risk is structured, pragmatic and targeted, with key risk mitigation measures embedded into management processes and activities. These include:

+ A Business Management System with processes and procedures designed to give us control and confidence in commercial decisions.
+ Project level controls and management oversight of project forecasts.
+ Monthly cross-disciplinary contract review meetings on all projects.
+ Standardised formats for monitoring and reporting project performance and forecasts.
+ Comprehensive commercial training.
+ A programme of commercial 'health checks' to provide an independent assessment of the project team's reported project performance and forecast outturn.

These activities are supported by a governance structure that provides oversight of key risks from the plc Board through to individual projects.

Our risk management process

The Group's risk management and governance structure is designed to facilitate both a bottom-up and top-down view of principal and emerging risks and is summarised in the diagram opposite.

Audit Committee

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

Risk and Internal Audit

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

Provides a risk update, including the updated principal and emerging risks, to the Executive Board and the plc Board at least three times a year.

plc Board

Has overall responsibility for setting the risk appetite of the business and maintaining oversight of our processes for identifying, assessing, managing and reporting on principal risks.

Reviews principal and emerging risks at least three times a year.

Executive Board

Responsible for implementing the strategy and risk appetite set by the Board and ensuring that appropriate risk management and internal control procedures are embedded in our day-to-day operations.

Reviews principal and emerging risks at least three times a year.

Executive Risk Committee

Chaired by the General Counsel & Company Secretary and comprises the Finance Director, Director of Risk and Sustainability, and a representative from each of Building, Infrastructure and Specialist Services.

Meets three times a year to review and update principal and emerging risks, based on the risks reported up from the Business Units, and to consider any emerging risks that may have an impact on the business in the longer term.

Business Unit Boards

Maintain a Business Unit risk register that records the key risks applicable to that business, key mitigations and further actions required to manage the risk.

Risk registers are reviewed twice a year, with one of the reviews facilitated by the Risk and Internal Audit team.

Project teams

Create a project Risk and Opportunity Register at the bid stage and maintain it throughout the lifecycle of the project.

Review the risk and opportunities at key checkpoints and as part of the monthly contract review meetings.

Principal risks

At a Group level, the Board monitors risk using the following four principal risks, a detailed analysis of which is provided below:

1. Work winning
2. Project delivery
3. Resources
4. Regulatory compliance

This approach facilitates a targeted focus on the most significant risks and the actions being taken to manage them.

At an individual Business Unit level, our risk management process captures and monitors risks and mitigations using more detailed risk themes aligned to the four principal risks so that we can take more targeted actions to address issues that are specific to the regions and sectors in which they operate.

1 Work winning

Risk description

We fail to secure an appropriate pipeline of projects to achieve our revenue and profitability targets.

Key risk indicators

+ **Percentage of planned revenue secured.**
+ **Percentage of order book in frameworks.**
+ **Order book by client type.**
+ **Percentage of repeat business with existing clients.**

Link to our strategic priorities

Quality and innovation.

Sustainable financial returns.

Risk appetite

We aim to secure a forward order book that provides a high degree of certainty of current year and following year revenue, while reflecting appropriate margin, cash and risk attributes.

Maintaining discipline in the projects that we take on is a fundamental element of our internal control framework. We will only accept projects where we are confident that we have the experience, knowledge and supply chain to deliver effectively and where the client relationships and commercial terms support a collaborative approach to managing risk.

Potential causes of risk

+ A significant and sustained reduction in Government investment in building and infrastructure projects reduces the opportunity pipeline.
+ Increased costs make some schemes economically unviable leading to delays or cancellation of projects.
+ Delays to and/or reduced levels of private sector investment due to macro-economic conditions.
+ Failure to secure positions on key procurement frameworks.
+ Failure to meet the increasing sustainability expectations of our clients.
+ Poor quality bid submissions.
+ Failure to maintain discipline in project selection.
+ Insufficient resources to support bid preparation.

Current risk environment

+ Pipeline in our chosen markets remains strong, supported by Government policy on infrastructure spending.
+ Inflation and higher interest rates mean that some client budgets need to be increased which makes it more challenging to move from preferred bidder to agreeing contract values, which in turn results in delays to project starts.
+ The long-term transition to low carbon buildings and infrastructure is creating market opportunity – net zero new builds and energy-efficient refurbishments and retrofits.
+ The Building Safety Act introduces additional regulatory requirements which increases compliance risk and therefore may deter some private sector developers and investors.

Emerging risks

+ With a UK General Election due in 2024, there is a risk of a short-term hiatus in decision-making in central Government departments which could result in delays to project starts or new projects not coming the market.
+ We innovate or adopt new technologies too early, incurring costs associated with being an early adopter, or too late, losing market share.
+ Client attitudes to sustainability shift at differing rates, leaving some clients focused on construction cost and others on whole-life cost and carbon performance.
+ Changes to planning policy and regulations to deliver the UK's net zero ambition limit the ability of our clients to pursue new build construction schemes.

Mitigations

+ We manage the potential impact of an economic downturn by building a high-quality order book with projects that meet our strict risk profile.
+ We concentrate on sectors where we have core strengths and clients with long-term growth and profitability potential.
+ We focus on securing positions on key procurement frameworks (page 38) and repeat business with key clients through a centralised, dedicated pre-construction team. This allows for strategic planning, better collaboration and reduced risk of project failure.
+ Each time we bid for a contract, we follow our internal "heat map" process, identifying risks across a range of criteria including the client and their advisors, project location and our local supply chain, our technical experience, our internal resources and capacity, the procurement method, contractual terms and conditions, and price.
+ All contracts over £25m in value, or which have a heightened risk indicator on any other measure, are reviewed by the Executive Board prior to approval to bid. We typically target lower-risk contract types.
+ We carry out peer reviews of bids where relevant to ensure robust review and challenge of risks and assumptions and to promote knowledge sharing across the business.
+ Adjacent markets strategy, including PRS and the recent acquisitions in our Environment business, expand our target markets in a risk-managed way.

Risk management continued

Principal risks

2 Project delivery

Risk description

We fail to deliver projects safely, on time, in agreement with contractual terms, or to a high quality for our clients.

Key risk indicators

+ RIDDOR and AFR scores.
+ Safety leading indicators (eg Director Safety Tours, Safe Behaviour Discussions).
+ Forecast project margins.

Link to our strategic priorities

Progressive culture.

Socially responsible delivery.

Quality and innovation.

Sustainable financial returns.

Risk appetite

We prioritise health and safety above everything else and believe that nothing is so important that we cannot take the time to do it safely.

We will not tolerate poor quality and strive to deliver high-quality buildings and infrastructure for our clients that provide safe environments for the occupiers and users of the assets.

We aim to provide realistic and transparent forecasts of project performance with potential risks to programme and margins identified and addressed before they materialise.

Potential causes of risk

+ Changing regulations.
+ Non-compliance with health and safety regulations and/or poor safety behaviours.
+ Programme delays and cost escalation.
+ Poor control of client and subcontractor variations and claims processes.
+ Contractual notices not given as per contract requirements.
+ Poor record-keeping and document management.
+ Poor design quality and/or co-ordination.
+ Failure to comply with quality control procedures.
+ Extended periods of adverse weather conditions.
+ Poor subcontractor performance and/or insolvency.
+ Unrealistic estimates, including cost to complete, inflation estimates, outcomes of disputes and final value included in project forecasts.
+ Material unavailability and extended lead times.
+ Interest rate rises causing investment and cashflow issues within the supply chain.

Current risk environment

+ Health and safety remains our first priority and our Lead Indicators approach is now established in the business.
+ Staff shortages and cost of living pressures increase the sense of workers feeling stretched which could impact on safety and wellbeing.
+ High levels of recruitment to support strategic growth plans require a greater focus on employee onboarding and training.
+ Although we have experienced periods of extreme heat and intense rainfall, they have not resulted in a significant or widespread impact on our operations.
+ There continues to be the potential for external factors, such as the war in Ukraine, to have an indirect and unpredictable impact on our supply chain in the future.

Emerging risks

+ We fail to adapt our processes to meet the requirements of our clients to have better and more reliable data about the assets we design and build for them.
+ The country fails to learn from the Covid-19 pandemic and any potential future global pandemic, or indeed other supply-side shocks, have a significant impact on the construction industry.
+ Building designs and construction methodologies fail to adapt to the physical effects of climate change, including more regular and more extreme weather events, leading to reduced productivity, programme delays and cost overruns.
+ Materials availability will become more challenging when demand from the housebuilding sector returns to normal levels.

Mitigations

+ We continued to reinforce our behavioural safety programme Challenging Beliefs, Affecting Behaviour, and use Lead Indicators which target no harm.
+ We take a values-driven approach to project delivery focusing on close collaboration and client satisfaction to achieve end goals for both parties.
+ We undertake robust review and approval of contractual terms, pre-contract to ensure we do not sign up to contracts with onerous terms. This includes the employment of margin thresholds and escalation to the Board of any contracts that do not meet our criteria.
+ We apply rigorous quality control in our BMS policies and procedures and adopt digitalisation to improve data, quality and efficiency.
+ We carry out due diligence to select competent designers and subcontractors and use specialist consultants at key review stages.
+ We provide comprehensive commercial training.
+ We have introduced standardised formats for monitoring and reporting project performance and forecasts.
+ We undertake monthly cross-disciplinary contract review meetings on all projects to enable a robust assessment of programme status, risks and commercial forecasts and are investing in upgrading our existing ERP systems.
+ We carry out a programme of commercial 'health checks' to provide an independent assessment of the project team's reported project performance and forecast outturn.
+ Operational controls including health and safety site risk assessments are monitored through a regular audit process.
+ Our Technical and Business Support Forums drive process improvements across health and safety, digitalisation, carbon reduction, procurement, design management, mechanical and electrical, and commercial activities.
+ Escalation processes respond promptly and appropriately to incidents.

3 Resources

Risk description

We fail to secure the right people and other resources necessary to deliver our projects and manage our business.

Key risk indicators

- Material and trade shortages.
- Voluntary staff churn rate.
- Time to hire.
- Prompt Payment Code performance statistics.
- Average month-end cash.
- Subcontractors not paying staff and suppliers promptly.

Link to our strategic priorities

- Progressive culture.
- Socially responsible delivery.
- Quality and innovation.
- Sustainable financial returns.

Risk appetite

We aim to recruit employees from a diverse talent pool who are aligned to our values and behaviours.

We seek to work with financially resilient subcontractors, suppliers and joint venture partners who share our values in relation to safety, quality and sustainability.

Potential causes of risk

- We are unable to attract, retain and/or develop the right staff to meet our future needs, or we mismatch our staffing levels to peaks and troughs in activity or lack diversity.
- Lack of capacity in the supply chain due to high levels of activity in the construction sector.
- Subcontractor and/or client insolvency.
- Failure to comply with fair payment practices.
- Lack of geographical coverage.

Current risk environment

- Material cost inflation reduced over the year as demand/supply imbalances and energy prices have fallen. However we continue to take sensible measures to manage material cost inflation (early procurement, supply chain engagement, risk allowances in tenders etc).
- Lead times for bulk items like steel and bricks are now more predictable and shorter than in 2022 and are factored into our programmes and procurement planning. However, we are still experiencing occasional short-notice delays, cancellations or incomplete deliveries which can cause some disruption to programmes.
- Subcontractor insolvency is an increasing risk. We manage this by being selective in who we work with, monitoring our exposure and ensuring we pay our suppliers promptly.
- It remains a competitive market for talent. Large infrastructure schemes and a mismatch between skilled worker supply and demand continues to drive up salaries and increases the risk of employees leaving for higher reward packages. We have developed our ‘Grow Together’ campaign to outline our employee value proposition as part of the broader ‘retain and gain’ people strategy.
- We continue to support our people to achieve their career objectives and ambitions and provide them with opportunities for progression. We actively promote opportunities for internal mobility through our Explore programme.
- The results of our employee survey indicate that we have high levels of engagement and satisfaction within our employees and we continue to improve the way we promote the business and develop our employee offering.
- We continue our focus on health, safety and wellbeing.
- Strong balance sheet and net cash position gives confidence to clients and allows us to continually improve our prompt payment performance.

Emerging risks

- There is a generational shortage of skills as more experienced staff retire and are not replaced in sufficient numbers because the construction sector cannot compete with other sectors in attracting talent.
- Innovations in the use of technology will require us to attract a workforce with a different set of skills.
- Depletion or increased scarcity of non-renewable materials may lead to greater volatility in prices and more regular disruption to supply.
- The drive towards net zero construction may lead to an increased risk of defects and quality issues as we start to use new, low carbon materials whose long-term performance is unproven.
- Availability of lower carbon materials will become more challenging as more main contractors look to secure the same resources.

Mitigations

- The Group has an established HR strategy based on best practice principles and relevant legislation which, among other things, includes the regular review of remuneration and benefits packages to ensure we remain competitive.
- Our succession planning and talent management processes, together with our internal mobility programme, enable continuity and identification of future leaders.
- We operate graduate, trainee and apprenticeship programmes to develop our own pipeline of talent.
- We develop long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer when resources and materials are in short supply.
- Our Advantage through Alignment programme facilitates greater engagement with our key supply chain members and provides them with greater visibility of our pipeline of projects.
- We are committed to paying 95% of supply chain invoices within 60 days, and achieving the new standards of the Prompt Payment Code.
- We carry out enhanced supply chain checks and monitor subcontractor financial performance and reputational risks.
- Each Business Unit reviews its cash forecast weekly and monthly, and the Group prepares a detailed daily cash book forecast for the following eight-week period to highlight any risk of intra-month fluctuations. These forecasts are reviewed at Business Unit, division and Group level.

Risk management continued

Principal risks

4 Regulatory compliance

Risk description

We fail to comply with requirements of the various legal and regulatory regimes in which we operate, resulting in a high-profile breach and regulatory censure.

Key risk indicators

- **Number of external enforcement cases.**

Link to our strategic priorities

- **Socially responsible delivery.**
- **Quality and innovation.**
- **Sustainable financial returns.**

Risk appetite

We have zero tolerance for non-compliance with regulations. We expect all employees and subcontractors to be aware of all regulations relevant to their role and to comply at all times. We also expect our people to speak up if they observe or suspect non-compliance.

Potential causes of risk

- Failure to update our procedures to reflect changes to key legislation and regulations.
- Failure to provide sufficient and effective training to all staff.
- Failure to implement effective compliance monitoring processes.

Current risk environment

- The Building Safety Act is new legislation that provides greater clarity on the requirements and responsibilities in relation to building safety and should drive greater quality in construction.
- However, the Act also has the potential for adverse consequences in relation to the extended period in which certain defect claims can be made, which increases the risk of opportunistic claims being brought forward.
- We continue to invest in cyber security surveillance tools, recognising the potential risk of cyber-attacks, especially linked to the conflict in Ukraine, and the wider geo-political environment.
- The regulatory landscape in relation to ESG reporting is evolving quickly and will require us to monitor and publish more information and comply with new standards (ie ISSB).

Emerging risks

- Greater devolution or even full independence may lead to very different regulatory regimes in Scotland and the rest of the UK.
- New legislation to combat climate change, such as carbon taxes or a ban on the use of diesel could have a significant impact on our operations.
- Biodiversity and water use regulations may become more stringent and result in increased compliance costs.
- The new Corporate Governance regime will introduce greater responsibility for directors, and the requirement for enhanced disclosures in relation to internal controls, fraud, resilience and audit and assurance arrangements, with increased costs of compliance.

Mitigations

- Galliford Try has comprehensive policies and guidance at every level including our Code of Conduct, mandatory regulatory and cyber security e-learning for all employees, an anonymous and independent whistleblowing helpline, regular legal updates and briefings, six-monthly compliance declarations, and conflict of interest registers and authorisations.
- The Ethics and Compliance Committee, provides ongoing monitoring and oversight of policy and compliance activity in relation to key areas of legislation.
- We continue to review the detail of the Building Safety Act and are preparing through training, continued investment in digital tools to support quality.
- Our information security standards and procedures are accredited to the ISO 27001 standard.

Task Force on Climate-related Financial Disclosures (TCFD)

Accelerating our action on climate change

We are taking action to ensure that our business continues to adapt and thrive in a changing climate.

The built environment is responsible for around 40% of global carbon emissions, therefore as a business operating in the construction sector, we have a responsibility to play our part in reducing emissions. We have reduced the carbon emissions within our own operations by 69% since 2012 and have set ambitious targets to achieve net zero in our operations by 2030 and across our value chain by 2045 (pages 31 to 33).

In accordance with LR 9.8.6B, in assessing our compliance with the recommendations of the TCFD, we have taken into account the guidance for all sectors in section C of the 2021 version of the TCFD guidance 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures'. We have also reviewed the other guidance documents referred to in LR 9.8.6C, and as we have published net zero targets, we have particularly focused on the TCFD guidance on metrics, targets and transition plans. Based on this guidance, we have made disclosures that are aligned with the TCFD core element areas of Governance, Strategy, Risk Management and Metrics and Targets and comply with the 11 specific recommended disclosures, with the exception of the following recommendations where we are partially compliant:

+ Strategy recommendation b – we have not disclosed quantitative assessment of the potential financial impacts of the risks and opportunities identified see Financial Impact section on page 61.
+ Metrics and Targets recommendations a and c – while we have expanded the range of climate-related metrics and targets disclosed, further work is required to develop additional metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified. See Metrics and Targets section on page 62.

This year's TCFD disclosures reflect our increasing focus on climate change and some of the key developments during the year, including:

+ Obtaining validation of our near-term science based target from the SBTi, creating an important interim milestone on our journey to net zero.
+ Developing our understanding and articulation of the opportunities that climate change mitigation and adaptation is creating in our target markets.
+ Expanding our use of recognised climate scenarios to evaluate the resilience of our strategy and related risks and opportunities.
+ Introducing cross-industry metrics and targets to enhance our monitoring of climate-related risks and opportunities.
+ We have assessed the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and consider the disclosures we have made in relation to TCFD to address these requirements.

Climate change considerations are embedded into our existing governance and risk management framework. Therefore to avoid duplication, the key disclosures in relation to the 11 TCFD recommendations are included in the relevant sections of the Annual Report, as indicated in the table overleaf. In this section, we have provided information on the disclosures that are not addressed in other sections.

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD pillar	Recommended disclosure	How we addressed the disclosure
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance of climate-related risks and opportunities is embedded into our business-as-usual governance and risk management processes and structures. This approach allows us to assess climate-related risks and opportunities in the context of the broader risk environment and develop pragmatic responses that are aligned with our overall Sustainable Growth Strategy. During the year, the plc and Executive Boards reviewed the detailed assessments of climate-related risks and opportunities performed by the Executive Risk Committee. For further information on management's role in assessing risk, please refer to our Risk Governance framework outlined on page 52 and broader Governance framework outlined on page 78.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	See 'Our climate-related risks and opportunities' sections on pages 63 to 68.
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	'Environment and Climate Change' is part of the 'Socially responsible delivery' cornerstone of our Sustainable Growth Strategy. See Market review on pages 10 to 13 and our Sustainable Growth Strategy on pages 14 to 17. See also 'Managing climate-related risks' on page 59 and 'Financial Impact' on page 61.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have performed a qualitative analysis of the effect of different climate scenarios on our climate-related risks and opportunities. See pages 59 to 60 for an explanation of the approach we have taken and pages 63 to 68 for our summary conclusions for each risk and opportunity.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	The identification, assessment and management of climate-related risks and opportunities is embedded within our broader risk management structure and processes. For further information on our risk management process, please refer to the Principal risks section on page 52 to 56.
	b. Describe the organisation's processes for managing climate-related risks.	See 'Managing climate-related risks' on page 59.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks are considered as cross-cutting risks that can have an impact on a number of the principal risk themes we monitor at a Business Unit and Group level, such as work-winning or project delivery. This is the same approach we have taken to other cross-cutting risks including Brexit and Covid. For further information on our risk management process, please refer to the Principal risks section on pages 52 to 56.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See 'Metrics and Targets' section on page 62.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	In 2022, we achieved a 5.6% reduction in our scope 1 and 2 GHG emissions compared to 2021 (on a like-for-like basis). We also performed a full Scope 3 foot printing exercise for the first time. More detailed information on our GHG emissions performance and net zero targets are included in the Environment and climate change section on pages 31 to 33.
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See 'Metrics and Targets' section on page 62.

Our climate-related risks and opportunities

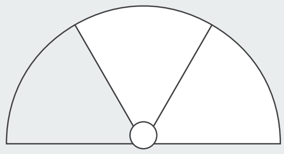
We continue to monitor our key climate-related risks and opportunities along with our principal and emerging risks, a process that is overseen by the Executive Risk Committee, which meets three times a year. The March meeting of the Committee focuses on climate-related risks and opportunities with the key output being a summary of the key climate-related risks and opportunities which is reviewed by the Executive Board and plc Board. The Executive Risk Committee uses the Primary Climate Related Risk and Opportunity Drivers within the CDP framework to identify the risks and opportunities that are most relevant to our sector, business model and strategy. Given the inherent uncertainty in relation to the financial impact of each risk and opportunity, the Executive Risk Committee assesses materiality based on a qualitative assessment of the nature of the risk and opportunity and how fundamental it is to achieving our strategic objectives. The most significant risks and opportunities are summarised on pages 63 to 68.

Climate-related risks are also considered during the Business Unit risk review process. The approach we take at a Business Unit level is to treat climate change as a cross-cutting risk that can have an impact on a number of the principal risk themes we monitor in the Business Unit risk registers, such as work winning or project delivery. This is the same approach we have taken to other cross-cutting risks including Brexit and Covid. Business Units are required to review and update their risk register twice a year.

Managing climate-related risks

The climate-related risks we face are managed through our existing strategic and operational management processes. For example, the risk and opportunity created by the increased carbon reduction requirements and expectations of clients is one of the key drivers of our Sustainable Growth Strategy. This is supported by operational responses, led by the Executive Board, to deliver the strategy. These responses include investment in new carbon reduction roles, creation of cross-disciplinary working groups, development of new processes and tools, and upskilling our own people and our supply chain.

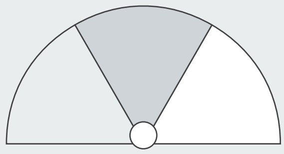
In assessing the likely timeline when risks and opportunities will begin to have an impact on the business, we have applied the definitions below. Although a risk or opportunity may have been assessed as beginning to have an impact in the short term, the impact may, in some cases, extend into the medium or long term.



Short term

(0 – 3 years)

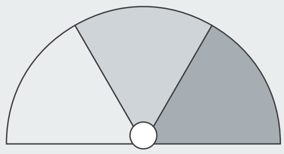
Aligns to our current pipeline of opportunities and projects and reflects issues and trends that are already having some impact.



Medium term

(3 – 10 years)

Issues or trends that are already visible, but are not yet having a significant impact.



Long term

(10 – 30 years)

Potential issues or trends that are foreseeable, but there is a high degree of uncertainty on how they develop and what impact they will have on the business.

Climate scenario analysis

We have developed three scenarios that are broadly defined by the pace and extent of climate change mitigation and the associated impact on the physical effects of climate change.

In developing our scenarios, we have used the UK Shared Socioeconomic Pathways (UK SSPs), that have been developed by the UK Climate Resilience Programme and are aligned to the global SSPs used by the IPCC in their sixth Assessment Report. We have used SSPs as the basis for our scenario analysis because they are grounded in the socioeconomic context in which Government policy and market responses to climate change will emerge and therefore are particularly relevant to assessing transition risks and opportunities. This context includes important socio-economic drivers such as economic development, demography, public attitudes and international relations.

The UK SSPs are particularly relevant to our business model because in addition to being developed in the context of the UK, they factor in considerations in relation to future investments in sectors where we have a strategic focus, including infrastructure, health, education and green technology. The SSPs have been supplemented with Representative Concentration Pathways (RCP) scenarios that are consistent with each SSP and provide a recognised framework for assessing the potential physical impacts of climate change under different scenarios. The key features of each scenario are summarised in the table on page 60.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Scenarios

UK-SSP scenario	UK-SSP1 Sustainability	UK-SSP2 Middle of the road	UK-SSP5 Fossil-fuelled development
RCP scenario	RCP2.6	RCP4.5	RCP8.5
Abstract	The policy agenda is driven by changing societal attitudes with greater focus on equality and environmental protections.	The policy agenda initially does not change significantly, but then requires radical reform with increased reliance on public-private finance.	The policy agenda is driven by a focus on strong economic growth and maintaining energy and food security.
Key physical features			
CO_2e emissions	Global emissions falling to net zero around 2075.	Global emissions remain at current levels until mid-century, then falling but not reaching net zero by 2100.	Global emissions triple by 2075.
Estimate of global warming by 2100	1.8	2.7	4.4
Climate impacts	In all scenarios, the UK experiences milder, wetter winters and hotter, drier summers. More regular extreme weather events such as heatwaves, droughts, flooding and storms are virtually certain in all scenarios, and become more frequent and more extreme as estimated global warming increases.		
Key transition features			
Regulation	Strong environmental regulations are introduced, especially in relation to carbon emissions and environmental protection.	More stringent land use and planning regulations are gradually introduced to combat the increasing degradation of the natural environment.	Environmental legislation is relaxed to support the focus on economic development.
Investment	Increase in public spending on infrastructure with a focus on repurposing and transformation of infrastructure, to drive energy efficiency and wider access to good quality public services in education and healthcare and other public infrastructure.	Initially increased investment on connectivity and transport infrastructure, then public spending shifts to focus on technology to support smart cities, vertical agriculture, etc. Public-private partnerships result in slightly increased investments in education, health care and other public infrastructure.	High levels of public spending on infrastructure, health and education are maintained, funded by and in support of economic growth.
Energy	Renewables, with significant public and private investment in wind and solar as well as nuclear generating capacity.	Continued reliance on fossil fuels, and renewables becoming an increasing part of the energy mix. The private sector finances large-scale infrastructure projects for renewable energy (eg barrages).	Energy policy prioritises development of North Sea and shale gas reserves. Investment in renewables decreases due to lack of incentive with renewables only remaining when economically feasible.

We have used these scenarios to provide a qualitative assessment of how the climate-related risks and opportunities we have identified on pages 63 to 68 may change under the different potential pathways.

Resilience of our strategy

The nature and scope of our activities and the commercial environment in which we operate provide us with a number of inherent advantages in terms of the resilience of strategy and our exposure to climate-related risks:

- We do not have capital tied up in production facilities or other assets that could be at risk of stranding, ie their useful economic life being curtailed due to the transition to a low carbon economy.
- Our operations are entirely in the UK and therefore, while still exposed to rising mean temperatures and more severe weather events, we have limited exposure to the climate extremes that are predicted to make human life unsustainable in some regions of the world.
- Our presence in sectors such as Environment position us to deliver on the UK's requirement to address the impacts of climate change such as storm overflows.
- At any given time, across the UK we have a geographically dispersed portfolio of projects, therefore we are not exposed to damage to a business-critical facility, such as a factory or distribution centre, due to extreme weather.
- We are not exposed to rapid and unpredictable shifts in consumer preferences and behaviour as our work is for long-term repeat clients, largely in the public and regulated sectors.
- We are not exposed to the capital investment cost or risk associated with developing new, low carbon alternatives to existing product ranges as this is typically carried out by our supply chain partners.
- Where we have good visibility of rising costs, these can be priced into our bids and recovered from clients.

The qualitative scenario analysis we have performed this year provides further demonstration of the resilience of our Sustainable Growth Strategy. The strength of existing client relationships, our investment in developing our low carbon construction capability and ongoing collaboration with our supply chain position us well to manage the risks and capitalise on the opportunities of a rapid transition to a net zero economy. In the event of a slower or even no transition to net zero, there will still be market demand for construction services, albeit the investment drivers will have a greater focus on climate change adaption rather than mitigation.

Financial impact

For each of our climate-related risks and opportunities, we have identified the category of the potential financial impact. Given the nature of our most significant risks and opportunities, the potential impacts are on the income statement and relate to decreased or increased revenue or decreased or increased operating costs. It is unlikely that these risks represent any material balance sheet exposures such as asset write-downs, increased capital investment requirements, or liabilities for environmental remediation.

However, we have not disclosed any quantitative assessment of the potential financial impacts. We acknowledge the importance of being able to quantify the potential financial impact of climate-related risks and opportunities, however, we also recognise the need for such disclosures to be meaningful and comparable. This is currently extremely challenging for a number of reasons:

- In the absence of consistent and detailed guidance on methodologies that should be adopted to quantify financial impacts, there is a risk that we adopt a quantification methodology that is not consistent with other reporters, resulting in potentially misleading disclosures.
- Because we are constantly responding to the evolving expectations of clients and the market, it is extremely difficult to disaggregate the impact of climate-related risks from business as usual risks.
- Similarly, assessing the impact of risks without mitigation is extremely difficult to do because 'doing nothing' is not an option and the mitigation is embedded in our business as usual.
- Any quantification would be based on scenarios which have been developed for modelling purposes and therefore do not represent forecasts of actual financial impacts.
- The risks and opportunities are interrelated and therefore any quantification in isolation would be potentially misleading.

Until further consistent and definitive guidance around quantification methodologies for climate-related financial impacts is available, we will continue to disclose how each risk or opportunity could have an impact on our financial performance and provide a qualitative assessment of the level of risk under different scenarios.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Metrics and targets

During the year, we have reviewed the TCFD guidance on metrics and targets and defined a number of metrics that are relevant to our business, using the cross-industry metric categories. Most of the metrics are existing KPIs and further information on our performance in the year is provided in the 'Operating sustainably' section of the report. We will look to develop additional metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified over the next two-three years.

Metric category	Metric	Calendar year 2021	Calendar year 2022	Target
GHG emissions	Scope 1 and 2 emissions – location-based (tCO_2e)	10,795	11,822	Net zero by 2030
	Scope 3 emissions – verified (tCO_2e)[1]	6,040	8,760	Net zero by 2045
	Full Scope 3 emissions (tCO_2e)[2]	487,220	477,042	Net zero by 2045
	% of company car fleet that is EV or PHEV	51%	79%	100% by 2027
	% of purchased electricity on renewable tariffs	81.1%	83.6%	100% by 2025
Waste intensity	Tonnes of waste per £100k revenue	21.0	21.8	Year-on-year reduction.
Transition risks and opportunities	We are looking to develop additional metrics and targets in these areas.			
Remuneration	% of Executive bonus linked to emissions reduction[3]	Not applicable	3%	3%
Internal carbon price	Price per tCO_2e (£)		We do not currently use internal carbon charging.	Introduce internal carbon charging in due course.

Notes:

1. Scope 3 verified emissions are those emissions that have been calculated and included in the scope of the external verification.
2. Scope 3 estimated emissions are those emissions that have been estimated, but not externally verified.
3. See Remuneration Committee section on page 110 for details of Executive bonus performance criteria.

Transition Plan

We have reviewed the disclosure framework and sector specific guidance published by the Transition Plan Taskforce (TPT) and will work towards integrating the TPT disclosure framework guidance as we develop and publish our Transition Plan.

Risks

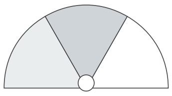
Level of risk

High Moderate Low

Fail to develop a competitive low carbon construction capability

Time horizon

Medium term



Potential impact on financial performance

+ Decreased revenues

Link to our principal risks

1 Work winning

Scenario analysis	Sustainability	Middle of the road	Fossil-fuelled development
Level of risk			

The risk is greatest under the 'Sustainability' scenario, as client expectations in relation to low carbon construction will evolve more quickly and across more sectors, driven by increased regulation and changing stakeholder sentiment. Under the other two scenarios, this risk is much reduced as the regulatory and market drivers will not be focusing on low carbon construction.

Risk description and potential impact on the business

Our clients, in both the public and commercial sectors, are increasingly required to operate low carbon buildings and infrastructure. They expect us to have the capability to model the embedded and operational carbon, use lower carbon materials and extend the life of their existing assets through retrofitting.

Planning policies and building regulations may also move towards ensuring that embedded and/or operational carbon targets are incorporated into the design and construction of buildings and infrastructure.

If, together with our supply chain, we fail to develop these capabilities quickly enough, we may not remain competitive and may not be able to win positions on key frameworks which may result in reduced levels of revenue and profits.

Risk mitigation

We have committed to achieving net zero across our own operations by 2030 and across all value chain operations by 2045. To do this, we have developed our 'Journey to Net Zero' framework and are taking multiple actions to achieve our carbon reduction targets including:

+ Working closely with our clients to understand their carbon reduction ambition and targets, and developing solutions to meet those objectives.
+ Investment in key carbon reduction roles.
+ Carbon literacy training for all staff.
+ Supply chain engagement and upskilling.
+ Development of carbon reduction management process.
+ Use of carbon calculators to model embodied and operational carbon.
+ Development of systems and applications to improve carbon data and reporting.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Risks

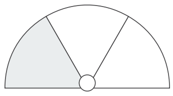
Level of risk

High Moderate Low

More regular extreme weather events

Time horizon

Short term



Potential impact on financial performance

+ Increased direct costs

Link to our principal risks

2 Project delivery
3 Resources

Scenario analysis	Sustainability	Middle of the road	Fossil-fuelled development
Level of risk			

In all scenarios, the UK will experience milder, wetter winters and hotter, drier summers. More regular extreme weather events such as heatwaves, droughts, flooding and storms are virtually certain in all scenarios, and become more frequent and more extreme as estimated global warming increases.

Risk description and potential impact on the business

A significant amount of construction activity happens outside and therefore is exposed to the weather. The Met Office UK Climate Projections (UKCP August 2022) predict warmer, wetter winters and hotter, drier summers, along with an increase in the frequency and intensity of extreme weather events including heatwaves, intense rainfall and flooding. Such events could lead to disruption to our construction activities in a number of ways:

+ Prolonged, extreme temperatures, such as in heatwave conditions, may require modifications to working practices to maintain worker welfare which may increase costs and reduce productivity.
+ Intense storm events, including intense rainfall and high winds may cause damage to works under construction and curtail certain activities, such as crane lifts or earthworks, which could result in project delays and additional costs.
+ Damage to transport and utilities infrastructure caused by severe weather may make it more difficult for staff and deliveries to get to sites.
+ Extreme drought conditions could result in restrictions on water usage which may make it impossible to maintain site welfare or restrict certain activities, such as concrete pouring and dust suppression.
+ Extreme weather events in other parts of the world could lead to supply chain disruption (unavailability, longer lead times and increased costs).

Changes in temperature extremes can also have an impact on the resilience of building materials and therefore determine the materials we are able to use and could lead to a greater number of latent defect claims. Similarly, changes in climate may influence the heating and cooling systems that we specify which may increase the costs of the buildings and infrastructure we build.

Risk mitigation

As was demonstrated during the pandemic, we are experienced in developing and amending site operating procedures in response to specific health and safety risks. Examples of adaptations we could make include:

+ Increased provision of welfare facilities, including access to shade, water and sunscreen.
+ Flexible working patterns to limit work in the hottest part of the day.
+ Increased use of off-site and other MMC to shorten programmes and reduce the number of people on site.

Similarly, we are experienced in managing the impact of unexpected events on construction programmes and have a number of operational and contractual mechanisms to mitigate the risks, including:

+ Resequencing of activities.
+ Staggering of shifts to extend the working day.
+ Securing extensions of time.
+ Insurance cover for damage to property.

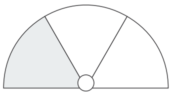
Level of risk

High Moderate Low

Increased material costs make projects unaffordable

Time horizon

Short term



Potential impact on financial performance

+ Decreased revenues due to reduced demand for products and services

Link to our principal risks

1 Work winning
3 Resources

Scenario analysis	Sustainability	Middle of the road	Fossil-fuelled development
Level of risk	High	Low	Low

The risk is highest under the 'Sustainability' scenario as there will be the greater urgency to transition to low carbon energy and materials, exacerbating the supply and demand imbalances. The extension of carbon pricing and other regulatory pricing incentives to reduce carbon emissions is also more likely under the Sustainability scenario.

Risk description and potential impact on the business

There are a number of climate-related drivers that may result in sustained increases in materials costs in the construction sector. This is driven through a combination of the market dynamics of supply and demand imbalances, as well as Government policy to incentivise carbon reduction. Our bidding disciplines and contractual protections largely insulate us from the direct impact of cost increases. However, the indirect consequence of rising construction costs could be potential projects becoming unaffordable for our clients, leading to a reduction in opportunities or delays in project starts due to clients' budgets constraints.

Manufacturers are developing innovative, lower-carbon materials all the time and this is vital if we are to reduce the embodied carbon of the buildings and infrastructure we construct. However, as new products come on to the market and establish credibility, demand for these materials could grow more quickly than the production capacity, resulting in higher material costs.

In the short to medium term, the supply and demand imbalances in global energy markets are likely to be sustained as countries manage the twin challenge of decarbonising electricity generation and increasing security of supply. High energy prices will continue to increase the cost of materials that have energy intensive manufacturing processes, such as steel, concrete, and glass.

In addition to the market imbalances, regulatory moves to use carbon pricing to incentivise carbon reduction may add further upwards pressure on the price of carbon-intensive materials. It is also possible that the UK-Energy Trading Scheme is extended to other sectors considered to be carbon intensive, including construction.

Risk mitigation

+ Maintain bidding and contracting discipline to protect ourselves from short-term cost inflation and maximise cost recovery.
+ Use of BIM and carbon calculators to optimise designs and reduce the amount of carbon-intensive materials.
+ Increase the adoption of off-site manufacture and other MMC to reduce costs through minimising waste and shortening construction programmes.
+ Work with clients to support design solutions that minimise the material requirements eg transitioning from new build to retro-fitting and refurbishment.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Risks

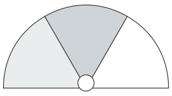
Level of risk

High Moderate Low

Failure to manage the adoption of new technology

Time horizon

Medium term



Potential impact on financial performance

+ Increased direct costs

Link to our principal risks

2 Project delivery
3 Resources

Scenario analysis	Sustainability	Middle of the road	Fossil-fuelled development
Level of risk			

The risk is highest under the ‘Sustainability’ scenario as there will be the greater urgency to deploy new technology, driven by regulatory requirements and market expectations.

Risk description and potential impact on the business

As the focus on embedded carbon increases, we expect to increasingly be required to use lower carbon alternatives for construction materials, especially carbon-intensive materials such as steel, concrete and glass. There is a risk associated with the adoption of new materials and using manufacturers and suppliers we have no experience of working with previously. Without effective product and design evaluation and robust quality assurance procedures, there is a risk of increased defects, which in turn could result in the professional indemnity insurance market responding through further increases in premiums or restrictions/limitations in cover.

Similarly, to achieve our scope 1 and 2 net zero by 2030 target, we will have to significantly reduce (if not eliminate) our use of diesel-powered plant and equipment. The non-diesel alternatives, such as HVO, electric and hydrogen, may not be available in the volumes we require, at an equivalent cost, or deliver sufficient safety and/or operational performance.

Risk mitigation

Response includes:

+ Development and implementation of digital tools to drive quality such as FieldView, BIM and Dalux.
+ Investment in employee training including enhanced PMDF modules.
+ Using our Technical and Quality, Research and Development and Supply Chain teams to evaluate new materials, plant and equipment and other new technology and support their adoption across the business.
+ Quality alerts to share learning and information where potential issues with particular products have been identified.

Opportunities

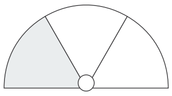
Level of opportunities

High Moderate Low

Increased demand for low carbon buildings and infrastructure

Time horizon

Short term



Potential impact on financial performance

+ Increased revenues resulting from increased demand for our products and services

Link to our principal risks

1 Work winning

Scenario analysis	Sustainability	Middle of the Road	Fossil-fuelled Development
Level of opportunity	High	Moderate	Low

The opportunity is greatest under the 'Sustainability' scenario, as client requirements and expectations in relation to low carbon buildings and infrastructure will evolve more quickly and across more sectors, driven by increased regulation and changing stakeholder sentiment. Conversely, in the 'Fossil-fuelled development' scenario, the regulatory and market forces will be weakest and will not drive investment in low carbon construction.

Opportunity description and potential impact on the business

In order to decarbonise the built environment in the UK, and meet emerging energy efficiency standards, there is a need for our clients to ensure that existing assets are either replaced with new, more energy-efficient assets, or increasingly, ensure that they are modified to extend their life and improve their energy efficiency. Demand for both new build and retrofit of existing assets with low embodied and operational carbon performance is likely to create a pipeline of opportunities, particularly in sectors where we already have a strong presence such as education and health.

Opportunity realisation

The actions we are taking to realise the opportunities are similar to the actions we are taking to mitigate the risk of failing to develop our low carbon construction capability, ie:

+ Working closely with our clients to understand their carbon reduction ambition and targets and developing solutions to meet those objectives.
+ Investment in key carbon reduction roles.
+ Use of carbon calculators to model embodied and operational carbon.
+ Develop tools to assess the energy efficiency of existing buildings and model the impact of investment in improvements such as upgraded insulation, lighting or renewable energy.
+ Develop capability to design and deliver more energy efficient wastewater treatment processes.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Opportunities

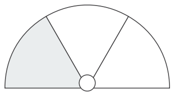
Level of opportunities

High · Moderate · Low

Climate resilience and adaption

Time horizon

Short term



Potential impact on financial performance

+ Increased revenues resulting from increased demand for products and services

Link to our principal risks

1 Work winning

Scenario analysis	Sustainability	Middle of the road	Fossil-fuelled development
Level of opportunity	●	●	●

There is likely to be high demand for the construction of climate-resilient infrastructure in all scenarios. There is already a significant demand within the water sector, driven by political and public sentiment, and this will only increase as the physical impacts of climate changes become more severe.

Opportunity description and potential impact on the business

As we experience more regular and more extreme weather events, such as prolonged heatwaves and intense rainfall events, there will be a need to make our public infrastructure more resilient to the changing climate. This is already a significant issue for the water sector where the capacity of the existing sewerage and wastewater treatment infrastructure is struggling to keep pace with the increasing demands placed on it by more regular, intense rainfall events, greater run-off from a more built up environment and population growth. As a result, there is strong public and political support for significant investment to improve the resilience of our water infrastructure, with a particular focus on increasing wastewater storage and treatment capacity and reducing combined sewer overflow discharges. There will also be the need to increase the resilience of water supplies to deal with increased demand and periods of drought, with associated investment in water storage, transfer and treatment infrastructure.

Opportunity realisation

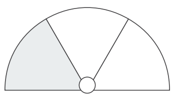
We are already extremely well-positioned in the water sector, working with all the water and sewerage companies in England and Scotland. The actions we are taking to realise the opportunities include:

+ Strategic acquisitions in adjacent markets, such as nmcn, MCS Control Systems and Ham Baker, to broaden our capability and drive margins.
+ Growing capacity and capability in our Environment business through targeted recruitment.
+ Working with our supply chain to develop new solutions to address climate resilience issues, such as remote monitoring of river quality.

More efficient use of resources

Time horizon

Short term



Potential impact on financial performance

+ Reduced operating costs

Link to our principal risks

2 Project delivery
3 Resources

Scenario analysis	Sustainability	Middle of the Road	Fossil-fuelled Development
Level of opportunity	●	●	●

The incentives to reduce our consumption of fossil fuels, energy and other resources are likely to be much higher under the 'Sustainability' scenario, with higher energy prices and potential regulatory costs associated with carbon emissions. Therefore the potential cost savings from more efficient use of resources will be greater under this scenario than under alternative scenarios where the regulatory and market drivers will not be as strong.

Opportunity description and potential impact on the business

The drive to reduce carbon in our own operations also creates an opportunity to realise the commercial benefits of greater resource efficiency, for example through reduced levels of business travel, lower energy and water consumption, and minimising waste.

Opportunity realisation

We are already taking actions to achieve cost savings through more efficient use of resources, with examples including:

+ Transitioning our company car fleet to electric and plug in hybrid only.
+ Using the most energy efficient welfare and office accommodation cabins available.
+ Developing baselines and targets for water consumption on our projects.
+ Combining battery storage with the latest generation of diesel generators to minimise diesel consumption.

Viability Statement

As required by provision 31 of the UK Corporate Governance Code, the Board has assessed the prospects and financial viability of the Group, taking account of the Group's current position and the potential impact of the principal risks to the Group's ability to deliver its business plan. The assessment of prospects has been made using a period of five years. The assessment of viability has been made using a period of three years, which aligns with our budget period and provides reasonable visibility of future revenue from the existing order book. Since the sale of the housebuilding businesses and the recapitalisation of the business in January 2020, the Group no longer has any debt facilities and associated covenants, therefore viability has been assessed in terms of the headroom against available cash reserves.

Assessment of prospects

As outlined in our Strategic report, the long-term prospects of the business are supported by a strategy which builds on our existing strengths and the growth opportunities in our target markets.

Our alignment to the UK's continued investment in social and economic infrastructure is a fundamental driver of demand for our services and plays to our strengths in the health, education, defence, highways and environment markets. Our ability to achieve sustainable growth within these markets is underpinned by our position on the most significant procurement frameworks, our commitment to supporting the decarbonisation of the built environment and our investment in digital technologies to drive continuous improvement in quality and productivity.

Our people remain the key to our success and our focus on attracting and retaining a more diverse workforce as well as increasing the proportion of apprentices and graduates help us access the skills and expertise required to deliver on our sustainable growth strategy.

Assessment of viability

The base case for the cash flow projections modelled in our assessment of viability is the budget for the three years from 1 July 2023 which incorporates appropriate contingencies against plausible day-to-day downside risks, primarily the Group's principal risks as disclosed previously. The base case shows strong levels of average month-end net cash and assumes that the Group continues to operate without debt facilities.

Against this base case, we have stress-tested the forecasts and modelled the impact on cash flow and liquidity of a number of downside scenarios related to our principal risks, including a combined downside scenario that includes a number of these sensitivities occurring together. The scenarios modelled, and their link to the underlying principal risks, are described in the below.

Scenario 1 – Reduction in construction volumes (Link to principal risks: Work winning)

Our cash performance is correlated with earnings growth and therefore reliant on construction activity being in line with our assumptions.

We have modelled a reduction in construction volumes that would equate to a 10% reduction in monthly cash receipts offset by a proportionate reduction in payments, relative to our base case forecast.

Scenario 2 – Deterioration in working capital (Link to principal risks: Resources)

We have modelled the impact of a deterioration in our working capital, which could be caused by delays in receiving payments from clients and/or earlier payments to our supply chain.

Scenario 3 – Irrecoverable cost increases (Link to principal risks: Project Delivery, Resources)

There is a risk of a prolonged period of materials cost inflation and therefore we have modelled the impact of failing to fully mitigate these cost increases on our projects.

Scenario 4 – 'Perfect storm' (Link to principal risks: Work winning, Resources, Project Delivery)

We also tested the unlikely but plausible scenario where all of scenarios 1–3 combine at the same time.

As part of the viability assessment, the Board also considered the mitigations and interventions available to manage the impact of one or more of the downside scenarios occurring. The base case already includes significant cash contingencies and the Board has considered further mitigating actions that are available to it.

The directors do not expect the emerging climate change risks to have a significant impact in the short and medium term, particularly given the nature of the contractual arrangements in place, although continue to monitor this, as the Group adapts to the changing environmental requirements and demands to deliver innovative solutions through new technologies and methods of construction.

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

s172(1) statement

We pride ourselves on the relationships we build with stakeholders, recognising the importance of addressing their interests to achieving our goals.

The Board acts in good faith in the way most likely to promote the long-term success of the company for the benefit of its stakeholders, including shareholders, employees, suppliers, customers and others.

The Group's purpose (page two) and strategy (page 14), put stakeholders at its core and ensure their interests are considered during decision-making, including any impact of the Group's operations on the community and the environment.

The company sets high standards of business conduct, and the need to act fairly are rooted in Galliford Try's Code of Conduct, Doing the right thing, which outlines our duties to our colleagues, clients, suppliers, communities, the environment and governance.

How the Board engages with our stakeholders

Stakeholder engagement takes place through a variety of channels, both through direct and indirect interactions. The type of engagement is driven by the needs of each stakeholder group to ensure they are communicated in a way that is both effective and practical. Details of how we engaged with key stakeholders, their interests and how these influenced Board decisions during the year are set out in this section and on pages 81 to 84.

In 2019, we established our Stakeholder Steering Committee, a committee of the Main Board, with the purpose to review and oversee relationships with the business's key stakeholders, including engaging with stakeholders, collating stakeholder views and reporting these views to the Board. The Committee was chaired by Senior Independent Director Terry Miller, and sought to ensure stakeholder views are considered in Board discussions and decisions.

In May 2023 the Board established an ESG Committee, merging the activities of the Stakeholder Steering Committee and Carbon Reduction and Social Value Forum (page 78). The ESG Committee is chaired by the Finance Director and reports directly to the Board.

The information obtained in the meetings complements regular updates and presentations to the Board which provide in-depth updates on key interests of our stakeholders such as health and safety, human resources matters, sustainability and client and supplier priorities. These are complemented by site visits which enable directors to gain a first-hand insight into our culture, and meeting with investors and shareholders through platforms such as the AGM.

Read more about how our Board decision-making on pages 81 to 84 →

Monitoring culture

Monitoring the culture of the business is a key priority for the Board. This activity is executed through a number of means described in the Governance review.

Employee Survey

Reviewing the results of employee surveys and monitoring employee advocacy scores.

Employee Forum

Active participation in the Employee Forum and ESG Committee.

Site visits

Regular visits to our offices and construction sites to see first-hand how our teams operate.

Health and safety performance

Reviewing of health, safety and wellbeing performance including Lead Indicators.

Employee churn

Monitoring employee churn.

Whistleblowing reports

Reviewing the type and frequency of whistleblowing reports.

Stakeholder group

Our people

We are reliant on our people to achieve our purpose.

Health and safety p25 →
People and culture p27 →

Key business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix

- Health, safety and wellbeing.
- Purpose and culture.
- Inclusion.
- Investment in learning and development.
- Career progression.
- Rewards and benefits.

How we engage

Embedding and reinforcing our culture is a continuous process. We ensure employees understand our culture and purpose from the recruitment stage. On joining, all employees take part in an induction with members of our Executive Board, outlining our purpose, strategy, values, business processes and giving them the opportunity to ask their questions. Graduates attend an additional Early Careers welcome event.

New starter and refresher training ensure our culture and processes are embedded. Our Employee Engagement Group seeks the views of employees on strategic decisions and provides updates from the business.

Engagement also takes the form of a roadshow from our Chief Executive, emails and videos from him to all staff, local briefings, e-bulletins, an employee magazine, employee Performance Development Reviews and toolbox talks.

Access to our Employee Assistance Programme offers support to our people while our whistleblowing hotline enables them to confidentially report suspicion of wrongdoing.

Board engagement

- The Board-level Employee Forum meets twice a year to discuss matters important to employees.
- The Board carries out visits to our sites and offices to monitor in person our culture in action.
- The Board receives presentations and update reports from our businesses.
- Our Challenging Beliefs, Affecting Behaviour modules are opened by a member of the Executive Board.

Actions in the year

- Appointed a new Behavioural Safety Manager to lead our approach to behavioural safety.
- Carried out a 'pulse' survey to gauge employee sentiment on key areas.
- Signed up to the Clear Assured inclusion framework.
- Delivered our third all staff virtual roadshow with national and local information for our staff.
- Continued our programme of Executive Board-led inductions for new starters.

Outcomes

- 0.20 LTFR.
- 95% of our people believe we give Health & Safety a high priority.
- 86% employee advocacy score.
- Achieved Clear Assured's Bronze rating for equity, diversity and inclusion.
- Voted number one Graduate employer and number two Apprentice employer in construction/civil engineering by TheJobCrowd.

Stakeholder engagement continued

Stakeholder group

Clients

Satisfied clients are essential for a sustainable and profitable business.

Clients p37 →

Key business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix

+ Financial stability and ability to deliver.
+ Safety, time, cost and quality.
+ Carbon and sustainability objectives.
+ Creating greater social value.

How we engage

Collaborative relationships provide the platform for our teams to provide trusted advice and focus on performance with clear customer priorities and outputs all underpinned by our accreditation to the ISO 44001 Collaborative Business Relationships Standard.

On appointment, we carry out a Customer Start Meeting which identifies outcomes for the end of the project discussions and are retained for record purposes. Dedicated quality managers conduct regular audits, complemented by our internal audit department and external audits of our ISO 9001 certified management system.

Frameworks allow us to deepen our relationships with our client and stakeholder groups which leads to greater innovation and better public infrastructure.

Actions in the year

+ Invested in acquisitions that will extend our offering in areas such as offsite build and asset optimisation which are sought after by our clients.
+ Continued to invest in our low carbon and digital capabilities to help achieve client objectives.
+ Continued to target and win places on frameworks with new and existing clients.

Outcomes

+ 82% of our order book is in frameworks.
+ 87% repeat business.
+ Selected to drive UK Net Zero Carbon Buildings Standard.
+ Awarded Building a Safer Future Champion status for leadership and culture in relation to building safety.

Stakeholder group

Suppliers

The majority of our work is delivered in partnership with our supply chain so they must be aligned to our values and objectives.

Supply chain p41 →

Key business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix

+ Health, safety and wellbeing.
+ Fair treatment and prompt payment.
+ Pipeline of work.
+ Collaborative relationships.
+ Access to training, educational resources and learning opportunities.

How we engage

We seek to build long-term relationships with key suppliers and contractors who share our principles.

Robust contracts set the terms for both parties in our relationships, and regular meetings, workshops and working groups ensure two-way communication.

Through our Advantage through Alignment programme of support, training and education, we align our suppliers and subcontractors with our working practices, our values and our vision.

We hold daily briefings with the subcontractors on our sites to set out objectives for the day, including safety and quality risks and priorities.

Actions in the year

+ Continued to support key subcontractors through our Advantage through Alignment programme.
+ Continued our Net Zero Partners Programme to support supply chain with their carbon upskilling.
+ Continued to promote the Supply Chain Sustainability School.

Outcomes

+ 58% of Business Unit core trades spend with Aligned subcontractors.
+ 98% of invoices paid within 60 days.
+ Gold member of Supply Chain Sustainability School.

Policies relating to each of these stakeholder groups can be found in the pages on our website. Risks are detailed from page 52 and further information is contained in the Sustainability section from page 22.

Stakeholder group

Communities

We want to be welcomed in the communities we operate in and create greater social value where we operate.

Communities p34 →

Key business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix

+ Health, safety and environment.
+ High-quality buildings and infrastructure.
+ Use of local labour, resources and employment, educational opportunities and wider investment in their community.

How we engage

We engage with local communities through town halls, newsletters, project websites, social media, press releases and planning meetings.

As a dedicated Partner of the Considerate Constructors Scheme, we strive to run our sites as considerately as possible to the community, focusing on the key areas of safety, environment, workforce and site appearance.

Through events such as Build UK's Open Doors, recruitment fairs, school visits and site tours, we showcase our industry and invite communities to learn more about our industry, business, projects and careers on offer.

Actions in the year

+ Supported local communities through employment and training.
+ Donated time, money and materials to charitable causes.
+ Appointed an Outreach Lead to lead on activities with specific communities.
+ Took part in Open Doors.

Outcomes

+ 43.4 average CCS score.
+ Reported 94% of projects delivering more than 25%of percentage of contract value.
+ £347k of charitable donations.

Stakeholder group

Shareholders

We want our shareholders to have confidence in the long-term success of our business.

Key business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix

+ A sustainable business model and strategy.
+ Financial performance and dividend policy.
+ Corporate governance.
+ Risks to the business.

How we engage

We engage directly with our shareholders through investor roadshows, face-to-face meetings, video or telephone communications, Capital Markets Days, results presentations and webcasts, analyst briefings, AGMs, our Annual Report, consultations and Regulatory News Service announcements.

Indirect engagement includes an up-to-date website, press coverage, engaging in social media, trading updates; corporate and financial videos; and contributions to investor decision-making resources.

Actions in the year

+ Provided video recordings and webcasts of our half and full year results.
+ Issued trading updates.
+ Held AGM.
+ Took part in private/ retail investor forums and investor meetings and open presentation and Q&As for retail investors.

Outcomes

+ 10.5p full year dividend per share.
+ 12.0p special dividend.

The Strategic Report is approved by the Board of Directors and signed on behalf of the Board on 20 September 2023 by Kevin Corbett, General Counsel & Company Secretary.

Strong governance delivering a sustainable future

"Our Sustainable Growth Strategy is built on the Company's secure financial foundation and is designed to both align to and support the interests of our stakeholders for the long-term benefit of all."

Alison Wood
Chair

On behalf of the Board, I am delighted to present my first Corporate Governance Report, following my appointment as Chair on 21 September 2022.

It is an exciting time to have joined Galliford Try as the Board continues to build on the solid foundations put in place at the start of our strategy launched in September 2021. Strong governance is at the heart of the successful execution of strategy and our governance framework has supported and delivered the further development of our Sustainable Growth Strategy. Operationally, our strategy seeks growth in existing and adjacent markets and, during the year, the Company acquired two specialist businesses, MCS Control Systems and Ham Baker, as strategic propositions to further expand and enhance the capabilities offered by our Environment business.

In terms of financial objectives, continued focused monitoring and controls around an already strong balance sheet and capital base has assisted the growth of revenue and delivery of robust profit margins despite the backdrop of inflation and supply chain challenges.

The Board recognises the importance of capital returns to shareholders and, given the recent strategic acquisitions and strong financial performance of the Group, considered a share buyback to be in the interests of stakeholders. During the year management also resolved a major dispute, enabling a further capital return to shareholders by way of a special dividend payable to shareholders in October 2023.

The Board revisited the Group's priorities and progress in a full strategic review at its annual strategy meeting on 19 April 2023 and the Board is satisfied the strategy continues to be appropriate, fit for purpose and aligns with the values and purpose of the Group.

More information regarding our strategy can be found on pages 1 to 73.

Alignment with the UK Corporate Governance Code (the "Code")

Diversity and inclusion

Following the appointment of Sally Boyle and myself last year, the Board now has a composition where 57% of members are women, which exceeds the target by the Financial Conduct Authority of 40% of Board members to be women. We also meet the recommendations requiring females to occupy at least one of the Board's senior roles. Gender diversity in the wider senior management and wider workforce remains a key focus as further initiatives such as agile work and family-friendly policies along with development programmes assist in creating a more diverse pipeline. Our Gender Pay report for April 2023 showed the proportion of males and females across the Group remained stable with 23% of our employees being female and 77% being male.

Initiatives and programmes are in place to develop ethnic diversity across the workforce and ensure equitable opportunities for all including the creation of a new and dedicated inclusion team within the HR function; partnering with Clear Company, an HR specialist, to ensure progressive recruitment and retention practices; and initiatives such as celebrating employees of all faiths and taking part in National Inclusion Week.

Please see our People section on pages 27 to 29 for further information.

Carbon and climate change matters

The Board recognises that climate change and reducing our carbon footprint is imperative to the long-term sustainable success of the business. We continue to prioritise investment in reducing our carbon footprint and enhancing our measurement and reporting. Our progress in the year includes having our carbon reduction targets externally validated by the Science Based Targets initiative, estimating our full scope 3 footprint for the first time, implementing carbon reporting software, and recruiting Low Carbon Managers to support the development of our capability across the business.

Board Changes

There have been a number of changes to the Board during the year, following the stepping down of Peter Ventress and Gavin Slark in September 2022 and March 2023, respectively. On behalf of the Board I wish to thank both Peter and Gavin for their significant contributions and service to the Group. I am also delighted to welcome Michael Topham who was appointed to the Board on 1 June 2023 who will further strengthen the Board's independence and provide added guidance in delivering our strategy.

Board Performance Evaluation

This year the evaluation process for the Board was carried out internally. After a thorough process the conclusion overall was that the Board continues to operate effectively with the directors working well together. Further information can be found on pages 84 to 85.

Remuneration policy

The Remuneration Committee has reviewed the Group's existing Remuneration Policy and having taken into account corporate governance and market best practice, and actively engaged with shareholders to discuss the proposed new Remuneration Policy, no material changes are recommended. The proposed new Remuneration Policy will be put to shareholders at the AGM in November 2023.

Annual General Meeting

The Company will hold its 2023 AGM on 10 November 2023 at the offices of Peel Hunt LLP, 7th Floor, 100 Liverpool Street, London EC2M 2AT at 11.00 am where the Board will be pleased to welcome shareholders, answer questions, listen to suggestions and encourage shareholders' participation in the business to be discussed at the meeting.

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

Alison Wood
Chair

Directors and Executive Board
Our Board

Board experience

- Business ethics and integrity
- Construction
- Commercial
- Finance
- Governance
- Human resources
- Strategy and risk

Board Committee membership

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

plc Board Composition

Board Balance of Roles

Executive	Non-executive
2	5

Gender Diversity

Male	Female
3	4

Length of appointment (years)

0-2y	2-5y	5-10y
3	3	1

Alison Wood
Chair

Board experience:

Appointment date: Alison joined the Board on 1 April 2022 and was appointed as Chair on 21 September 2022.

Skills and experience: Alison has a background in engineering, economics and management and extensive corporate experience with leading engineering companies. She spent nearly 20 years at BAE Systems PLC in a number of strategy and leadership roles, including as Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National Grid PLC from 2008 to 2013. Alison has previously held Non-executive Director positions with BTG PLC, Thus Group PLC, e2v PLC, Cobham PLC, Costain plc and Capricorn Energy plc.

External appointments: Alison is a Non-executive Director and Chair of the Remuneration Committee at TT Electronics PLC and is Senior Independent Non-executive Director and Chair of the Remuneration Committee at Oxford Instruments PLC. Alison is also a Non-executive Director and Chair of the Remuneration Committee at the British Standards Institution.

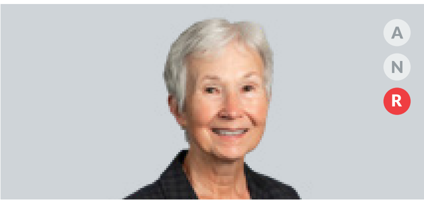
Bill Hocking
Chief Executive

Board experience:

Appointment date: Bill was appointed as Chief Executive on 3 January 2020.

Skills and experience: Bill is a civil engineer with more than 35 years of experience in the construction industry. He has full day-to-day responsibility for delivering the Group's strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders.

Bill joined Galliford Try as Managing Director of Construction in September 2015. He was previously at Skanska UK plc, which he joined in 1990 and where he held the position of Executive Vice President on the Executive Management Team from 2008. From 1 August 2016 until his appointment as Chief Executive of Galliford Try, Bill was Chief Executive of the Group's Construction & Investments division.



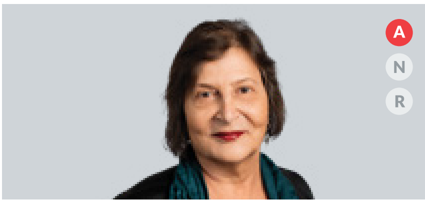
Terry Miller CBE
Senior Independent Director

Board experience:

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

Skills and experience: Terry brings strong commercial experience from senior roles in both the public and private sectors. She was a Trustee of the Invictus Games Foundation and General Counsel for the London Organising Committee of the Olympic and Paralympic Games (LOCOG). Her LOCOG role included experience of major construction projects in overseeing negotiation of all overlay construction contracts for the London 2012 Games. Prior to LOCOG, Terry spent 17 years with Goldman Sachs and was its International General Counsel.

External appointments: Terry is a Non-executive Director of Goldman Sachs International, Goldman Sachs International Bank, insurance company Rothesay Life plc; a trustee of the Rothesay Foundation and a Non-executive Director and Senior Independent Director of Stelrad Group plc.



Marisa Cassoni
Non-executive Director

Board experience:

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

Skills and experience: Marisa is a chartered accountant with more than 40 years' experience as a finance professional. She has strong leadership and commercial experience gained through her various executive and non-executive roles. Her early career was initially in audit but she progressed into advisory services including corporate finance, investigations and restructuring across a variety of industries and jurisdictions. Marisa's previous executive roles include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. Marisa has over 20 years' experience as an Executive Board member and was previously a Non-executive Director of Skipton Building Society and Ei Group plc.

External appointments: Marisa is currently a Non-executive Director and Senior Independent Director of AO World plc, a leading European online electrical retailer.

Sally Boyle
Non-executive Director

Board experience:

Appointment date: Sally was appointed to the Board on 1 May 2022.

Skills and experience: Sally qualified as a solicitor at Simmons and Simmons. After several years in private practice as an employment law specialist, she joined Goldman Sachs International as an employment lawyer and she later became Head of Human Capital Management for EMEA. She was named Partner in 2010 and worked as the International Head of Human Capital Management, covering EMEA, India and APAC, until she retired from Goldman Sachs. Sally was on the Board of Goldman Sachs International and its Management Committee and co-chaired the EMEA Diversity and Inclusion Committee, whilst also sitting on the global Diversity Committee. Sally was also previously a Non-executive Director of the Royal Air Force.

External appointments: Sally is a Non-executive Director of Cambridge University Press and Assessment.

Executive Board Members

Andrew Duxbury
Finance Director

Board experience:

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

Skills and experience: Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales, with extensive knowledge of the operating environment in construction. He has operational responsibility for managing the Group's finances and oversees the Risk and Sustainability, Internal Audit, Finance, Tax and Treasury, IT and Shared Service Centre functions. He chairs our ESG Committee which meets at least three times a year.

He joined Galliford Try in March 2012 as Group Financial Controller and from 2016, held a number of operational finance roles, including Finance Director of the Group's former housebuilding arm. Prior to joining Galliford Try, Andrew worked for PwC.

Kevin Corbett CEng MICE MIStructE
General Counsel & Company Secretary

Board experience:

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

Skills and experience: Kevin is a solicitor and chartered civil and structural engineer. He was previously Chief Counsel Global for AECOM. Kevin has significant corporate law, risk management, insurance, finance, governance, strategy and extensive UK and overseas experience.

He chairs the Executive Risk Committee and has responsibility for the management of Legal, Secretariat, Communications and Property functions.

Vikki Skene
HR Director

Board experience:

Appointment date: Vikki joined the Executive Board on 3 January 2020.

Skills and experience: Vikki is a senior HR leader, with more than 20 years' experience in both Construction and HR and was previously UK Employee Relations Director at Balfour Beatty, where she held a number of senior HR roles. She joined the Group in June 2016 as HR Director of the Construction & Investments division.

Michael Topham
Non-executive Director

Board experience:

Appointment date: Michael was appointed to the Board on 1 June 2023.

Skills and experience: Michael is the Chief Executive Officer of UK waste management group Biffa. Michael has held the position of CEO since 2018, having previously served as CFO and in various divisional roles. Michael is a Chartered Accountant having trained with PwC where he held positions in both the audit and transaction services practices.

External appointments: Michael is the Chief Executive of Biffa and a director of Environmental Services Association Limited.

Ian Jubb
Managing Director, Building

Board experience:

Appointment date: Ian was appointed to the Executive Board on 3 January 2020.

Skills and experience: Ian has nearly 40 years' experience in the industry, with the last 20 years including senior positions with Miller Construction and Taylor Woodrow. He joined the Group as Managing Director for the North and Scotland Building division on the acquisition of Miller Construction in July 2014, subsequently taking responsibility for all Building operations in May 2019.

Mark Baxter
Managing Director, Specialist Services

Board experience:

Appointment date: Mark was appointed to the Executive Board on 3 January 2020.

Skills and experience: Mark has a wealth of industry and PPP experience, gained through a number of senior roles spanning more than 20 years. He joined the Group in February 2014 from Miller Construction, taking on the responsibility for the Group's Investments division.

In March 2018, Mark additionally took on responsibility for the FM division and, in 2019, the specialist businesses Rock & Alluvium and Oak Specialist Services. In his career to date, he has held a number of senior roles including Director for all PPP activities at Miller Construction.

Governance review
Governance structure

Our governance framework – the role of the Board and its Committees

Our governance and controls framework ensures there is a clear and effective division between the Board, its Committees and operational management. Our governance framework is detailed below.

The Board

The Board promotes the Company's long-term sustainable success for its stakeholders and is the key decision-making forum for all strategic matters. It monitors progress against the Company's strategic priorities and ensures there is a robust and effective control environment, so that principal and emerging risks are appropriately assessed and managed. It sets the culture for the Company and ensures good corporate governance procedures are in place and adhered to.

Please see pages 76 to 77 on directors' biographies →

Board Committees

The Board has delegated certain responsibilities to its committees. Each committee has its own terms of reference, available on our website at https://www.gallifordtry.co.uk/about/governance-and-policies/. These are reviewed annually and updated where necessary, to ensure they remain in line with best practice guidance.

A Audit Committee:

Oversees financial reporting matters; keeps under review the adequacy and effectiveness of the Company's internal control and risk management systems; reviews the independence and effectiveness of the external audit process and seeks to ensure the effectiveness of the Company's whistleblowing arrangements for its employees and contractors.

See page 94 for our Audit Committee report →

N Nomination Committee:

Oversees Board and Committee composition, succession planning for Directors and other senior executives, and the Board evaluation, considering the Board's balance of skills, experience, independence and knowledge of the Company, its diversity, how the Board works together as a unit, and other factors relevant to the Board's effectiveness.

See page 90 for our Nomination Committee report →

R Remuneration Committee:

Designs remuneration policies and schemes for the Executive Directors and senior management and reviews workforce remuneration policies, to ensure such policies support the Group's strategy and promote its long-term sustainable success.

See page 98 for our Remuneration Committee report →

Executive Board and Committees

E Executive Board:

Oversees the Group's operational management and implements its strategy and policies, including the Health, Safety & Sustainability, financial, HR and risk policies, as agreed by the plc Board.

See page 86 →

Executive Risk Committee:

Assists the Board and Audit Committee in monitoring and updating the Group's principal, emerging, and climate-related risks. The Committee is chaired by the General Counsel & Company Secretary.

See page 52 →

ESG Committee:

In April 2023 the Board established an ESG Committee by merging its Stakeholder Steering Committee and Carbon Reduction and Social Value Forum.

The Committee co-ordinates and oversees the Group's activities in relation to the carbon reduction initiatives; social value adding practices; and the Group's relationships with its key stakeholders, ensuring their views are considered in Board discussions and decisions.

The Committee is chaired by the Finance Director, meets at least three times a year and reports its activities and outputs to the Board, enabling Board oversight and influence across all ESG areas. The Committee is comprised of representatives from across our operational divisions and support services functions and includes the Director of Risk and Sustainability which ensures that the work of the ESG Committee is aligned to our principal ESG risks, including climate-related risks.

Employee Forum:

The Employee Forum is chaired by Sally Boyle, Non-executive Director, who took over from Terry Miller, Senior Independent Director, on 1 June 2023. The Forum meets at least twice a year and consists of employee representatives from a range of roles and departments across the Group. The Forum provides a valuable channel for the two-way communicating of policies which affect employees and communicating the views of our workforce to the Board. Areas of discussion include company values, strategy, health, safety and wellbeing, benefits and rewards, training, communication and other aspects that influence employee engagement.

See page 70 →

Board Composition

As at 30 June 2023, the Board comprised the Chair, four independent Non-executive directors, the Chief Executive and the Finance Director. This is considered to be the appropriate number of members for the Board, given the current scale of the Group's operations. The Board considers all the Non-executive directors, including the Chair, to be independent. As disclosed last year, to ensure a smooth transition of the important role of Chair of the Remuneration Committee it is intended that Terry Miller, Senior Independent Non-executive Director and Chair of the Remuneration Committee, will continue on the Board in her current roles beyond the normal nine years for a short period until October 2023 when she will step down as a director. This limited extension to the term of office is considered appropriate by the Board and the Remuneration Committee and Terry Miller will remain independent in character and judgement.

Biographical summaries for each of the directors as at 30 June 2023, their respective responsibilities and their external directorships are set out on pages 76 to 77.

Division of Responsibilities

There is a clear division of responsibility between the Chair and the Chief Executive and the roles of the Chair, Chief Executive and Senior Independent Director are set out in writing and summarised below. In line with the Code, the Board reviewed these roles during the year. These documents can be found on our website at https://www.gallifordtry.co.uk/about/governance-and-policies/.

Role	Summary of responsibilities
Chair	**The Chair's responsibilities include:** + leading the Board, ensuring it is effective; + ensuring strong working relationships with all Board members, promoting a culture of openness, debate and constructive challenge; + ensuring the Board has the right balance of diversity, skills, experience and independence, and that Non-executive directors have appropriate inductions and development; + setting the Board's agenda, ensuring accurate and timely information is received and effective decision-making processes are in place; + ensuring effective communications with all shareholders and other stakeholders, with any major concerns considered by the Board; + ensuring a clear relationship between remuneration and the Company's long-term success; + with the Chief Executive and the Finance Director, representing the Company in the industry and financial community; + leading annual reviews of the performance of the Board and directors; and + ensuring the highest standards of corporate governance and full compliance with the Code.
Chief Executive	**The Chief Executive's responsibilities include:** + developing the Group's objectives and strategies, taking into account the Group's responsibilities to its stakeholders, achieving objectives and executing the strategy approved by the Board; + preparing and meeting the budget and strategic financial plan, closely monitoring performance across the Group and taking action where necessary; + examining all investment and major projects, executing acquisitions and disposals, approving major proposals or bids, and identifying new business opportunities; + managing risk, including health and safety performance and ensuring the implementation of Group policies; + ensuring effective communication with shareholders and other stakeholders; and + effective leadership of the senior executive team, including development and succession planning.
Senior Independent Director	**The Senior Independent Director's responsibilities include:** + acting as a valued adviser and sounding board to the Board and Chair, and being available for confidential discussions with the Non-executive Directors on any matter relating to the Board, performance or strategy; + meeting with the Non-executive Directors (without the Chair present) at least once a year and evaluating the Chair's performance; + chairing meetings of the Nomination Committee when considering succession for the Chair (unless the Senior Independent Director is a candidate for the role); + being an alternative point of contact for shareholders and attending sufficient meetings with shareholders to understand their views; and + acting as an alternative point of contact for the executive directors and senior executive team.

A Non-executive directors' role is to offer advice and guidance to the executive directors and, when required, constructively challenge the executive directors and Group senior management on performance and strategy matters.

The roles and responsibilities of the Non-executive directors are specified in their letters of appointment. The letters of appointment are available for inspection on request at the Group's registered office and will be available immediately prior to and during the 2023 AGM.

Governance review continued

Director appointments and succession planning

Alison Wood, who joined the Board as a Non-executive Director on 1 April 2022, was appointed Chair of the Board and Chair of the Nomination Committee on 21 September 2022, following the resignation of Peter Ventress. Sally Boyle joined the Board as a Non-executive Director on 1 May 2022 and will assume the role of Chair of the Remuneration Committee when Terry Miller, Senior Independent Director and Non-executive Director, steps down in October 2023.

Following the resignation of Gavin Slark, Non-executive Director, on 31 March 2023, Michael Topham joined the Board as Non-executive Director on 1 June 2023.

In line with the Code, all directors will stand for re-appointment or re-election at the 2023 AGM, with the exception of Terry Miller who will be stepping down prior to the AGM in October 2023. The directors' performance continues to be effective, and they clearly demonstrate their commitment to their respective roles.

The Nomination Committee reviewed and refreshed succession plans during the year for the Board and other senior management roles. Good progress has been made with refining our leadership programme to target each individual's development requirements and support them in their progression within the Group.

Delegated authorities

The Board continues to operate an established framework of financial, commercial and operational matters delegated to management, which is reviewed annually. A summary of the matters reserved for the Board and the matters delegated to management is set out in the table below.

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

2022/23 Board and Committee meetings attendance table

Number of meetings (attended/scheduled)		Board	Audit Committee	Nomination Committee	Remuneration Committee
Alison Wood	Chair	8/8	by invitation	2/2	3/3
Bill Hocking	Chief Executive	8/8	by invitation	by invitation	by invitation
Andrew Duxbury	Finance Director	8/8	by invitation	n/a	n/a
Terry Miller	Senior Independent Director	8/8	3/3	2/2	3/3
Marisa Cassoni	Non-executive Director	8/8	3/3	2/2	3/3
Sally Boyle	Non-executive Director	8/8	3/3	2/2	3/3
Michael Topham[1]	Non-executive Director	n/a	n/a	n/a	n/a
Kevin Corbett	General Counsel & Company Secretary	8/8	3/3	2/2	3/3
Peter Ventress[2]	Former Chair	2/8	by invitation	n/a	2/3
Gavin Slark[3]	Non-executive Director	6/8	2/3	1/2	3/3

1 Michael Topham was appointed as Non-executive Director on 1 June 2023. There were no Board or Committee meetings scheduled during the remainder of the financial period for Michael Topham to attend.

2 Peter Ventress stood down as Chair of the Board and Chair of the Nominations Committee on 21 September 2022.

3 Gavin Slark stood down as Non-executive Director on 1 March 2023.

Board activities during the year

The Board, supported by the General Counsel & Company Secretary, ensures that Board meetings are carefully structured to allow enough time for open discussion. The Board agenda is structured between standing agenda items, governance requirements and areas of operational and strategic focus. The Board regularly reviews and discusses the following topics:

+ Reports on health, safety, environment and sustainability.
+ The financial performance of the businesses.
+ Progress against the Group strategy and operational reviews.
+ The relative performance of the Company's share price.
+ Comments by market analysts, along with any shareholder feedback, to ensure that the Board has a full understanding of the views of major shareholders.
+ Insights from the Employee Forum and the ESG Committee.

In addition, the Board receives regular presentations from the businesses on operational matters, helping Board members to stay up-to-date with specific operational matters and sector-relevant issues. The Board also receives updates from advisers, as and when required. Board members are encouraged to undertake their own continuing professional development. The non-executive directors' roles on other boards also help them to develop a broad range of skills and perspectives, from which the Group can benefit.

Monitoring of Culture

Our people are our greatest asset and, in line with the Code, the Board recognises the importance to closely monitor its culture and engage with employees through a variety of means and initiatives to develop and embed a positive and progressive culture. Each year an employee engagement survey is conducted with key questions sent to all employees with answers anonymised to enable full confidentiality. In general, the questions are similar to past surveys to enable comparisons and trends to previous years to be made. Other initiatives include the Employee Forum where a group of employees meet with a Non-executive Director and, by providing an opportunity to discuss matters and receiving employee feedback which is disseminated to the wider Board, the employee voice in the Board room is strengthened. The types of matters discussed include: update on strategic objectives, employee feedback on their business areas, cost of living challenges, well being initiatives, training & recruitment, health and safety matters. Informal channels are also used such as the general engagement and take-up of internal courses, feedback on Group briefings and questions arising from the CEO roadshow. All metrics are closely monitored such as new starter rates, churn rates, sickness days taken and employee advocacy scores and an Employee Value Statement has been introduced to help employees fully understand the overall salary and benefits package they receive. Initiatives such as agile working and family-friendly policies are included where possible to enable participation from as wide a range of the population as possible and a mobility programme to assist employees who need to re-locate to be accommodated.

Please see page 27 in the Strategic Review section for further information.

Board Decision Making in Action

Considering stakeholder interests when acquiring MCS Control Systems and Ham Baker

Overview

In July 2022 and November 2022, Galliford Try acquired MCS Control Systems and Ham Baker's asset inspection, maintenance and screens and distributor operations, respectively.

When deciding to make the acquisitions, the Board considered the following factors:

+ The Group's Sustainable Growth Strategy and each business's fit with the strategy to grow in adjacent and complementary markets.
+ The specific capability of each business under consideration, its assets, customer relationships and technical capabilities in relation to how complementary they were to Galliford Try's existing operations or whether it would create duplication.
+ The audited revenue of the businesses being acquired and profits prior to subsequent re-statements.
+ The purchase price, transaction costs, contractual liabilities and commercial and legal terms.
+ The position and reputation of each business and any potential investment needed in those.

The following stakeholder interests were considered:

+ The management resource taken to lead integration of the businesses and the impact on the existing people within the business.
+ Potential impact on existing clients and whether time would need to be diverted from those operations.
+ The future of the employees within the acquired businesses.
+ Our ability to successfully deliver for our new clients.
+ Supply chain considerations.
+ Potential shareholder returns.
+ Broadening capabilities to serve clients and communities nationwide as a result of the acquisition.

Who did the Board engage with in making its decision?

The Board liaised with a cross-section of stakeholder groups including the Managing Director of the Environment business, the General Counsel & Company Secretary, the HR Director and external specialist advisors to consider all aspects of the transaction, including the interests of existing employees, clients and shareholders.

Governance review continued

Key areas of Board discussion during 2022/23

The Board held eight scheduled meetings during the year and also held ad hoc meetings in relation to succession and strategic matters. The Board's key activities and actions taken from the year are summarised in the table below.

		Stakeholders considered
Strategy and implementation	**Acquisition** + Considered and approved proposals for the acquisition of the specialist businesses of MCS Control Systems Ltd and Ham Baker to further enhance the off-site build and asset optimisation offer to clients by the Environment business, improving customer relationships, technical capabilities to complement existing operations and supporting the Group's Sustainable Growth Strategy.	Clients, Shareholders, People
	+ Continued the monitoring of the integration of the nmcn water business into the Group following acquisition in July 2021.	Clients, Shareholders, People
	+ Received reports on other growth opportunities.	Clients, Shareholders
	Sustainability + Oversaw the Group's sustainability initiatives including: performing a full inventory of the Group's scope 3 emissions, with the support of external carbon consultants, and developing science-based near-term reduction targets that have subsequently been validated by the SBTi (Science Based Targets Initiative).	Clients, Shareholders, People
	+ Received reports from the Chairs of the Stakeholder Steering Committee (now incorporated into the ESG Committee) and the Employee Forum.	Suppliers, Communities
Culture, resources and people	**Operational performance** + Received Health, Safety and Environmental ("HS&E") reports at every meeting and received a presentation from the HS&E Director on the Group's HS&E performance in 2022/23.	People
	+ Received regular divisional business performance reports and business review presentations from the Group's principal divisions throughout the year.	Shareholders
	+ Received regular reports from the Company's brokers and investor relations advisers.	Shareholders
	+ Visited part of the nmcn water business and the Building business's Monk Bridge development in Leeds.	Clients, People
	+ Reviewed Prompt Payment Code performance.	Suppliers
	Succession planning + Approved the appointment of Alison Wood as Chair of the Board and Chair of the Nomination Committee.	Shareholders, People
	+ Initiated and approved the appointment of a new Non-executive director on the recommendation of the Nomination Committee.	Shareholders, People
	Employees + Received updates from the Employee Forum Chair after each Forum meeting, including observations on the Group's culture.	People
	+ Approved publication of the Gender Pay Report.	People, Communities
	+ Approved the 2023 Sharesave invitation.	People
Governance	**Compliance** + Received regular updates from the General Counsel & Company Secretary on governance and regulatory developments.	Clients, Shareholders, People, Suppliers, Communities
	+ Reviewed the various Board Committees' Terms of Reference.	Clients, Shareholders, People, Suppliers, Communities
	+ Considered the UK Audit and Governance Reforms by The Department for Business and Trade (formerly BEIS) and possible implications and changes required for the Group.	Shareholders, Suppliers
	+ Monitored the implementation of a new internal management system.	People, Suppliers
	+ Monitored measures to strengthen cyber security.	Clients, People, Suppliers
	Board evaluation + Considered the output from the 2022 externally facilitated Board evaluation process, identified areas for improvement and agreed actions to be taken.	Shareholders, People
	+ Approved the internally facilitated Board Evaluation 2023 exercise.	Shareholders

Key to stakeholders: Clients Shareholders People Suppliers Communities

		Stakeholders considered
Governance (continued)	**Stakeholder engagement** + Sought shareholder and institutional feedback at the half and full year results presentations and in connection with the AGM.	Shareholders
	+ The Chief Executive, Finance Director, Chair and General Counsel & Company Secretary communicated and met with major shareholders.	Shareholders
	+ Held the 2022 AGM as a physical meeting in London. Shareholders were also invited to submit questions ahead of the meeting.	Shareholders
	+ Received reports from the Chair following each Committee meeting and considered the feedback from Committee members.	Clients, Shareholders, People, Suppliers, Communities
	+ The Chair of the Remuneration Committee and Company Secretary sought feedback from key shareholders, fund mangers and proxy agents on the proposed 2023 Remuneration policy.	Shareholders, Communities
Financial oversight	**Financial resources** + Approved the 2023 budget.	Shareholders
	+ Reviewed financial performance against half and full year forecasts and cash forecasts.	Shareholders
	+ Declared an interim dividend of 3.0 pence per share, paid to shareholders in April 2023.	Shareholders
	+ Approved the launch of a Share Buyback Programme.	Shareholders
	+ Agreed settlement terms with a major infrastructure fund.	Shareholders
	+ Approved the payment of a special dividend.	Shareholders
	Reporting + Reviewed and approved the Group's half year and full year results, following advice from the Audit Committee.	Shareholders
	+ Reviewed the trading statement issued in July 2022.	Shareholders
	+ Reviewed the trading statement issued in January 2023.	Shareholders
	+ Reviewed and approved the Annual Report.	Shareholders
	Risk + Received regular reports from the Head of Internal Audit and Assurance on the status of the internal audit programme.	Clients, Shareholders, People, Suppliers
	+ Received and considered reports on the Group's risk management approach and reviewed proposed updates to the Group risk register.	Clients, Shareholders, People, Suppliers
	+ Received reports from the Executive Risk Committee following each committee meeting.	Clients, Shareholders, People, Suppliers, Communities
	+ Received reports from the Director of Sustainability and Risk on the Group's principal and emerging risks.	Clients, Shareholders, People, Suppliers, Communities
	+ Considered the Group's Insurance programme.	Clients, Shareholders, People

Key to stakeholders: Clients Shareholders People Suppliers Communities

Board Strategy Meeting

Collaborating with the Executive team to review our progress and strategic priorities to 2026

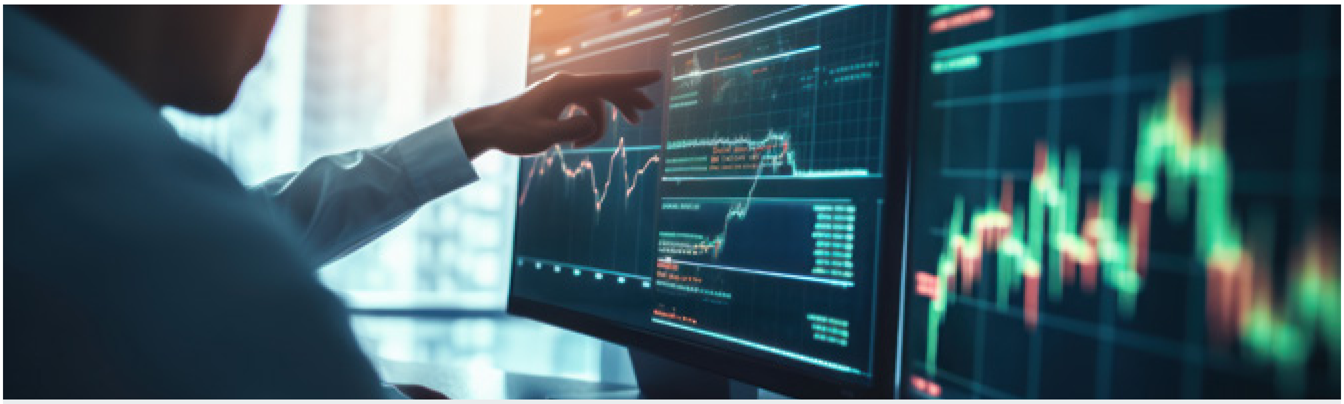
The Board held its annual strategy meeting in April 2023, with the Executive Board and the managing directors of Highways and Environment as well as receiving presentations and reports from management, including an update on ESG. The agenda for the meeting was agreed between the Executive Board and Non-executive directors.

The purpose of the strategy meeting was to monitor and assess the progress made to date to the strategic plan to 2026 as set out in September 2021 and review the Group's businesses and opportunities for growth.

The meeting also considered the integration and embedding of the recently acquired businesses of MCS Control Systems and Ham Baker during the year, and the further integration of the nmcn water business acquired in 2021.

During its discussions, the Board ensured it considered the interests of all stakeholders. The meeting also discussed other critical areas, including health, safety and wellbeing, ESG commitments and carbon reduction progress, the governance framework and people and succession planning. The Finance Director also provided an update on financial performance and investor relations.

As a result of the meeting, the Board concluded that the strategy remained appropriate and aligned to the Group's culture, and that the Group was making good progress towards its goals for 2026.



Board Decision Making in Action

Share Buyback Programme

Overview

The Board recognises the importance of capital returns to shareholders, and given the Group's financial strength at the 2022 year end, considered a share buyback programme for shareholders.

When deciding whether to run a share buyback programme the Board carefully considered:

+ The Group's overall financial position following a strong financial performance in FY22, resulting in increased revenue, pre-exceptional profit and operating margin.
+ The Group's overall outlook at the end of 2022, including the operating performance and quality order book.
+ The Group's overall capital allocation priorities, which were to support operational requirements and strategic opportunities, to mitigate the effect of future market downturns and to pay sustainable dividends to shareholders, to ensure these could continue to be achieved.
+ The cash requirements of the business to ensure the Group remained well positioned to deliver on its strategy and would continue to have sufficient funds to invest in the business. This included considering aggregate and average month-end cash and PPP assets.

The following stakeholder interests were considered:

+ Shareholders – the share buyback programme would create value for shareholders by increasing demand for shares, increasing earnings per share and providing a vote of confidence in the Company. It would also ensure investors were satisfied their cash was being used effectively.
+ Other stakeholders such as employees and clients – the buyback provides a strong indicator to all stakeholders of the confidence that the Group was a robust and financially strong company that has long-term sustainability.

Result

Given the above framework and background conditions, and being satisfied it had sufficient capital to support other Group strategic targets and achieve sustainable growth, the Board approved the Share Buyback Programme.

It was agreed that the Share Buyback programme to purchase up to an aggregate maximum consideration of £15m of ordinary shares in the Company would be to an appropriate and prudent level of additional capital to return to shareholders and to do so would be in the best interest of the Company and its shareholders. Accordingly, the programme was initiated on 21 September 2022.

As at 30 June 2023 the share buyback programme was in progress with 6,187,148 ordinary shares of 50p being purchased by the Company at a cost of £10,500,684.

Board evaluation: 2023 update and 2022 performance evaluation

In line with the Code, the Board reviews its own effectiveness and that of its Committees each year, with an externally facilitated review at least every third year. This year the 2023 Board evaluation exercise was internally facilitated, as were those in 2021 and 2020, with the evaluation in 2022 being externally facilitated. Overall, the evaluation found that the Board and its Committees were operating effectively.

2023 Board effectiveness review

The 2023 Board evaluation process was internally facilitated by the Chair supported by the General Counsel and Company Secretary and carried out across March and April 2023, with the findings presented to the May Board meeting.

Questions were primarily reviewed in line with the Code and best practice to ensure continued relevance but remained broadly similar to previous internal evaluations to enable comparison of results to measure progress and change over time. Additional questions this year related to information and strategy on climate-related risks, gender and diversity in succession planning and culture and values. A commentary section is also included to ensure opinions are captured.

The process of the internal effectiveness review involves a detailed and comprehensive on-line questionnaire securely sent to each individual director for completion. Each director was asked to complete a questionnaire specific to their Board and Committee responsibilities; the completed questionnaires were then collated and responses were reviewed by the Chair and General Counsel & Company Secretary.

In line with best practice, the performance evaluation of individual directors is conducted by the Chair on an annual basis who holds one-to-one meetings with each Board member and the General Counsel & Company Secretary to discuss their performance, contributions, commitments and any training and development needs. The Senior Independent Director also meets with all Board members and the General Counsel and Company Secretary, except the Chair, to discuss the performance of the Chair and then meets with the Chair to provide feedback.

The findings of the evaluation exercise were presented to the Board in May 2023. Overall, the Board and its Committees achieved high scores and the evaluation confirmed the Committees are continuing to operate effectively. The results of the evaluation confirmed the composition of the Board was appropriate for the size and structure of the business currently.

The Board has identified the following recommendations in which it would like to make improvements over the next financial year:

Recommendations Arising from 2023 Board Effectiveness Review

+ Composition: continue to monitor the appropriate skills, knowledge, diversity and experience to support the Company as it evolves.
+ Succession planning: continue to monitor the development of the wider leadership team succession and development plans and continue to build on inclusion and diversity initiatives.
+ Cohesiveness: ensure a culture of openness, contribution, debate and challenge continues as new members join.
+ External auditors: continue to work together to find ways in which working relations can be strengthened.

The 2022 Board Effectiveness Review

In 2022, Clare Chalmers Limited facilitated the Board evaluation process which included reviewing a selection of Board and Committee papers and terms of reference, observing a Board and Audit Committee meeting as well as interviewing Board Members, the General Counsel & Company Secretary and a number of external advisers who regularly interact with the Board.

As shown below, the Board has successfully addressed the actions arising from the effectiveness review in 2022:

Recommendation	Actions taken
Inductions: ensure appropriate time with senior managers, advisers and site visits.	The induction process has been further developed and ensures the Board have more time with senior managers and advisors. It is intended that there are at least three site visits and management meetings per annum.
Senior Independent Director: consider this upcoming change as part of future succession planning.	A short extension has been granted to the current Senior Independent Director, Terry Miller, to enable a comprehensive and smooth transition of Terry's duties to the next Senior Independent Director.
Stakeholders: greater consideration of views from the management.	The Board receives regular reports from management which is incorporated into their reports to the Board. The Board also receives regular updates from the Chair on progress and matters arising from the Stakeholder Steering Committee (now incorporated into the ESG Committee) and Employee Forum as well as sight of the minutes of those meetings. The ESG Committee was established.
Presentations from management: consider expanding current participation of management in plc Board meetings.	The Board receives exposure to the executive committee members and technical departmental heads at the Strategy Awayday as well as site visits and regular management meetings.
Competitor analysis: expand business and management presentations.	The Board receives regular reviews from the Finance Director and Investor Relations team regarding competitor activity.
ESG: consider enhancing external communications to demonstrate Board oversight.	ESG matters are embedded in the Group strategy and progress on targets and updates make up a comprehensive part of the key financial statements and presentations of the Group. During the year the Board established an ESG Committee dedicated to ESG related matters by merging its Stakeholder Steering Committee and Carbon Reduction and Social Value Forum.

Governance review continued

Executive Board report

The Chief Executive chairs the Executive Board, which is responsible for the Group's operational management under the terms of reference set by the Board. This includes making recommendations to the Board on all matters reserved for Board authorisation. The Executive Board focuses on long-term strategic issues and matters of Group-wide policy, with health, safety and sustainability and business ethics being key agenda items at every meeting, highlighting their importance to the Group. The Executive Board also receives and considers regular performance and operational reports and presentations from business management. The minutes of Executive Board meetings are included in the Board packs.

The Executive Board held 11 scheduled meetings during the year. Additional meetings are convened to consider and authorise specific operational or project matters. Meetings have taken place both in-person and through hybrid/virtual participation. Executive Board members maintain a visible presence within the business by holding meetings at regional offices and visiting office and site locations.

Membership of the Executive Board is detailed on pages 76 to 77. The Assistant Company Secretary acts as Secretary to the Executive Board.

Governance policies

The Group has a suite of governance and risk management policies, procedures, and training programmes, all of which address the Group's legal obligations. During the financial year, the Executive Board reviewed and refreshed the policies, procedures and authority matrices under which the central functions and businesses operate.

Reporting, risk, internal audit and controls

The Governance review, starting on page 78, details the actions the Group took during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework, are disclosed in the Risk management section on pages 52 to 54 and further information can be found in the Audit Committee Report on pages 94 to 95.

A separate programme of 10 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Shareholder relations

The Chief Executive and Finance Director continued to meet with existing and prospective institutional shareholders throughout the year. 81 meetings were held with both shareholders and non-holders. Meetings were held with 21 shareholders, who together represented 53% of the share register, as well as meetings with 34 potential investors. In addition, the management team attended 4 investor conferences in the year. Key areas of discussion included the Company's strategy and targets, dividend policy, capital allocation, future pipeline and ESG factors, as well as macro-economic factors such as inflation. The Chair and General Counsel & Company Secretary also communicated and met with major shareholders during the year.

The Finance Director has this year continued to focus on building strong investor relationships, engaging with a third-party specialist advisory business to schedule roadshows and provide further research coverage, while Proactive Investors and InvestorMeetCompany continue to create digital content following news updates, focusing on retail investors.

The Chair of the Remuneration Committee and General Counsel & Company Secretary sought feedback from key shareholders, fund managers and proxy agents regarding the proposed 2023 Remuneration Policy.

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

We plan to hold our 2023 AGM on Friday 10 November 2023 at the offices of Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT at 11.00am. The Board will be pleased to welcome shareholders, answer questions, listen to suggestions and encourage shareholders' participation in the business to be discussed at the meeting.

Compliance statement

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' report on pages 117 to 120.

Additionally, the Group has complied with sections 414CA and 414CB as well as 414C of the Companies Act 2006. Relevant information can be found throughout the Strategic report and Governance section of this Annual Report. The summary table on page 43 in the Strategic report highlights where non-financial information can be found within this Annual Report.

UK Corporate Governance Code compliance

As a premium listed company, the 2018 UK Corporate Governance Code ("Code") sets the standards against which we measure ourselves. The Board confirms that during the year ended 30 June 2023, the Board has applied the Principles and complied with all the Provisions of the Code. In respect of the year ending 30 June 2024, as set out below, the Board expects that it will for a short period not comply with Provision 10 in respect of Terry Miller who will remain on the Board and its Committees for a short extension past her nine year tenure to enable a smooth and effective transition of the role of Chair of the Remuneration Committee to Sally Boyle, Non-executive Director. The Board considers Terry Miller to remain independent during this extended period.

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose		
A. The Board's role		
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is collectively responsible for the long-term success of the Company, including its relationships and engagement with shareholders and other stakeholders, and operates via a formal schedule of matters reserved for its decision. The externally facilitated Board and Committee evaluation carried out in 2022 and internal evaluation carried out in 2023 concluded the Board and its Committees were effective.	+ See pages 78 to 80 for further information and list of matters reserved for the Board.
B. Setting purpose, values and strategy		
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved for the Board, which is reviewed by the Board annually, provides that the Board is responsible for establishing the values and strategy of the Company. The Employee Forum chaired by Terry Miller, Senior Independent Director, remains a key element in the Board's oversight of culture and engagement with employees. Our Code of Conduct also defines the behaviours we expect of our people and the ethical standards to which we adhere.	+ See our People and Culture section on pages 25 to 29 for further information.
C. Risk management		
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board reviews and agrees the annual budget in July each year. In addition, mature risk management and governance processes are in place to identify, report and manage risk. These are kept under review to ensure they remain robust and appropriate. The Executive Risk Committee assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks and regularly reports to the Board on its work.	+ See our Principal risks section on pages 52 to 56 for further information. + More information can also be found in the Executive Board report on page 86 and the Audit Committee Report (pages 94 to 97).
D. Shareholder and Stakeholder engagement		
In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	The Executive Directors undertake regular meetings with shareholders throughout the year and the Board receives an Investor Relations report at each meeting. The Chair carries out engagements with shareholders on general matters and matters of importance, as required, and invites questions from shareholders at the AGM. The Stakeholder Steering Committee (now incorporated into the ESG Committee) and Employee Forum continued to meet during the year. The Committee oversees relationships with the business's key stakeholders, including collating stakeholder views and reporting these to the Board.	+ See the Managing our stakeholder relationships section on pages 70 to 73 for further information.
E. Workforce policies		
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Code of Conduct 'Doing the right thing' sets out our organisational policies and procedures and defines expected behaviours. Group policies define our approach to managing health, safety, environmental and social matters affecting our employees. These policies are regularly reviewed, published on our website and described in our Annual Report. There is an independent and anonymous whistleblowing procedure allowing any employee or third party to confidentially raise concerns. The Audit Committee ensures the whistleblowing procedure remains effective and that any matters reported are appropriately investigated and resolved.	+ See our People and Culture section on pages 27 to 29 for further information.

Governance review continued

Principle	How we apply the Principle	Further information
2. Division of responsibilities		
F. Chair leadership		
The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all Non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chair is responsible for leading the Board, setting the Group's purpose, direction and values, and ensuring the highest standards of corporate governance are adhered to. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-executive directors and, in conjunction with the General Counsel & Company Secretary, ensures that directors receive accurate, timely and clear information. The Chair's performance is assessed through the annual Board evaluation process and through a separate annual meeting of the Non-executive directors, led by the Senior Independent Director without the Chair present.	+ See our Governance review section on page 78 for further information.
G. Balance of the Board		
The Board should include an appropriate combination of Executive and Non-executive (and in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.	The Board comprises the Chair (who was independent on appointment), Chief Executive, Finance Director and four other independent non-executive directors. The roles of the Chair and Chief Executive are separate with distinct accountabilities set out in their role profiles. The Chief Executive is responsible for the day-to-day executive leadership and management of the business through defined delegated authority limits. The non-executive directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and, where necessary, constructively challenge management in its implementation of strategy and Group performance.	+ See pages 76 to 77 for further information.
H. NEDs' role and time commitment		
Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The annual Board evaluation process continues to assess the performance and effectiveness of all directors and their commitment to meeting their Board responsibilities.	+ See the section on Board Evaluation on page 84 to 85 for further information.
I. The Company Secretary		
The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The General Counsel & Company Secretary ensures that the Board receives high-quality papers in a timely manner. He advises the Board on all governance matters, including compliance with the Code. He works with the Chair and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters. He oversees Board induction and evaluation arrangements and supports succession planning and recruitment of new Non-executive directors.	
3. Composition, succession and evaluation		
J. Board appointments		
Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Board followed a clear and formal process for appointing directors, which was followed for the recruitment of Michael Topham during the year. This appointment was in line with the Board's succession plans, which were reviewed and refreshed during the year. The Board and Executive management recognise the importance of succession planning to overall business performance. Inclusion and diversity are key drivers to the Group's overall development plans.	+ See the Nomination Committee report on pages 90 to 93.
K. Skills, experience and knowledge		
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Nomination Committee regularly reviews the balance, composition, diversity and structure of the Board, as well as the length of service of each Board member. The Nomination Committee also makes recommendations about the re-appointment of non-executive directors and any extensions to their term.	
L. Board evaluations		
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	The Board conducts an annual evaluation of its own performance and the performance of its committees and individual directors. This year the Board undertook an internally facilitated Board and Committee evaluation following the completion of an externally facilitated evaluation last year.	+ Further information can be found on pages 84 to 85.

Principle	How we apply the Principle	Further information
4. Audit, risk and internal control		
M. Financial reporting integrity		
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of the Group's system of internal controls to the Audit Committee, to ensure the integrity of the Group's full year and half year results and the Annual Report and Accounts. On the Audit Committee's recommendation, the Board reviewed and approved the 2022 half year and full year results and the 2023 Annual Report. In addition, the Board evaluation process confirmed the Board's view that the Group's system of internal controls had operated effectively during the year. The Audit Committee reviews the effectiveness of the external audit process on an annual basis.	+ See the Audit Committee Report on pages 94 to 97 for further information.
N. Fair, balanced and understandable assessment		
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2023 Annual Report and Accounts in September 2023 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. The Audit Committee reported its findings to the Board.	+ See the Audit Committee Report on pages 94 to 97 for further information.
O. Risk management and internal control framework		
The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The procedures for managing risk have continued to work well during the year. Both the Executive Risk Committee and Audit Committee continually monitor the Group's risk management and internal control systems on the Board's behalf. The Executive Risk Committee (chaired by the General Counsel & Company Secretary) reviews the Group's principal and emerging risks and recommends any changes to risk appetite to the Board. The Board regularly reviews the Group Risk Register.	+ See Our risk management process section on pages 52 to 56 for further information.
5. Remuneration		
P. Supporting strategy and long-term sustainable success		
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	The Remuneration Committee proposes the Group's remuneration policy to the Board for approval and the Directors' remuneration report is put to an advisory vote at the AGM, in line with statutory requirements. In accordance with section 439A of the Companies Act 2006, a new Remuneration Policy will be put to a binding vote at the 2023 AGM and the Chair of the Remuneration Committee and General Counsel & Company Secretary sought key stakeholder feedback on the proposed 2023 Remuneration Policy. Shareholders approved the current Remuneration Policy at the 2020 AGM. The Remuneration Committee continues to review remuneration policies and practices to ensure they are aligned to the Group's long-term success and based on stretching performance metrics that reflect shareholders' interests.	+ See the Remuneration Committee Report on pages 98 to 116.
Q. Remuneration Policy		
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Committee has continued to apply robust procedures for determining executive remuneration, in line with the policy approved by shareholders, and operates in accordance with its terms of reference. The remuneration of non-executive directors is a matter for the Chair and the executive directors. In determining executive director remuneration policy, the Committee considers workforce remuneration, policies and incentives linked to culture. No one can be involved in any discussion or decision about their own remuneration.	+ The Remuneration Policy can be found on pages 102 to 108 within the Remuneration Report. + The Remuneration Committee's terms of reference can be found on our website at https://www.gallifordtry.co.uk/about/governance-and-policies/.
R. Independence of remuneration outcome decisions		
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee members are all independent non-executive directors. The Committee takes advice from external remuneration consultants and ensures that remuneration for Board and senior management is suitably structured to attract, retain and motivate executives, and to link reward to corporate and individual performance and all relevant internal and external factors.	

Nomination Committee report

N

"The Committee continued to evaluate the skills, experience and diversity of the Board and monitored robust succession planning to further strengthen the long-term effective delivery of Group strategy."

Alison Wood
Nomination Committee Chair

This is my first year as Chair and I am pleased to present my report on the Nomination Committee's activities during the financial year ended 30 June 2023.

I took over as Chair of the Board and this Committee when Peter Ventress stepped down in September 2022 and I would like to take this opportunity to thank Peter for his leadership of the Committee.

Following the decision of Gavin Slark to step down in March 2023, having served over seven years with the Group, the primary focus for this year was to continue Board succession planning. A search was conducted for a new Non-executive Director with the assistance of the executive search firm, Russell Reynolds Associates, ensuring a robust, rigorous and transparent process was followed. The search included an express requirement to include a diverse range of candidates to be available for the Nomination Committee. I would like to thank Gavin for his commitment, knowledge and guidance to the Board and this Committee during his tenure. As a result of the search and the Committee's deliberations, I am delighted to welcome Michael Topham to the Board as a Non-executive Director and member of this Committee from 1 June 2023.

Composition and remit

The Committee's membership is detailed on pages 76 and 77. The General Counsel & Company Secretary acts as Secretary to the Committee. At the financial year end, the Committee comprised a majority of independent non-executive directors, complying with provision 17 of the Code. The Board has agreed to a limited extension to the usual term of nine years for Terry Miller, Senior Independent Director and Chair of the Remuneration Committee, to ensure the smooth transfer of the key role of Chair of the Remuneration Committee, and consider Terry to remain independent in character and judgement throughout this period.

During the year, the Committee reviewed and updated its terms of reference in line with best practice, requiring only minor changes. The Committee's current terms of reference can be found on the Group's website (www.gallifordtry.co.uk).

The Board has delegated the following principal authorities to the Committee:

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

Succession planning at levels below the Executive Board remained a key area of focus for the Committee during the financial year. The Committee received updates from the HR Director on progress with implementing the Group's succession plan, with a focus on developing a diverse talent pool of employees demonstrating high potential for promotion. The 'employee retain and gain' strategy was further developed to ensure employees were proactively engaged and trained to assist staff retention levels.

Board appointments

Appointments to the Board are subject to formal, rigorous and transparent procedures. The Committee oversees, and makes recommendations to the Board on the identification, assessment, and selection of candidates for appointment to the Board. During the financial year there was one appointment to the Board. Russell Reynolds Associates was appointed to assist the Committee with the search process. Russel Reynolds Associates has no other connection to Galliford Try or its directors. The Committee agreed a brief based on the capabilities, skills, diversity and experience required on the Board and which would support the business's strategy.

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

Calendar of 2022/23 Committee activities and areas of focus

2022

December

+ Monitor succession planning of leadership roles at Executive level and below.
+ Review diversity and inclusion plans towards talent pipeline.
+ Non-executive Director Review.

2023

May

+ Review and appointment of new Non-executive Director and ensure an effective induction programme.
+ Non-executive directors' appointment review and Committee membership.
+ Terms of reference review and approval.

Appointment process for new Non-executive Director – Michael Topham

The process for the selection of the new Non-executive Director, Michael Topham, included:

Background	Gavin Slark, Non-executive Director, decides to step down after seven years on the Board due to other business commitments.
Review	The Nomination Committee review the current board structure, composition, and skills of the Board and how these align to delivering the current strategic plan. It is agreed another Non-executive Director should be sought.
Process	The Chair, Alison Wood, assisted by the General Counsel & Company Secretary, led the process to select a new Non-executive Director. The executive recruitment agency,Russell Reynolds Associates was appointed to assist with the search process. Russel Reynolds Associates (the executive agency) has no other connection to Galliford Try or its directors. The Committee requested the search to include a diverse list of candidates in respect to gender, ethnicity and background and agreed a brief based on the capabilities, skills, diversity and experience required on the Board and which would support the business's strategy. This included: + substantial experience in senior roles in major organisations; + a strong, professional background with recent and relevant experience in finance and commerce; + the capability to add value to Board discussions; + diversity and inclusion, culture and succession planning; and + a strong understanding of corporate governance.
Candidate selection	The executive agency conducted a search and provided an extensive list of potential candidates. The Committee reviewed the list and instructed preferred candidates to be approached to participate in the interview process.
Interview process	Four preferred candidates were invited for first interviews, initially by the executive agency, then by the Chair. The executive agency carried out further due diligence to ensure appropriate fit with requirements including experience and knowledge of a range of Board topics, whether the appointment was in line with the Board's diversity aims, and whether the expected time commitment could be met. Second interviews were held with three candidates who were introduced to the Chief Executive Officer, Finance Director and General Counsel & Company Secretary. Two short-listed candidates were interviewed by the Senior Independent Director and the two Non-executive Directors. Detailed informal and formal references were obtained.
Outcome	Having considered the specifications of the new Non-executive Director, the strategic requirements of the business and the skills and experience of the short-listed candidates, the Committee recommended the successful candidate, Michael Topham, to the Board for appointment. Michael Topham met the search criteria due to his substantial experience in senior management roles including that currently of Chief Executive Officer of Biffa, where he was also previously Chief Financial Officer, as well as having held a number of divisional managing director and finance roles; Michael has experience in delivering strategic growth which aligns to the Group's strategy and has the experience and capability of adding to Board discussions; Michael also has corporate governance understanding and will bring independence and strong governance skills to the Board.
Induction process	A full and comprehensive induction programme is prepared for new Directors. This includes a range of separate internal meetings with each Executive Board Director, the General Counsel & Company Secretary, members of the Executive Committee, as well as other members of the senior leadership team. Site visits are also planned to meet local management and workforce and see the application of health and safety matters. Meetings with key external advisors to also take place.

Nomination Committee report continued

Review of the Board's composition

The Committee reviews the composition of the Board and its Committees at least annually as part of the Board evaluation process. The Committee considered the balance of skills, experience, knowledge and diversity of opinion of the Non-executive Directors, their time commitments and succession plans to ensure they remain suitable for the Group's structure, strategy and objectives. Given the size and structure of our Group, the composition and size of the Board and its committees remains appropriate. Further details on the Board evaluation and its outcomes can be found on pages 84 to 85.

To ensure a smooth transition of the important role of Chair of the Remuneration Committee, the Committee previously agreed that Terry Miller will remain on the Board in her current roles until October 2023, which is beyond the normal term of nine years. The Board and Committee consider that this limited extension to Terry's term of office to be appropriate and Terry will remain independent in character and judgement.

The Board and its Committees' Evaluation

The Board and its Committee's internally facilitated evaluation was carried out during the year and identified a small number of actions for the Committee to undertake including monitoring the cohesive functioning and interaction of the Board following the introduction of new members and the need to maintain its approach to the monitoring of the correct balance of skills, leadership succession and development plans as strategy evolves. The evaluation concluded the Committee remains effective.

Culture of Equity, Diversity and Inclusion

A key focus for the Committee is continuing to ensure Equity, Diversity and Inclusion (EDI) is embedded into our Sustainable Growth Strategy to provide a supportive and progressive culture for all. It fully supports the recent addition of the inclusion and diversity disclosures in the Listing Rules and ensures inclusion and diversity is considered in all its policies and practices. During the year the Group developed new initiatives such as creating a new and dedicated inclusion team within the HR function to further develop our approach in this area and also partnered with Clear Company, an external HR specialist, to help remove any potential barriers to our recruitment and retention practices.

The Group has a range of inclusion and diversity initiatives, including action plans and agile working arrangements, with a flexible culture and working practices to suit everybody's needs. The Group also takes part in industry and other initiatives to improve inclusion and diversity, including supporting the National Association for Women in Construction, the Leadership & Diversity Group Scotland, and the Supplier Diversity Group.

Galliford Try is an accredited Disability Confident Employer. This Government initiative aims to challenge attitudes towards disability, remove barriers to employment for disabled people and those with long-term health conditions, and ensure that disabled people have the opportunities to fulfil their potential and realise their aspirations.

The increased focus of our approach to EDI for the wider workforce, the additional work being undertaken in this area and the gender balance at Board and senior management level is reported in the People and culture section on pages 25 to 29.

Statement on Compliance of Board and Committee Gender and Ethnic Diversity

EDI is a key consideration when assessing the Board's composition and that of its Committees, as well as the wider Group, to ensure the development of a diverse pipeline for succession. The Committee has worked hard to ensure the Board is sufficiently diverse to meet and support its future strategic developments. The Board considers a broad definition of diversity when setting policies and appointing directors which includes: ethnicity, religion, socio-economic background, gender and sexual orientation, age, disability, partnership status, culture, personality and professional experience.

The Board confirms that as at 30 June 2023 (being the reference date selected by the Board for the purposes of this disclosure) the Company has complied with the gender diversity targets of Listing Rule 9.8.6R(9) and the FTSE Women Leaders Review. 57% of the individuals on its Board are women and so meets the rule of at least 40% of the Board are female as well as holding two senior Board positions, those of the Chair and the Senior Independent Director.

Board and Executive Management Gender Identity Table

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
Men	3	43	2	3	75
Women	4	57	2	1	25

1 Those included in the Number in the Executive Management consist of those who make up the Executive Committee but who are not Board members.

Board and Executive Management Ethnic Identity Table

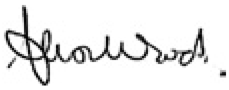
	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
White British or other White (including minority-white groups)	7	100	4	4	100

1 Those included in the Number in the Executive Management consist of those who make up the Executive Committee but who are not Board members.

The Committee notes the Parker Review and the ethnicity diversity targets of Listing Rule 9.8.6R(9) and acknowledges that further work is required for the Board and its Committees to become more ethnically diverse. In order to develop a truly diverse culture the Board and its Committees recognises it needs to set the tone from the top and become more proportionately representative of its workforce and the stakeholders it serves. New initiatives have been developed to increase ethnic diversity for the wider workforce as detailed on pages 28 to 29 and the Committee understands that to attract and retain its workforce and develop a diverse pipeline to its senior management, it must make every effort to break down barriers and support the progression of ethnic minorities in the industry.

The Company does not presently meet the Listing Rule 9.8.6R(9) ethnicity target for Board members and senior management of at least one individual on its Board from a minority ethnic background. In its most recent search for a Non-executive Director, the Committee expressly sought and took steps to identify candidates from an ethnic background. The Committee also deliberated on the search findings prior to making any appointment.

In order to collect the data for the gender and ethnic diversity disclosures, the Board and its senior management team were each sent a series of questions to complete asking how they self-identify in each of the designated categories under the Listing Rules disclosure. This data was then collected with results recorded and retained for future records.



Alison Wood
Nomination Committee Chair

Audit Committee report

A

"The work of the Audit Committee plays a vital role in the Group's governance framework by ensuring the internal and external audit functions remain effective, the integrity of the financial statements is maintained and robust risk management and internal controls are in place."

Marisa Cassoni
Audit Committee Chair

I am pleased to present my report for 2023 as Chair of the Audit Committee.

Throughout the year the Audit Committee (Committee) continued to support the Board in fulfilling its corporate governance responsibilities, including monitoring and reviewing developments in corporate governance, overseeing the internal audit process, and assessing the integrity of the financial statements and the adequacy and effectiveness of the risk management and internal control framework of the Group.

Composition of the Committee

All Committee members are independent Non-executive Directors. Additional details on the Committee's members can be found on pages 76 and 77.

The Committee has continued to ensure that each member has sufficient knowledge, training and expertise to contribute effectively to the Committee's work, which is a key requirement of Provision 24 of the Code and the FRC's Guidance on Audit Committees. The Board remains satisfied that, as a whole, the Committee has competence relevant to the sector in which the Group operates.

As Committee Chair, I have extensive experience in numerous roles, which include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. I also have experience of being a Non-executive Director with Skipton Building Society, AO World plc and Ei Group plc.

I would like to thank Gavin Slark, who stepped down from this Committee on 31 March 2023, for his commitment and the significant contribution made during his tenure. Having joined the Committee on appointment in 2015, Gavin brought valuable and extensive commercial experience gained in a variety of executive level roles.

I would also like to welcome Michael Topham who joined the Board as a Non-executive Director and a member of this Committee on 1 June 2023. Michael is the Chief Executive Officer of Biffa and has proven abilities to develop and acquire companies to deliver sustainable growth. Previously Michael was Chief Financial Officer of Biffa and has held various divisional managing director and finance director roles within the waste management sector. Michael is also a Chartered Accountant having trained with PwC. Michael is also a director of Environmental Services Association Limited.

The Chair of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Head of Internal Audit and the Group Financial Controller. The General Counsel & Company Secretary, or his delegate, acts as Secretary to the Committee.

Remit and activities

The Committee met three times during the year, which it deems appropriate to its role and responsibilities. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from those disclosed in previous years and remain in line with the Code's requirements.

The Committee's key responsibilities are:

+ delegated responsibility from the Board for financial reporting;
+ monitoring external audit, internal audit, risk and controls; and
+ reviewing instances of whistleblowing and the Group's procedures for detecting fraud.

The Committee's key activities during the financial year are summarised overleaf. The Committee also continues to meet with internal and external audit teams, without Executive management present, in order to discuss any matters which the auditor may wish to raise in confidence.

Internal Management System

Galliford Try is implementing a new internal system which will deliver modern, simplified ways of working for our people, commercial, finance and procurement processes. This will allow the Company to be a more people focused workplace by simplifying processes, modernising our ways of working, provide added data transparency and driving efficiency.

The Committee's terms of reference are available from the Group's website (www.gallifordtry.co.uk).

Calendar of 2022/23 Committee activities and areas of focus

2022

September

+ Contract accounting judgements.
+ Committee review of 2021/22 full-year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process.
+ Review of draft 2022 annual results statement and draft external audit opinion.
+ Risk, internal audit and whistleblowing reports.
+ Presentation of external review of internal audit effectiveness.
+ Considered BEIS white paper on corporate reform.

2023

March

+ Contract accounting judgements.
+ Committee review of 2022/23 half-year results, including external auditor presentation, going concern review and approval of the 'fair, balanced and understandable' process.
+ Reflections on the 2022 audit.
+ Review of draft half-year 2023 results statement.
+ Risk, internal audit and whistleblowing reports.

May

+ Review and approval of the Internal Audit Plan 2023/24.
+ Approval of the external audit plan.
+ External quality assessment update.
+ Anti-money laundering update.
+ Risk, internal audit and whistleblowing reports.
+ Review of Terms of Reference and Non-Audit fee policy.
+ Update and internal progress review on the UK and Governance Reforms by the Department for Business and Trade (formerly BEIS).

Committee Evaluation

The performance of the Committee was reviewed as part of the internal facilitated Board evaluation process aimed at identifying any areas for improvement. A small number of actions arose from the process including strengthening working relations with BDO. Overall the Committee was deemed to be effective and contributed strongly to the Group's overall governance framework.

Please see pages 84 to 85 for further information.

Internal Progress on Department for Business and Trade – Restoring Trust in Audit and Corporate Governance

The Committee recognises the importance of the consultation and work by the Department for Business and Trade (formerly the Department for Business, Energy & Industrial Strategy (BEIS) regarding restoring trust in Audit and Corporate Governance. A summary of the Government's response was presented to the Board in July 2022 for discussion and, whilst further guidance and clarity on key matters is awaited, further internal work in this area is continuing in anticipation of likely changes that will require to be implemented. Such work includes setting up a working group to review scoping, project planning and to test the operating effectiveness of our internal controls, scenario planning and stress testing for resilience and strengthening the processes already in place.

External audit

The Company's external auditor is BDO LLP and is led by the audit partner Edward Goodworth who has been a partner at BDO LLP for 11 years. The appointment of BDO LLP followed an audit tender process undertaken in the second half of 2018 and was subsequently approved by shareholders.

The audit plan is submitted annually and is approved by the Committee. The Committee meets privately with the auditor, and the Chair of the Committee speaks regularly with the audit partner throughout the year.

Each year, the Committee assesses the independence and effectiveness of the external audit process, which includes discussing feedback from the members of the Committee and key senior management within the Group and from regulatory sources. The Committee is satisfied that the external audit relationship is effective and that BDO LLP remained sufficiently independent in accordance with the relevant professional ethical standards.

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

Internal audit

Each year, the Committee reviews and approves the scope of work of the Internal Audit team, which includes assessing the adequacy of the team's resources.

During the financial year, the Internal Audit team continued to deliver its agreed internal audit annual plan and provided commercial and risk management support across the Group, at the request of the Committee, the Executive Board and senior management. Biannual status reports on commercial health checks, based on a typical sample of 12 contracts from across the business, are reported to the Audit Committee. Projects included in commercial health checks provide a representative mix of business units, project values, current commercial performance and stage of completion.

Review of Risks

The Executive Risk Committee reviews the Group's risks and reports to the Executive Board and the plc Board. In addition, the Executive Risk Committee has continued to review the procedures in place to identify emerging risks, as well as its disclosure obligations. The Executive Risk Committee has a standing agenda item at its meetings to review and document emerging risk themes that could have a significant impact on our business. The Executive Risk Committee has also reviewed the climate-related risks and opportunities, in support of our Task Force on Climate-Related Financial Disclosures (TCFD). More information about the Group's principal risks, its process of identifying and managing emerging risks, its long-term viability and its risk management systems can be found in the Risk management section on pages 52 to 56.

In line with the Code's requirements, the Board carries out an annual assessment of the effectiveness of the Group's risk management and internal control systems prior to approving the full-year results. This review covers material controls, including financial, operational and compliance controls. In addition, the Head of Internal Audit provides an Internal Audit Report to the Audit Committee at each Committee meeting, which includes the status of audits from the agreed internal audit plan and implementation of agreed actions.

Audit Committee report continued

Non-audit services

The Group has policies and review mechanisms governing the provision of material non-audit services and safeguarding the objectivity and independence of the external auditor. These remained in force throughout the financial year. The policy specifies: the types of non-audit services for which the use of the external auditor is pre-approved (i.e. approval has been given in advance as a matter of policy); the services for which specific approval from the Committee is required before the auditor is contracted; and the services from which the external auditor is excluded. In respect of pre-approved services, a financial threshold is in place of £75,000, applicable to individual and aggregated services in any year. Furthermore, should the total value of non-audit service engagements exceed the defined percentage of 50% of the total Group audit fee for the previous financial year, the Committee shall consider and give specific prior approval for any subsequent non-audit service engagements in excess of £30,000.

Internal control framework

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

+ **Organisational structure:** each business unit is led by a managing director and management team, providing a clear hierarchy and accountabilities.
+ **Code of Conduct:** the Group promotes a culture of acting ethically and with demonstrable integrity. Our ethical standards and approach are set out in 'Doing the right thing', our Code of Conduct. It is supported by training modules and its themes and importance are communicated to new starters as part of their induction.
+ **Contractual review and commitments:** the Group has policies and procedures for entering into contracts which apply across its business units and operations and are enforced through the Group's legal authorities matrix.
+ **Operational activity:** site operations are performed in line with established business management systems and processes that incorporate all operational activities, including health, safety and environmental procedures, regular performance monitoring, quality management and external accountability to stakeholders.
+ **Financial planning framework:** a detailed annual budget is prepared for each financial year, which is approved by the Board.
+ **Operational and financial reporting:** an exacting profit and cash reporting and forecasting regime is in place across the Group. This emphasises cash flow, income and balance sheet reporting, as well as health, safety and environmental matters within monthly operational reports.
+ **Internal audit:** the Internal Audit team develops and delivers an annual programme of internal audits, which includes business unit key control reviews, audits of Group processes and other specific risk areas and reviews of significant change programmes.
+ **Assurance provided by non-audit functions:** a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment, legal contract reviews and compliance, and construction industry regulation.

Significant issues and other accounting judgements

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

+ **Contract revenue and provisions:** in conjunction with the annual audit, the Committee continued to review key judgments in respect of revenue recognition and contract provisions, in relation to certain significant long-term construction contracts.
+ **Going concern and viability:** the Committee considered other commercial and economic risks to the Group's going concern status and longer-term viability and reported to the Board on its findings.
+ **Significant transactions:** the Committee has given particular consideration to the accounting for and presentation of individually significant transactions, and areas where alternative performance measures are required to ensure that the financial statements give a fair, balanced and understandable view of the Group's performance, and that statutory measures are equally clear and prominent. This specifically included the presentation of the investment in cloud-based commercial and accounting systems, which has been reported as an exceptional cost, and disclosure of the settlement of a long-running contract dispute.
+ **PPP portfolio valuation:** the Committee reviewed the discount rate used to determine the fair value of each of the Group's PPP investments.

Fair, balanced and understandable consideration

As requested by the Board and in line with its terms of reference, the Committee has reviewed the 2023 Annual Report and financial statements and considered whether, in terms of the form and content of the strategic, governance and financial information taken as a whole, it is fair, balanced and understandable and enables current and prospective shareholders to assess the Company's position with respect to its performance, business model and strategy. The process which was followed was:

Management prepare drafts of the annual report for internal consideration by process owners and external advisors for comment and discussion.

External legal advisors review the annual report Governance Section draft to ensure compliance.

Management consider key judgements and significant changes, and how such matters should be disclosed.

The General Counsel & Company Secretary and Finance Director take responsibility to ensure that the balance of information provided is consistent with the balance of discussions at the plc Board.

The draft annual report, with details of any significant changes to the report from previous years, are provided to the Audit Committee members in advance for consideration and review.

Management prepare a paper to the Audit Committee setting out key judgements in preparing the annual report, and how such matters are disclosed.

The Audit Committee, once satisfied the requirements have been met, recommends that the Fair, Balanced and Understandable review process is recommended for approval at its September meeting.

The Board considers the Committee's recommendation that the Fair, Balanced and Understandable statement be applied to the 2023 Annual Report and financial statements.

The Board approved the Committee's recommendation that the Fair, Balanced and Understandable statement could be applied to the 2023 Annual Report and financial statements and this can be found in the Director's report on page 120.

Marisa Cassoni
Audit Committee Chair

Remuneration Committee report

R

"The Remuneration Committee has fully reviewed the Group's current Remuneration Policy and considered shareholder views, market analysis and best practice to develop a new Policy which continues to support and be aligned to Group strategy for proposing to shareholders at the 2023 AGM."

Terry Miller
Remuneration Committee Chair

Committee Chair's annual statement

This is my last year as Chair of the Remuneration Committee (the Committee) and, along with the rest of the Committee, I am pleased to have overseen the development of a new Policy to be proposed at the 2023 AGM. During the year I also worked closely with Sally Boyle, my successor, to ensure a smooth transition when I step down in October 2023. Sally's experience in executive management remuneration will make her an excellent Committee Chair.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2023. The Remuneration Report which sets out the proposed 2023 Policy is divided into three parts: this Annual Statement; the Directors' Remuneration Policy; and an Annual Report on Remuneration, which sets out how the 2023 Policy will be applied during the year ending 30 June 2024 as well as how the current Policy was applied during the year ended 30 June 2023.

The background to the Remuneration Report is that the Group has continued to build on its Sustainable Growth Strategy, including the acquisition of two businesses during the year, and despite the macro-economic headwinds, delivered another year of improved operational and strong financial performance. In line with the rules of the Annual Bonus Plan ("ABP") the Committee has therefore approved payments for the year ended 30 June 2023 at 70% of maximum. For the Long Term Incentive Plan ("LTIP"), the Committee has approved the vesting of awards granted to Executives under the LTIP in September 2020. Based on performance up to the financial year ended 30 June 2023, 97% of the September 2020 LTIP will vest on 23 September 2023, three years after grant. All awards are fully in accordance with the Remuneration Policy approved by shareholders. Further details of remuneration, in accordance with the shareholder approved Remuneration Policy, can be found overleaf.

During the year, the Committee primarily focused on the review and development of the new 2023 Policy, supported employees during the high inflation period with an average annual salary award of 5%, as well as delivering support to circa 1,800 employees through a one-off payment in October 2022. In addition, the Committee focused on embedding ESG performance metrics introduced last year in the annual bonus plan, recognising the importance of ESG factors to the fulfilment of the Company's strategic objectives and to all stakeholders and continued to ensure compliance with corporate governance practices.

The Committee has continued to apply the recommendations of the UK Corporate Governance Code and decisions relating to remuneration matters are set out in the relevant sections of this report. This report has been prepared in accordance with the relevant provisions of the Companies Act 2006, The Companies (Director's Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules.

Calendar of 2022/23 Committee activities and areas of focus

2022

July

+ Review of corporate governance developments in executive remuneration.
+ Proposal of performance metrics for LTIP 2022 grant of awards.
+ Update on 2021/22 annual bonus forecast, performance and proposal of 2022/23 annual bonus scheme.
+ Consideration of bonus discretion and Committee guidance.
+ Long Term Bonus Plan (for roles below Executive Board level) and Interim Award 2022 proposals.
+ Review of draft 2022 Directors' Remuneration Report.

September

+ Consideration of 2022 Long Term Incentive and Bonus Plan awards.
+ Review of 2021/22 annual bonus performance to 30 June 2022.
+ Approval of the 2022 Directors' Remuneration Report.
+ Approval of Employee Share Trust purchase programme.

2023

March

+ 2023 salary and benefits review (effective 1 April 2023).
+ 2023 Policy Review.
+ Shareholder consultation for New 2023 Remuneration Policy.
+ Review of Terms of Reference.
+ Employee Share Trust update.
+ Briefing from the HR Director on remuneration and other considerations for the wider workforce.

Board and Committee changes

As announced in September 2022, I will be stepping down from the Board and its Committees in October 2023 and am delighted that Sally Boyle, Non-executive Director, who brings a wealth of HR related experience from previous positions, will be my successor. Sally has been a member of the Committee since 1 May 2022. To enable a smooth and effective transition of this key role, and as previously disclosed, I will remain on the Board and Committee for a short period past my nine year tenure and the Board considers this does not affect my independence and judgement in the role.

Michael Topham joined the Board and Committee on 1 June 2023. Peter Ventress ceased to be a member of the Committee on 21 September 2022, when he stepped down from the Board and on 31 March 2023, Gavin Slark, Non-executive Director, resigned from the Board and Committee. I would like to thank Peter and Gavin for their commitment and contribution to the Committee throughout their tenure.

Remuneration Policy Review

The Committee reviewed the Group's existing policy and formulation of the 2023 Policy. The review took into account market and corporate governance best practices and feedback from shareholders and other key stakeholders. The Committee considers the existing policy and structure comprising of base salary, pension, benefits, annual bonus and LTIP to remain appropriate and, as previously designed, is already aligned to recent developments with best market practice. The Committee also took into account that the existing policy was approved by 99.66% of shareholders who voted at the 2020 AGM. Accordingly, there are no material changes or recommendations to the 2023 Policy, which will be subject to a binding vote at the AGM on 10 November 2023. The full Policy is set out on pages 102 to 108.

Application of Remuneration Policy in 2023/24

The key elements of how the Policy is being applied are set out below:

+ **Base salaries:** The Committee continues to monitor and review pay and conditions across the Group and the external market. Taking into account the rising cost of living and external market conditions, a budget of 5.0% was approved for annual staff salary increases across the Group from 1 April 2023. Bill Hocking and Andrew Duxbury's salaries were each increased by 4.53% from 1 April 2023, an adjustment below the average increase awarded across the workforce.
+ **Annual Bonus Plan ("ABP"):** the scorecard for the Annual Bonus Plan for 2023/24 is in line with the 2022/23 scorecard and will continue to include ESG metrics introduced last year. All bonus awards will be subject to the Committee's discretion, taking into account health and safety performance and the underlying performance of the Group. 2023/24 targets will be disclosed as usual in the 2024 Annual Report.
+ **LTIP:** no changes to metrics or structure are proposed for the 2023 awards. The metrics will continue to comprise earnings per share ("EPS") and average cash management.

As well as the vote on Policy, there will be an advisory vote at the AGM in November 2023, on the Directors' Remuneration Report.

Cost of living

A one-off payment to provide support to employees during the national cost of living challenge of circa £1.0m in total to over 1,800 employees was made in October 2022 and was warmly welcomed by all staff.

Therese Miller

Terry Miller
Remuneration Committee Chair

Remuneration Committee report continued
Remuneration at a glance

The following is a summary of the Executive Directors' remuneration in 2022/2023 and proposed application of the approved Remuneration Policy ("Policy").

Remuneration Policy and framework

Our approach to remuneration and our Policy are set out on pages 98 to 113 of this report. The elements of executive directors' remuneration are:

+ **Fixed element:** comprises base salary, taxable benefits (such as a company car or cash equivalent allowance, private medical and permanent health insurance, and life assurance), and contribution to a pension.
+ **Variable element:** annual bonus, which incentivises and rewards the achievement of stretching annual targets (both financial and non-financial) that support the Group's annual and strategic objectives, with two-thirds of any bonus earned in excess of 50% of salary required to be deferred into restricted shares.
+ **Long-term element:** the LTIP incentivises the achievement of sustained long-term financial and operational performance over a three-year performance period. Any share awards that vest are subject to a two-year holding period.

Actual remuneration in 2022/23

The following table summarises the executive directors' remuneration in 2022/23:

Director	Role	Fixed remuneration[1] £000	Variable remuneration[2] £000	Total remuneration £000
Bill Hocking	Chief Executive	521	1,908	2,429
Andrew Duxbury	Finance Director	416	1,496	1,912

1 Comprises base salary, taxable benefits and pension contributions. See page 109 for further information.

2 Comprises annual bonus awarded and LTIP vesting with reference to performance during the financial year. See pages 110 to 111 for further information.

Variable pay outcomes

Annual Bonus payments for 2022/23

The annual bonus payments made to the Executive Directors are summarised in the table below.

Director	Maximum bonus (% of salary)[1]	Achieved bonus (% of salary)[1]	Cash £000	Shares £000
Bill Hocking	120%	84.5%	£292	£109
Andrew Duxbury	100%	70.4%	£219	£53

1 See page 110 for further information.

LTIP outcomes

Vestings relating to 2020 to 2023 performance

The LTIP awards granted to Bill Hocking and Andrew Duxbury on 23 September 2020 were based 75% on underlying EPS performance and 25% on average month-end cash as a percentage of annual turnover in the final year to 30 June 2023. The estimated September 2023 vesting is summarised below:

	Stretch EPS condition	Actual EPS performance	Stretch average month-end cash[1] condition	Actual average month-end cash[1] performance	% Vesting	Value of award vesting[2]
Bill Hocking	15.4p	16.6p	10%	9.7%	97.2%	1,507
Andrew Duxbury	15.4p	16.6p	10%	9.7%	97.2%	1,224

1 As a percentage of annual turnover.

2 Estimated based on the average share price over the three months to 30 June 2023.

Application of the New 2023 Policy in 2023/2024

Element	Bill Hocking	Andrew Duxbury
Base salary	£496,500	£403,500
Pension	8%	6%
ABP	Maximum bonus opportunity of 120% of salary for the Chief Executive and 100% of salary for other executive directors.	
LTIP	Award of up to 150% of salary, with three quarters based on earnings per share and one quarter on a cash performance metric, measured as an average month-end cash as a percentage of revenue.	
Performance targets	EPS: The target EPS to be achieved in the final year of the performance period (1 July 2025 to 30 June 2026) is 31.8p. Achieving 28.6p would generate 25% vesting and 34.5p would generate 100% vesting on a straight-line basis. Cash: The target is average month-end cash in the final year of the performance period of 9% of annual turnover. Achieving 8% would generate 25% vesting and 10% would generate 100% vesting on a straight-line basis.	
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax).	
Malus and clawback	Malus and clawback apply in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.	

Remuneration Committee report continued

Directors' Remuneration Policy

This section of the report sets out the new Remuneration Policy (New 2023 Policy) that will be proposed to shareholders at the 2023 AGM, describing the framework within which the Group remunerates its directors.

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

+ ensure that remuneration packages are appropriately positioned and structured to promote a Sustainable Growth Strategy for all stakeholders and which takes into account pay and conditions across the Group, current conditions and market practice;
+ engender an inclusive and progressive culture, which enables all individuals to reach their potential and positions Galliford Try as an employer of choice;
+ deliver a significant proportion of total executive pay through performance-related remuneration and in shares; and
+ ensure the achievement of strong and sustained long-term financial and operational performance with no reward for failure.

The increased importance of ESG and climate-related factors to the strategy of the Group and all its stakeholders means the proposed New 2023 Policy continues to take into account environmental, social and governance factors, and includes the ESG and climate-related performance targets which were added to the Executive team's ABP from 1 July 2022 to encourage responsible ESG behaviour. Furthermore, recognising that even well-designed incentives cannot cater for all eventualities, should any unforeseen issues arise that would make any payments unjustifiable, the Committee may use its discretion to address such outcomes by scaling back payments. Any use of such discretion would be fully disclosed in the Annual report on remuneration.

The Committee operates clawback provisions within both the ABP and LTIP, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, material misstatement, misconduct, and for awards from 2022/23 in respect of reputational damage or corporate failure as a result of poor risk management.

As part of the New 2023 Policy review, the Committee consulted with our largest shareholders and proxy voting agencies. Strategy, culture and pay philosophy across the Group, best practice and governance developments were all taken into account when formulating the proposed changes to the current policy. After a comprehensive and full review, and taking into account changes implemented during the last three years and the strong support (99.66%) for the policy at the 2020 AGM, it was agreed there were no key changes required to be made to the previous policy to allow the New 2023 Policy to be implemented. A summary of the New 2023 Policy is outlined below.

New 2023 Policy

The current policy was subject to a binding shareholder vote at the 2020 AGM of Galliford Try Holdings plc and was approved by 99.66% of shareholders who voted. The three-year life of that Policy will expire at the 2023 AGM and we are required to seek binding shareholder approval for a new Policy.

The proposed New 2023 Policy is detailed in the table below and contains no significant changes to the Policy agreed in 2020:

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Salary To provide a competitive and appropriate level of basic fixed pay, sufficient to attract, motivate and retain executive directors of high calibre, able to develop and execute the Group's strategy.	Normally reviewed annually, with any changes typically taking effect from 1 April. The Committee sets salaries at competitive rates, taking into consideration pay and employment conditions across the Group, the economic environment, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels among relevant construction peers and, other companies of broadly similar size and complexity. The Committee reserves the right to reduce salary levels (and has done so in the past) if the circumstances warrant it.	When reviewing salaries, both Group and individual performance are considered. While there is no prescribed maximum, the Committee's policy on salary increases for executive directors is for increases to be broadly in line with the average across the workforce, unless there is a promotion or material change in role or business circumstances in which case increases may be higher. Salaries for the year ahead are set out in the Annual Report on Remuneration.
Benefits To provide cost-effective and market-competitive benefits.	Benefits provided to executive directors may include entitlements to a Company car or cash equivalent allowance, private medical and permanent health insurance, and life assurance. The benefits provided may be subject to minor amendment from time to time by the Committee and Executive Directors may be allowed to participate in any new benefit plan introduced for the wider workforce on equivalent terms. Where a director is asked to relocate, relocation allowances or similar benefits may be provided. Executives may also be reimbursed for any reasonable expenses (and any income tax payable thereon) incurred in performance of their duties.	The cost of benefit provision varies from year to year, depending on the cost to the Group, and there is no prescribed maximum limit. Benefit costs are monitored and controlled to ensure they remain appropriate and represent a small element of total remuneration costs.
Pension To provide a contribution towards retirement.	The executive directors may each receive contributions to a money purchase pension scheme or salary supplement in lieu of Company pension contributions (or a combination of both).	The rate offered of 8% for the Chief Executive and 6% (increasing to 8% at age 50) for the Finance Director is in line with that offered across the employee population. Any new executive director would also receive a pension contribution in line with the wider workforce.
Annual Bonus Scheme Rewards the achievement of stretching annual goals that support the Group's annual and strategic objectives. Compulsory deferral of part of the bonus into shares provides alignment with shareholders.	Executive directors and selected senior management, subject to invitation and approval by the Committee, may participate in the Annual Bonus Plan. For executive directors, two thirds of any bonus earned in excess of 50% of salary is required to be deferred into restricted shares. Although beneficially held by the participants, the restricted shares are legally retained by the trustee of the Galliford Try Employee Benefit Trust (EBT) for three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. The Committee operates recovery and withholding provisions within the Annual Bonus Plan, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.	The maximum opportunity is 120% of salary for the Chief Executive and 100% of salary for other executive directors. No more than half of the maximum opportunity is earned for target performance. For financial elements, bonuses normally start to be earned from 0% of salary for achieving threshold performance. The Committee may apply a higher threshold where this is appropriate given the nature of particular performance objective, but this will not exceed 25% of the maximum bonus. Vesting is dependent on achieving specified financial (no less than 50% of the bonus) and strategic or non-financial targets. The Committee may, at its discretion, acting fairly and reasonably, adjust bonus outcomes if it considers the payout is inconsistent with the Company's underlying performance during the year, taking into account factors including safety and ESG. The 22/23 bonus target for the first time incorporates a 12% target for ESG factors which include: people, carbon emission, community and supply chain metrics. For the avoidance of doubt this can be zero and bonuses may not exceed the maximum levels detailed above. Any use of such discretion would be subject to shareholder consultation if materially to the benefit of the executive management and detailed in the Annual Report on Remuneration.

Remuneration Committee report continued

Directors' Remuneration Policy continued

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Long Term Incentive Plan (LTIP) Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Making of annual awards aids retention.	Executive directors may be granted awards under the rules of the LTIP approved by shareholders on 29 November 2019 and adopted by the Company in January 2020. The LTIP provides for awards of free shares in the form of nil or nominal cost options or conditional awards which vest dependent on the achievement of performance conditions and continued service. Any share awards that vest (after allowing for sales to cover any tax liabilities) are subject to a two-year holding period during which time they cannot be sold (unless exceptional circumstances apply). The LTIP provides clawback and malus powers to the Committee, which can facilitate the retrieval of payments made to directors and executive management in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management. Dividends may accrue on LTIP awards over the vesting and holding periods and, subject to the discretion of the Committee, be paid out either as cash or shares on vesting, in respect of the number of shares that have vested.	Performance metrics for FY23 comprise of 75% based on earnings per share and 25% on a full year cash performance metric based on average month end cash as a % of turnover. The Committee may vary the measures and targets that are included in the plan and the weightings between them from year to year. Measures may be related to financial performance, share price performance and ESG. Any material changes to the choice of measures would be subject to consultation with the Company's major shareholders. The Committee may, at its discretion, acting fairly and reasonably, adjust LTIP vesting outcomes if it considers the payout is inconsistent with the Company's underlying performance over the performance period. For the avoidance of doubt this can be to zero and vesting may not exceed the maximum levels detailed below. Any use of such discretion would be subject to shareholder consultation if to the benefit of the executive management and detailed in the Annual Report on Remuneration. Under the LTIP rules, the maximum value that may be granted in any financial year to any individual is **150%** of salary. Up to 25% of the relevant part of the award may vest for achieving threshold performance.
All-employee schemes To encourage employee share participation.	The Group may from time to time operate tax-approved or other share plans (such as an approved Save As You Earn scheme for the benefit of all staff) for which executive directors could be eligible on the same terms as other staff.	Schemes are generally subject to the limits set by HM Revenue & Customs (HMRC) and may be further limited at the Committee's discretion.
Shareholding guidelines To ensure the interests of the executive directors are aligned to those of shareholders.	The Group's share retention policy requires executive directors to build and maintain a shareholding equivalent in value to at least 200% of basic salary. Executive directors are required to retain a minimum of half the after tax number of vested share awards (deferred bonus and LTIP) until the guideline is met. On leaving the Company, executive directors are required to retain the lesser of their in-post shareholding guideline and their actual shareholding on departure for two years. This requirement applies to shares earned from share awards granted to executive directors following the 2020 AGM. The Committee will assess the guideline annually and take into account vesting levels and personal circumstances when assessing progress against the guideline.	–
Non-executive fees To provide a competitive and appropriate level of fees sufficient to attract, motivate and retain a Chair and Non-executive directors of high calibre.	The Chair is paid a single fixed fee. The remaining non-executive directors are paid a basic fee. Non-executive director's chairing a Board Committee, the Senior Independent Director and the Chair of the Employee Forum are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed periodically by the Committee and Chief Executive for the Chair, and by the Chair and executive directors for the Non-executive directors. Fees are set taking into consideration market levels in comparably sized FTSE companies and relevant sector peers, the time commitment and responsibilities of the role and the experience and expertise required. Non-executive directors, including the Chair, are entitled to reimbursement of business expenses reasonably incurred in performing their duties (and any personal tax that may become payable). Non-executive directors cannot participate in any of the Group's annual bonus or share plans and are not eligible for any pension entitlements from the Group. The Chair is eligible to participate in the Group's medical assurance plan.	The Committee and the executive directors are guided by the general pay increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility or time commitments, whether on a permanent or temporary basis. Current fee levels are disclosed on page 116.

Notes to the policy table

Performance measure selection and approach to target setting

Measures used under the ABP and LTIP are reviewed annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

Targets applying to the ABP and LTIP are also reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year. Under the bonus, target performance typically requires meaningful improvement on the previous year's outturn, and, for financial measures, targets are typically in line with market consensus.

Discretions retained by the Committee in operating incentive plans

The Committee may make minor amendments to the New 2023 Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval.

The Committee will operate the ABP and LTIP according to their respective rules, the Policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans, subject to any limitations set out in the rules of the applicable plan or, in the case of executive directors, in the Policy set out on pages 102 to 108.

These include (but are not limited to) the following:

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

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

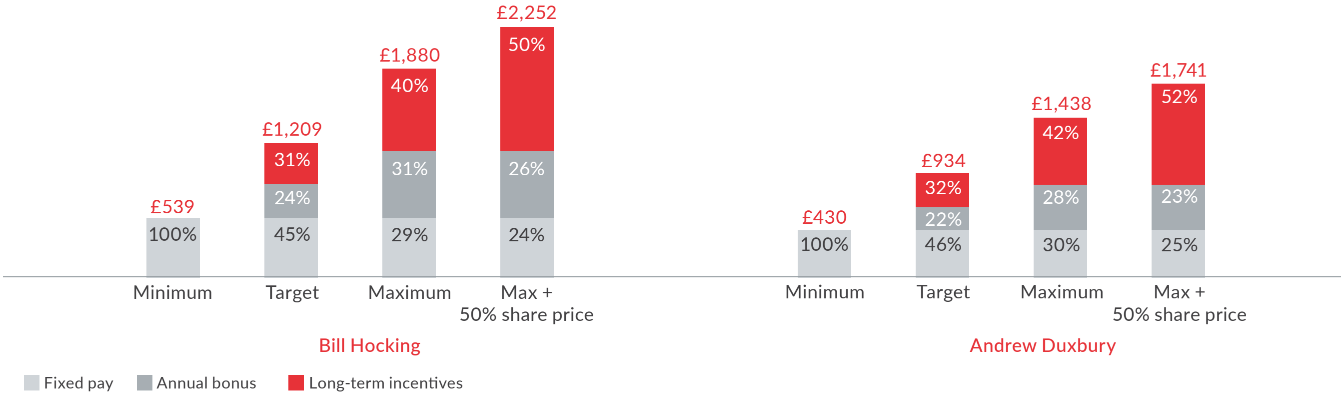
How the New 2023 Policy aligns with the 2018 UK Corporate Governance Code

The 2018 Code sets out principles against which the Committee should determine the Policy for executives, as follows:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee has operated a consistent approach which is well understood internally and by investors. Consultation with shareholders on the revisions to the Policy have been undertaken and there were no material concerns.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee has taken measures to ensure pay arrangements are balanced, simple in their design with a small number of relevant performance measures, and clearly linked to strategy.
Risk – remuneration arrangements to ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Incentive plans are capped and are not high relative to those in comparable companies. Incentive targets are be set which the Committee believes to be stretching and achievable within the risk-appetite set by the Board. The Committee has discretion to override any formulaic incentive outcomes if they are not considered accurate or fairly reflect the underlying performance of the Group. This ensures that malus and clawback provisions are sufficiently wide-ranging and can be applied by the Committee if deemed appropriate to do so.
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains clear annual caps on incentive opportunities and has used its discretion where necessary.
Proportionality – The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee ensures performance metrics continue to be clearly aligned with the Group's strategy each year, maintaining an appropriate balance between base pay, short- and long-term incentive opportunities.
Alignment to culture – Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Bonus and incentive schemes are reviewed by the Committee to ensure consistency with the Group's purpose, values and strategy.

Remuneration Committee report continued
Directors' Remuneration Policy continued

Executive Director remuneration scenarios
Illustration of application of Remuneration Policy



The individualised potential Executive reward charts have been prepared using the following assumptions:

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

Salary levels are based on those applying on 1 April 2023 and the value of taxable benefits is estimated based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2023. Executive directors can choose to participate in all employee share schemes on the same basis as other employees but, for simplicity, the value that may be received from participating in these schemes has been excluded.

Policy on recruitment

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

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

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases (potentially above the average increase across the Group), as the new appointee becomes established in the role.
Pension and benefits	In line with the policy for existing executive directors.	In line with the Policy, pension contribution rates will be aligned with those offered across our employee population. Relocation expenses or allowance, legal fees and other costs relating to recruitment may be paid as appropriate.
ABP	In line with existing schemes.	Where a director is appointed part way through a financial year, different performance measures could be introduced to reflect the change in role and responsibilities. The annual bonus limit remains at 120% of base salary for a Chief Executive and 100% for other directors. Pro-rating applies as appropriate for intra-year joiners. Where an individual is appointed to the Board, different performance measures to those for continuing directors may be set for the period of time remaining in that performance year.
LTIP	In line with Group policies and LTIP rules.	An award of up to 150% of salary may be made in accordance with the Remuneration Policy table. An award may be made in the year of joining or can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an Executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

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

The Committee may make use of the flexibility provided in both the Listing Rules and the approved Remuneration Policy, to make awards outside the existing parameters of the LTIP.

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

For a new Non-executive Chair or Non-executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2023 are detailed below:

	Contract date[1]	Notice period[2,3] (months)
Non-executive directors		
Terry Miller	3 January 2020	6
Marisa Cassoni	3 January 2020	6
Alison Wood	1 April 2022	6
Sally Boyle	1 May 2022	6
Michael Topham	1 June 2023	6
Executive directors		
Bill Hocking	3 January 2020	12
Andrew Duxbury	3 January 2020	12

1 Date shown is the director's contract as an Executive or Non-executive director of the Group. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after three years and their appointments are subject to a rolling notice period as stated. All Directors will stand for election or re-election at the 2023 AGM.

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

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

The Executive directors' service contracts and letters of appointment for the Non-executive Directors are available at the Group's registered office and will be available for inspection immediately prior to and during the 2023 AGM.

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

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

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

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

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, 'good leaver' status can be applied at the Committee's discretion, taking into account the individual's performance and the reasons for their departure.

Remuneration Committee report continued

Directors' Remuneration Policy continued

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

On a change in control, LTIP awards may vest based on the Committee's determination of the extent to which the performance conditions have been satisfied based on performance to date. The level of vested awards will be reduced pro rata based, unless the Committee acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case. Deferred bonus shares will vest in full. The overriding principle will be to honour contractual remuneration entitlements and determine on an equitable basis the appropriate treatment of deferred and performance-related elements of remuneration, taking into account the circumstances. Failure will not be rewarded.

External directorships

Any additional external appointments can only be undertaken with the Board's written approval and if time and commitments allow. Executive directors require the Board's approval to accept external appointments as Non-executive directors and retain any associated fees.

Shareholder consultation

Where appropriate, the Committee will consult relevant institutional shareholders in advance of substantial changes to the Policy or individual executive director remuneration packages. Relevant institutional shareholders were consulted ahead of the introduction of the current Remuneration Policy, which was approved at the 2020 AGM and further shareholder consultations were held in advance of the proposed New 2023 Policy.

Wider workforce remuneration and how the views of employees have been taken into account

When setting pay for the executive directors, the Committee considers remuneration structures elsewhere in the Group, including the overall salary increase budget and incentive structures. The Committee also takes into account available market sector data obtained through benchmarking, as well as Government policies and advice from the Executive management team.

The total package on offer remains competitive at all levels of the Group. The comprehensive range of benefits include flexible working arrangements, a minimum of 28 days' holiday and the opportunity to purchase further days, as well as a pension plan, paid volunteering days, car allowance, a regular SAYE scheme and health insurance plan. These wider benefits are communicated to staff via Galileo, the Company's intranet system, and via the Employee Value Proposition, a summary letter to all employees detailing the wider benefits available.

The Board does not consult employees on Executive remuneration but does ensure it understands employee views on matters including rewards and benefits, which are an agenda item for the Employee Forum. The Forum is now chaired by Sally Boyle having previously been chaired by Terry Miller, Senior Independent Director and Remuneration Committee Chair, who is stepping down from the Board in October 2023. The Forum also discusses business updates and feedback from employee representatives on key topics such as people and engagement initiatives, communication and wellbeing, as well as reward and benefits.

The Employee Forum ensures employees have a voice in the Boardroom, strengthens internal communications, enables employees to offer ideas, champions change and supports good governance. It can also act as a representative body for communicating with employees and obtaining feedback about matters that may affect their employment.

Remuneration Committee report continued
Annual report on Remuneration

This part of the Directors' Remuneration report sets out how the Policy was implemented over the year ended 30 June 2023. It will be put to an advisory vote at the 2023 AGM. Certain sections of the Annual report on remuneration have been subject to audit.

The Directors' Remuneration report has been prepared in accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (applying to financial years starting on or after 10 June 2019), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules. The auditor is required to report on the remuneration data disclosed in the Directors' Remuneration report section and state whether, in its opinion, that part of the report has been properly prepared in accordance with relevant provisions of the Companies Act 2006 (as amended).

Directors' remuneration and single-figure annual remuneration (audited)

The remuneration of the directors serving during the financial year, together with 2022 comparative figures, was as follows:

	Salary and fees £000		Taxable benefits[1] £000		Pensions[2] £000		Total fixed remuneration £000		Annual bonus £000		LTIP £000		Sharesave £000		Total variable remuneration £000		Total remuneration £000	
	2023[3]	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022[4]	2023	2022	2023	2022	2023	2022
Executive directors																		
Bill Hocking	**480**	463	**3**	2	**38**	37	**521**	502	**401**	551	**1,507**	884	**–**	–	**1,908**	1,435	**2,429**	1,937
Andrew Duxbury	**390**	376	**2**	2	**24**	23	**416**	401	**272**	373	**1,224**	718	**–**	–	**1,496**	1,091	**1,912**	1,492
Non-executive directors																		
Terry Miller	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**	–	**69**	67
Marisa Cassoni	**56**	54	**–**	–	**–**	–	**56**	54	**–**	–	**–**	–	**–**	–	**–**	–	**56**	54
Alison Wood	**149**	12	**–**	–	**–**	–	**149**	12	**–**	–	**–**	–	**–**	–	**–**	–	**149**	12
Sally Boyle	**47**	8	**–**	–	**–**	–	**47**	8	**–**	–	**–**	–	**–**	–	**–**	–	**47**	8
Michael Topham	**4**	–	**–**	–	**–**	–	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4**	–
Former directors																		
Peter Ventress	**46**	206	**–**	1	**–**	–	**46**	207	**–**	–	**–**	–	**–**	–	**–**	–	**46**	207
Gavin Slark	**35**	45	**–**	–	**–**	–	**35**	45	**–**	–	**–**	–	**–**	–	**–**	–	**35**	45

1 Includes the value of benefits such as car allowance and medical insurance.

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

3 Salaries for the Non-executive Directors increased by 4.5% and the salaries for the Executive Directors increased by 4.53%. This is below the average salary increase across the workforce of 5%.

4 The 2022 LTIP awards vested on 13 March 2023. The LTIP figures reported in 2022 and the corresponding single figure for that year were based on an estimated share price, using share price over the three months to 30 June 2022. These have now been updated with the actual value at vesting of £884,000 for Bill Hocking and £718,000 for Andrew Duxbury, using the share price as at the date of vesting of £1.70.

Remuneration Committee report continued
Annual report on Remuneration continued

2023 Annual bonus outcome (audited)

For the financial year ended 30 June 2023, the annual bonus measures, targets, weightings and performance are set out in the table below.

Senior management was subject to similar targets, which were applied to their respective business performance.

						Performance target
Measure	**Weighting**	**Threshold (% of maximum bonus)**	**On-target (% of maximum bonus)**	**Maximum (% of maximum bonus)**	**Actual performance**	**Payout % of bonus maximum**
Pre-exceptional full year Group profit before tax	45%	£22.0m (0%)	£23.2m (22.5%)	£26.7m (45%)[2]	£23.4m	24%
Pre-exceptional half year Group profit before tax	15%	£8.1m (0%)	£9.0m (7.5%)	£10.3m (15%)	£11.7m	15%
Group cash management	20%	95% of budget (10%)	100% of budget (10%)	110% of budget (20%)	14%	14%
Construction order book	8%	83.0% secured (0%)	85.0% secured (4%)	87.0% secured (8%)	92% secured	8%
ESG[1]:						
Employee: based on employee advocacy	3%	<80% (0%)	>80% (3%)	>80% (3%)	86%	3
Carbon emission: based on annual reduction of scope 1 and 2 emissions	3%	5% reduction (0%)	7.5% reduction (1.5%)	10% reduction (3%)	5.6% reduction	0.4
Community: based on CCS score	3%	<39 (0%)	>39 (3%)	>39 (3%)	43.4	3
Supply chain: payment of supply chain invoices within 60 days	3%	<95% (0%)	>95% (3%)	>95% (3%)	98	3
Health and safety: based on discretionary assessment of H&S performance	Underpin		Discretional adjustment			
Total payout (% of maximum bonus)	100.0%	10%	54.5%	100%		70.4%

1 The ESG metrics are aligned to the Group's published strategy with the targets based on industry guidelines, averages or the Group's stated ambition. The 2021 carbon comparative metric has been restated to incorporate a full year's operation of nmcn (acquired October 2021).

2 Pre-exceptional full year Group profit before tax excluding the loss arising on a one-off contract settlement.

The Group achieved a strong performance against targets set at the start of the financial year. Taking into account the Group's profitability and enhanced dividends to shareholders, the Committee determined that the bonus level produced by the scorecard of 70.4% is an appropriate reward given the Group's operational and financial performance. This treatment is consistent with that applied for all participants of the ABP. The ABP 22/23 bonus target for the first time incorporated a 12% target for ESG factors which include: people, carbon emission, community and supply chain metrics. Under the approved Policy, the Committee may, at its discretion, acting fairly and reasonably, adjust bonus outcomes if it considers the payout is inconsistent with the Group's performance during the year, taking into account factors including safety and ESG. The Pre-exceptional full year Group profit before tax used to calculate the 2023 annual bonus outcome excludes the settlement arising from the resolution of a long-standing dispute over three contracts which is considered to be in the best interest of all stakeholders. In considering bonus awards the Committee took the Group's health and safety performance and ESG initiatives into consideration. The Group achieved an overall Accident Frequency Rate ("AFR") of 0.09 for 2022/23, (AFR for 2021/22: 0.06) with eight business units achieving an AFR of zero during the year.

The Committee determined that, in respect of the year to 30 June 2023, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	**Maximum bonus (% of salary)**	**Actual bonus payable for 2022/23 (£000)**	**Cash (£000)**	**Shares (£000)**
Bill Hocking	84.5%	120%	401	292	109
Andrew Duxbury	70.4%	100%	272	219	53

Two-thirds of the bonus earned in excess of the 50% of salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the allocated restricted shares are legally retained by the Employee Share Trust and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. Recovery provisions apply at any time within the three-year period post-vesting or payment of cash bonuses in circumstances or error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

LTIP awards vesting in September 2023 (audited)

The LTIP awards granted to Bill Hocking and Andrew Duxbury on 23 September 2020 were based 75% on underlying EPS performance and 25% on average month-end cash as a percentage of annual turnover over the three years to 30 June 2023. In total, 97% of the maximum award vested as a result of the performance achieved. The Committee was satisfied that this outcome reflected the true performance of the Group and no discretion was applied. The awards will be subject to a two-year post vesting holding period in accordance with the existing Remuneration Policy. More details on each of the performance conditions are set out below.

	Threshold EPS condition (25% vesting)	Stretch EPS condition (100% vesting)	Actual performance	Threshold average month-end cash condition (25% vesting)	Stretch average month-end cash condition (100% vesting)	Actual performance	% of overall award vesting	Value of award vesting[2]	Element of value attributable to share growth[2]
Bill Hocking	12.6p	15.4p	16.6p	8%	10%	9.7%	97.2%	1,507	851
Andrew Duxbury	12.6p	15.4p	16.6p	8%	10%	9.7%	97.2%	1,224	691

1 As a percentage of annual turnover.

2 Estimated based on the average share price over the three months to 30 June 2023.

Directors' share plan interests (audited)

Outstanding awards held by Bill Hocking and Andrew Duxbury are detailed in the table below.

Director	Plan	Grant Date	Share price at grant	Number of awards outstanding at 1 July 2022	Granted	Vested	Lapsed	Number of awards outstanding at 30 June 2023	Value of awards vested during financial year £000	Actual or anticipated vesting date
Bill Hocking	LTIP[1]	13.03.20	£1.1554	584,213	–	519,949	64,264	–	£883,913.30	13.03.23
	LTIP	23.09.20	£0.80	843,750	–	–	–	843,750	–	23.09.23
	LTIP	23.09.21	£1.788	385,067	–	–	–	385,067	–	23.09.24
	ABP[3]	23.09.21	£1.7694	118,684	–	–	–	118,684	–	23.09.24
	LTIP	23.09.22	£1.61	–	442,546	–	–	442,546	–	23.09.25
	ABP[4]	28.09.22	£1.60	–	133,875	–	–	133,875	–	28.09.25
Andrew Duxbury	LTIP[1]	13.03.20	£1.1554	474,705	–	422,487	52,218	–	£718,227.90	13.03.23
	ABP[2]	23.09.20	£0.8442	52,969	–	–	–	52,969	–	23.09.23
	LTIP	23.09.20	£0.80	685,593	–	–	–	685,593	–	23.09.23
	LTIP	23.09.21	£1.788	312,919	–	–	–	312,919	–	23.09.24
	ABP[3]	23.09.21	£1.7694	69,015	–	–	–	69,015	–	23.09.24
	LTIP	23.09.22	£1.61	–	359,627	–	–	359,627	–	23.09.25
	ABP[4]	28.09.22	£1.60	–	77,708	–	–	77,708	–	28.09.25

1 Awards are based on a maximum percentage of salary. The number of shares shown in the table represents the maximum number of shares, ie 150% of salary.

2 In accordance with the rules of the Annual Bonus Plan, the average of the Company's closing share price for the five business days following (and including) the announcement of the annual results on 16 September 2020 was 84.42 pence.

3 In accordance with the rules of the Annual Bonus Plan, the average of the Company's closing share price for the five business days following (and including) the announcement of the annual results on 16 September 2021 was 176.94 pence.

4 In accordance with the rules of the Annual Bonus Plan, the average of the Company's closing share price for the five business days following (and including) the announcement of the annual results on 21 September 2022 was 160 pence.

Remuneration Committee report continued
Annual report on Remuneration continued

Awards granted during the year (audited)

On 23 September 2022, the following conditional LTIP awards were made to Bill Hocking and Andrew Duxbury.

Director	Date of grant	Number of shares awarded	Basis of award	Share price used to determine level of award £	Face value £
Bill Hocking	23 September 2022	442,546	150% of base salary	£1.61	712,500
Andrew Duxbury	23 September 2022	359,627	150% of base salary	£1.61	579,000

The performance conditions attached to these awards made in September 2022 are as follows:

Date of grant	Performance conditions
September 2022	Vesting of up to 75% of the award is based on underlying EPS. 25% of the element will vest for 23.2p, increasing to 100% vesting on a straight-line basis if 28.4p underlying EPS is achieved during the final year of the three-year performance period (1 July 2024 to 30 June 2025). Vesting of up to 25% of the award is based on average month-end cash as a percentage of annual turnover in the year ending 30 June 2025. 8% would generate 25% of the element vesting and 10% would generate 100% vesting on a straight-line basis. Any shares which vest will be subject to a two-year post-vesting holding period, in accordance with the Remuneration Policy. Malus and clawback apply at any time within a three-year period post-vesting, in the case of material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

Directors' share interests (audited)

As at 30 June 2023, the Directors held the following beneficial, legal and unvested ABP interests in the Group's ordinary share capital.

	Legally owned[1]				Total	
Measure	30.6.23	30.6.22	LTIP (unvested)	Deferred bonus awards (unvested)	30.6.23	% of salary held under share ownership guidelines[2]
Executive directors						
Bill Hocking	391,555	119,778	1,671,363	252,559	2,315,477	252%
Andrew Duxbury	245,788	24,955	1,358,139	199,692	1,803,619	215%
Non-executive directors						
Terry Miller	3,566	2,066	–	–	3,566	n/a
Marisa Cassoni	–	–	–	–	–	n/a
Alison Wood[3]	–	–	–	–	–	n/a
Sally Boyle[3]	–	–	–	–	–	n/a
Michael Topham[3]	–	–	–	–	–	n/a

1 Either held by the individual or connected persons.

2 Under the current Remuneration Policy, the share ownership guideline for executive directors is 200% of base salary.

3 Alison Wood joined the Board on 1 April 2022 and Sally Boyle joined the Board on 1 May 2022. Michael Topham joined the Board on 1 June 2023.

There were no changes in the directors' interests from 30 June 2023 to the date of this Annual Report.

Performance graph

The graph shows the total shareholder return ("TSR") for Galliford Try shares over the past 10 financial years. It shows the value to 30 June 2023 of £100 invested in Galliford Try on 30 June 2013, assuming dividends are reinvested in the Company's shares, compared with the value of £100 invested in the FTSE All-Share Index, this being a broad-market index of which the Company has been a constituent over the full period shown.

The closing mid-market quotation for the Company's shares on 30 June 2023 was 194.6p. The high and low during the year were 205.0p and 145.0p.

The total gross remuneration of the Chief Executive and the percentage achieved of the maximum ABP and LTIP awards are shown in the table below for the past 10 financial years.

	2014	2015[1]		2016	2017	2018	2019[2]	2020[3]	2021	2022	2023
2023			**Chair**	**Chief Executive**							
Total remuneration (£000)	3,212	2,811	1,262	1,461	1,043	1,448	824	660	1,027	**1,937**	**2,429**
Annual bonus (% of maximum)	97%	79%	74%	74%	46.3%	86.5%	57.0%	36.7%	100.0%	**100%**	**70.4%**
LTIP (% of maximum)	63%	63%	47%	–	16.5%	36.6%	16.5%	–	–	**89%**	**97.2%**

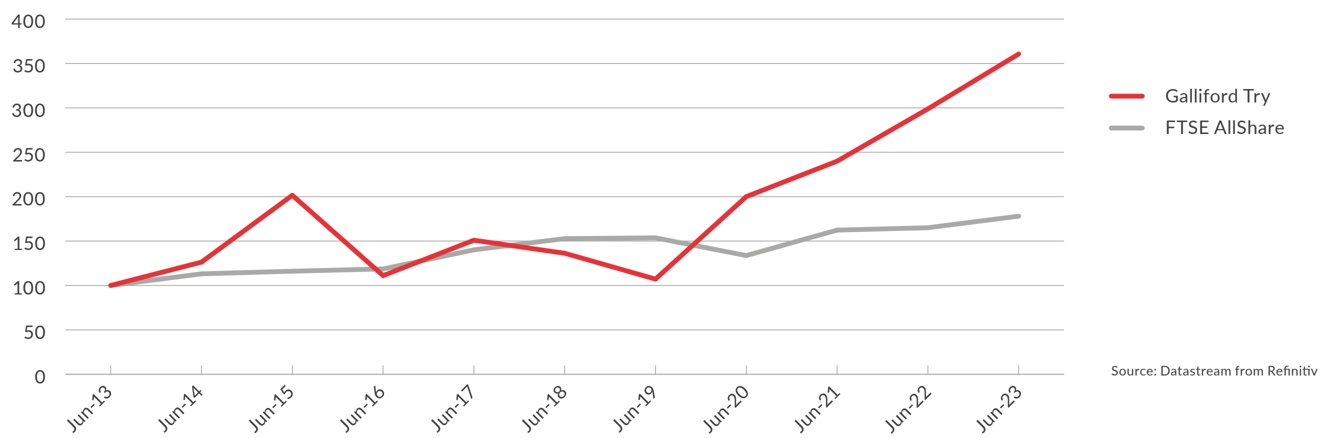
1 Peter Truscott was appointed Chief Executive on 1 October 2015. His predecessor, Greg Fitzgerald, was Chief Executive until 21 October 2014, and Executive Chair until 31 December 2015. Peter Truscott stepped down as Chief Executive and from the Board on 26 March 2019.

2 Graham Prothero was appointed Chief Executive on 26 March 2019, succeeding Peter Truscott. He stepped down from the Board and as Chief Executive following the successful completion of the sale of the housebuilding divisions to Vistry Group plc on 3 January 2020.

3 Bill Hocking was appointed Chief Executive on 3 January 2020. A full-year remuneration figure based on the aggregate paid to Bill and Graham is shown here to aid comparison.

Total Shareholder Return graph

Value (£) (rebased)



Remuneration Committee report continued

Annual report on Remuneration continued

CEO pay ratios

Under Option B (gender pay data), three employees have been identified as the best equivalents to represent the lower, median and upper quartiles. Option B provides a clear methodology involving fewer adjustments to calculate full-time equivalent earnings.

Year	Method	CEO single figure	All UK employees	Lower quartile	Median	Upper quartile
2019/20	Option B	£660,587	Ratio	24:1	15:1	9:1
			Total pay	£27,407	£43,165	£74,351
			Salary	£25,500	£35,249	£61,057
2020/21	Option B	£1,026,671	Ratio	27:1	19:1	14:1
			Total pay	£37,399	£54,374	£73,385
			Salary	£36,134	£43,781	£66,927
2021/22	Option B	£1,936,788	Ratio	62:1	36:1	26:1
			Total pay	£31,128	£53,976	£73,920
			Salary	£27,875	£44,720	£62,275
2022/23	Option B	£2,428,970	Ratio	66:1	45:1	31:1
			Total Pay	£36,562	£54,444	£79,638
			Salary	£29,411	£48,003	£65,950

The CEO figure includes earnings from the Long-Term Incentive Plan. Long-term incentives are operated for the most senior Group employees only, namely, those responsible for strategy development and execution. The payouts from such plans are expected to be volatile from cycle to cycle.

Compared to 2021/22, there were increases in all three ratios, reflecting the fact that a greater proportion of the Chief Executive's total reward is linked to annual performance through a higher annual bonus opportunity than that of the average employee. The Committee is comfortable that the resulting calculations are representative of pay levels at the respective quartiles and that the applicable relativities are appropriate given the profile of the workforce.

Percentage change in remuneration of executive directors and non-executive directors

The table below shows the percentage change in salary or fee, taxable benefits and annual bonus of each individual director in respect of the financial years ended 30 June 2022 and 30 June 2023:

	Year ended 30 June								
	2023			2022			2021		
	Salary change[1]	Benefits change[2]	Bonus change	Salary change[4]	Benefits change	Bonus change[4]	Salary change[6]	Benefits change	Bonus change[6]
Executive directors									
Bill Hocking	3.7%	50.0%	(27.2)%	2.9%	203.3%	2.0%	119.5%	(85.5)%	449.8%
Andrew Duxbury	3.7%	0.0%	(27.1)%	2.6%	(70.0)%	1.9%	4.9%	(70.9)%	46.5%
Non-executive directors									
Terry Miller	3.0%	n/a	n/a	7.5%	n/a	n/a	15.3%	n/a	n/a
Marisa Cassoni	3.7%	n/a	n/a	3.0%	n/a	n/a	(1.1)%	n/a	n/a
Alison Wood[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sally Boyle[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michael Topham[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former directors									
Peter Ventress	(77.7)%	n/a	n/a	1.9%	n/a	n/a	5.0%	n/a	n/a
Gavin Slark	(22.2)%	n/a	n/a	3.0%	n/a	n/a	5.0%	n/a	n/a
P50 median employee	7.3%	7.9%	(52.4)%	2.1%	(11.1)%	40.0%	24.2%	4.5%	50.0%

1 Salaries for the Non-executive directors were increased by 4.5% with effect from 1 April 2023. Salaries for the Executive Directors were increased by 4.53%.

2 Benefits received include pension contributions (or cash equivalent), company car (or equivalent cash allowance), and private medical insurance. Executive directors and senior management, subject to invitation and approval by the Committee, may participate in the ABP and LTIP.

3 The percentage change is not shown for Alison Wood or Sally Boyle in 2022 as they were appointed to the Board on 1 April 2022 and 1 May 2022 respectively and there was no prior year remuneration to compare against. The percentage change in 2023 is not shown as it compares to a part year in 2022.

4 Please see page 98 in our 2022 Annual Report for further information.

5 The percentage change is not shown for Michael Topham as he was appointed to the Board on 1 June 2023 and there is no prior year remuneration to compare against.

6 Please see page 83 in our 2021 Annual Report for further information.

To allow for comparison, the Committee has elected to compare the total remuneration of the P50 median employee (median) from this year (2022/23) to that used last year. The Committee continues to ensure that the wider total package on offer to employees remains competitive at all levels.

Relative importance of spend on pay

	2021/22	2022/23	Change
Total overall spend on pay (£m)	213.0	256.7	43.7m
Dividends (£m)	6.3	9.6	3.3m
Share buyback (£m)	–	10.6	10.6m
Group corporation tax charge (£m)[1]	1.7	3.1	£1.4m
Effective tax rate (%)	8.9	15.1	6.2 ppts

1 Pre-exceptional total tax.

The equivalent total overall spend on pay in 2022/23 is disclosed in note 5 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £68,508 per annum as at 30 June 2023 (2022: £65,500).

Composition of the Remuneration Committee and attendance

In addition to the Chair, Terry Miller, the other Committee members were Marisa Cassoni, Gavin Slark*, Peter Ventress*, Alison Wood , Sally Boyle and, from 1 June 2023, Michael Topham. The General Counsel & Company Secretary acts as Secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the Non-executive directors meeting without Executive management present. The HR Director attends certain meetings at the invitation of the Committee. No director nor the General Counsel & Company Secretary is present when his or her own remuneration is being considered. Attendance at Committee meetings is shown in the table on page 80.

The Committee is governed by formal terms of reference agreed by the Board and is composed solely of Non-executive directors. The terms of reference were reviewed during the year and are available on the Group's website (www.gallifordtry.co.uk).

Remuneration advice and advisers

The Committee is informed of key developments and best practice in the field of remuneration and obtains advice from independent external consultants, when required. Mercer Limited ("Mercer") was the Committee's remuneration consultant throughout the year. Fees paid to Mercer during the financial year were £37,660 (2022: £16,250).

Mercer does not provide any other services to the Group, although Mercer is part of Marsh & McLennan Companies, a subsidiary of which Marsh JLT Specialty Limited, provides insurance broking services to the Group. The Committee is satisfied that these services do not impinge on Mercer's independence. Furthermore, Mercer is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial.

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

Employee Share Trust and dilution

The Employee Share Trust ("EST") is the primary mechanism by which shares required to satisfy the Executive incentive plans are provided. Following the announcement of the 2022 full-year results in September 2022, the EST entered into a six-month trading plan with the Company from September 2022 to March 2023. The EST instructed Peel Hunt LLP to acquire ordinary shares of 50 pence each in the Company for the Trust. Purchases were made at the best price and limited to 200,000 shares in any single calendar month. The shares are to be used to satisfy potential future vesting(s) to be made to employees under the various Executive share incentive schemes.

As at 30 June 2023, the EST held 3,705,343 ordinary shares in the capital of the Company (3.53%) (2022: 3,541,603 shares). Under the terms of the Trust Deed, the Trust may only hold up to a maximum of 5% of the issued shares in the Company.

During the financial year, 2,114 new shares were issued arising from share scheme-related activities under the SAYE share option scheme. As at 30 June 2023, the total number of shares outstanding under the SAYE share option scheme was 3,481,546. The Group has complied with the dilution guidelines of the Investment Association ("Guidelines").

Applying the Guidelines, the Group has 6.68% headroom against the 10% in 10 years' rule and, on the basis that the Group's practice is that all awards granted pursuant to discretionary plans are satisfied using shares purchased in the market, 5% headroom against the '5% in 10 years' rule for discretionary plans.

* Peter Ventress and Gavin Slark stepped down on 21 September 2022 and 31 March 2023 respectively.

Remuneration Committee report continued
Annual report on Remuneration continued

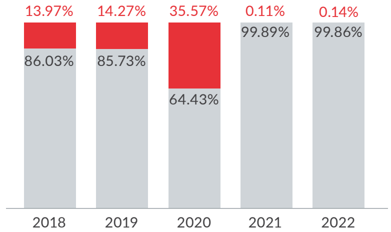
Shareholder voting on the Directors' Remuneration Report

The Committee takes account of annual shareholder voting trends in connection with the Directors' Remuneration report. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration report during the past five AGMs are included in the chart opposite.

The Board will continue to engage with shareholders to ensure their views are fully understood and considered and can be taken into account by the Committee in the future. The Committee and Board are grateful to shareholders for the strong support provided.

The current Policy was approved by 99.66% of shareholders who voted at the 2020 AGM.

Votes cast
(%)



Forward-looking implementation of Policy

Base salaries

The 2023/24 salary review was completed in April 2023. The Committee carefully scrutinised pay and conditions across the Group. Taking into account market conditions, peer group comparisons and the Group's overall performance, the overall pay budget increased by 5.0%. With effect from 1 April 2023, Bill Hocking's annual salary increased from £475,000 to £496,500, an increase of 4.53%. With effect from 1 April 2023, Andrew Duxbury was also awarded an annual salary increase of 4.53%, taking his annual salary from £386,000 to £403,500. These increases were below the average pay increase across the workforce.

ABP

For the financial year to 30 June 2024, the Committee has determined that the existing bonus structure remains appropriately aligned to corporate strategy. It will therefore remain in its current form, with an opportunity of 120% of salary for the Chief Executive, and 100% for other executive directors.

Bonus outcomes will be subject to overall Committee discretion, taking into account factors including health and safety and the underlying performance of the Group. The Committee intends to continue to include ESG annual bonus measures in 2023/24 aligned to the Group's strategy on ESG, with an ESG target in total of 12%. The ESG measures will comprise order book, employees, carbon, community and supply chain.

LTIP

Any award granted to the executive directors in 2023 will be within the approved Remuneration Policy and based on performance metrics, with 75% based on earnings per share and 25% on average month-end cash as a percentage of revenue.

Performance measures applied over a three-year performance period to 30 June 2026 are:

25% of the EPS element will vest if underlying EPS is 31.8p, increasing to 100% vesting on a straight-line basis if 34.5p is achieved.

25% of the cash element will vest if average month-end cash is 8% of revenue, increasing to 100% vesting on a straight-line basis if 10% is achieved.

Chair and Non-executive fees

The Committee determined that the Chair's fee for 2023/24 would be increased by 4.5%. In addition, and following a review of the non-executive directors' fees by the Board, it was agreed that the non-executive directors' fees would increase by 4.5% from 1 April 2023.

Accordingly, the annual fees effective from 1 April 2023 are as follows:

	2023	2022	Increase/Change %
Chair[1]	**£182,875**	£206,128[2]	(11.3%)[1,2]
Non-executive directors			
Base fee	**£48,803**	£46,701	4.5%
Additional fees:			
Senior Independent Director	**£4,870**	£4,660	4.5%
Chairs of Board Committees	**£9,178**	£8,783	4.5%
Chair of Employee Forum and Stakeholder Steering Committee[3]	**£9,178**	£8,783	4.5%

1 Alison Wood was appointed as Non-executive Director on 1 April 2022 and her salary on 1 July 2022 was £46,701. Alison Wood became the new Chair on 21 September 2022 after Peter Ventress had stepped down. As of 21 September 2022 the Chair's basic fee was £175,000. Alison Wood received a 4.5% fee increase on 1 April 2023 in line with the rest of the Board. Alison Wood received no other benefits in connection with her position as Chair.

2 On 1 April 2022 Peter Ventress was Chair and received a fee of £206,128. Peter Ventress received no benefits in connection with his position as Chair, other than membership of the Group's medical insurance plan.

3 On 1 June 2023 Sally Boyle became Chair of the Employee Forum and received an additional fee of £4,600 pa. Terry Miller received the fee for Chair of the Employee Forum and Stakeholder Steering Committee up to 1 June 2023.

For and on behalf of the Board

Terry Miller
Remuneration Committee Chair

20 September 2023

Directors' Report

The directors present their Annual Report and audited financial statements for the Group for the financial year ended 30 June 2023.

Principal activities

Galliford Try is a trading name of Galliford Try Holdings plc, a leading UK construction group which has a premium listing and whose shares are traded on the Main Market of the London Stock Exchange. The Group operates as Galliford Try and Morrison Construction and carries out building and infrastructure projects with clients in the public, private and regulated sectors across the UK. Galliford Try Holdings plc, registered in England and Wales with company number 12216008, is the Parent Company of the Group.

More detailed information regarding the Group's activities is provided on pages 1 to 73. The Group's principal subsidiaries and joint ventures are shown in note 33 to the financial statements.

Strategic report

The Strategic report can be found on pages 1 to 73. It contains an indication of the directors' view on likely future developments in the Group's business. In addition, and in accordance with the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, the Strategic report contains information on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters, as well as a description of the Group's policies and where these are located.

In accordance with section 414CZA of the Companies Act 2006, the Strategic report contains a section 172 (1) statement describing how directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172. Please refer to pages 70 to 73.

The Annual Report and financial statements use financial and non-financial key performance indicators wherever possible and appropriate.

Corporate governance report

The Corporate governance report on pages 74 to 89 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

Results, dividends and capital

The pre-exceptional profit for the year before income tax was £20.6m, as shown in the consolidated income statement on page 130. On 8 March 2023, the Board declared an interim dividend of 3.0p per share, which was paid to shareholders on 14 April 2023. On 8 June 2023, the Board declared a special dividend of 12.0p per share, payable on 27 October 2023 to shareholders on the register as at 6 October 2023. The Board has proposed a final dividend of 7.5p per share. Subject to approval by shareholders, this will be paid on 8 December 2023 to shareholders on the register at 10 November 2023, resulting in a total dividend in 2023 of 22.5p per share. Dividend cover is expected to be 1.8 times earnings.

Please refer to page 47 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, with a nominal value of 50p. The ordinary shares rank pari passu in respect of voting and participation and are traded on the Main Market of the London Stock Exchange.

At 30 June 2023, the Company had 104,869,194 ordinary shares in issue. Votes may be exercised at general meetings of the Company by members in person, by proxy or by corporate representatives (in relation to corporate members). The Company's Articles of Association (the "Articles") set a deadline for submitting proxy forms (electronically or by paper) of not less than 48 hours, taking no account of any part of a day that is not a working day, before the time appointed for holding the general meeting or the adjourned meeting (as the case may be).

The directors are authorised at the AGM each year to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities will expire at the AGM in November 2023. Resolutions to be proposed at the AGM will renew these authorities, which are explained in the Notice of 2023 AGM sent separately to shareholders.

Directors' Report continued

Share capital, authorities and restrictions continued

On 14 December 2022 and 14 March 2023, the Company issued 882 and 1,232 shares respectively following the exercise of options under the Company's Sharesave Scheme. To the date of this report the Company has purchased 7,985,696 shares as part of the share buyback programme which commenced in September 2022. All of these shares were cancelled. No further shares were issued or purchased by the Company during the financial year or to the date of this Annual Report.

There are no restrictions on transferring the Company's shares, except for certain shares held by the Employee Share Trust ("EST"), which are restricted during the performance periods of relevant Group share plans. Directors and persons discharging managerial responsibilities are also periodically restricted in dealing in the Company's shares under the Group's share dealing policy, reflecting the requirements of the Market Abuse Regulation. In certain specific circumstances, the directors are permitted to decline to register a transfer in accordance with the Articles. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of shares in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of shares that may restrict the transfer of shares or voting rights.

There are no shares carrying specific rights relating to control of the Company. The EST holds shares in the Company in connection with Group share plans which have rights relating to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of these shares. The EST currently holds 3.53% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards.

Articles of Association

The Articles, adopted pursuant to a resolution passed on 5 November 2019, set out the Company's internal regulations and define various aspects of its constitution, including the rights of shareholders, procedures for appointing and removing directors, and the conduct of directors and general meetings.

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

Significant direct and indirect holdings

As at 30 June 2023, being the date of this Annual Report, the Group had been made aware of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
Premier Miton Group plc	11,370,288	10.96
Aberforth Partners LLP	12,525,816	12.02
Standard Life Aberdeen plc	6,436,890	5.80
J O Hambro Capital Management Limited	5,738,929	5.17
Dimensional Fund Advisors LP	5,552,697	4.97
Ameriprise Financial Inc.	5,496,847	4.95
Brewin Dolphin Ltd	5,169,266	4.66

Between 1 July 2023 and 20 September 2023, the further notifications received are outlined below and based on the Company's issued share capital at the time of notification:

Shareholder	Interest	% capital
Aberforth Partners LLP	12,525,816	12.02
Premier Miton Group plc	11,370,288	10.96
J O Hambro Capital Management Ltd	10,348,874	10.01

Change of control provisions

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

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

Directors' interests and indemnities

Summary biographies of the directors of the Company as at 30 June 2023 are on pages 76 to 77. The directors' interests in the Company's share capital are set out on page 112 and details of executive directors' service contracts and Non-executive directors' letters of appointment can be found on page 107.

The Group operates a formal procedure for disclosing, reviewing and authorising directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, the Board reviews and authorises conflicts of interest, as necessary, on an annual basis.

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

Employees

The Group is committed to best-practice employment policies, which promote equal opportunities for all employees. We value everyone as an individual, recognising that everyone is different and has different needs at work. We respect people's differences and treat everyone with dignity and respect. We aim to create a culture in which everyone feels valued and is motivated to give their best.

The Group gives full and fair consideration to applications for employment from disabled persons, taking into account their aptitudes and abilities. The Group has signed up to the Government's Disability Confident scheme. We carry out regular workplace assessments and provide occupational health checks and advice to support both employees and line managers. Appropriate arrangements are made for the continued training and employment, career development and promotion of disabled persons. If existing members of staff become disabled, the Group endeavours to continue employment, either in the same or an alternative position, with appropriate retraining and occupational assistance being given if necessary.

Employee engagement and consultation is encouraged through the Employee Forum (see page 70), as well as regular informal discussions and feedback, formal annual appraisals, business unit staff forums and periodic employee surveys.

Details of where to find information regarding the Group's employees, remuneration policies, employment practices and employee involvement are provided in the Strategic report on pages 1 to 73 and the Remuneration Policy and Report on pages 98 to 116.

Details of where to find information on other matters of importance to stakeholders such as environmental, social and community matters, human rights and anti-corruption, related policies and their impact can also be found in the Strategic report.

Significant agreements

There are no persons with which the Group has contractual or other arrangements which are essential to its business.

Charitable and political donations

For information regarding charitable donations made through employees' volunteering or donation of materials, please refer to the Strategic report on pages 34 to 35.

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

Emissions

Details of the Group's greenhouse gas emissions for the financial year can be found on page 31 and are included by reference in this report.

Creditor payment policy

The Group's policy is to agree payment terms contractually with suppliers and sub-contractors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. The Group remained a signatory to the Prompt Payment Code throughout the financial year which contains, among other things, commitments to pay suppliers within agreed contract terms.

Financial instruments

Further information regarding the Group's financial instruments, including interest rate hedges, related policies and a consideration of its liquidity and other financing risks, can be found in the Financial review from page 45 and in note 23 to the financial statements.

Important developments during the year

On 8 July 2022, the Group acquired MCS Controls Systems Limited, a leading systems integrator to the industrial and utilities sectors, for a consideration of £1. For more details see note 30 to the financial statements.

On 18 November 2022, the Group acquired Ham Baker's asset inspection, maintenance and screens and distributor operations for consideration of £225,000. For more details see note 30 to the financial statements.

On 8 June the Group announced it had agreed settlement terms in respect of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund. The settlement brings to a conclusion a complex and challenging muti-contract dispute. As a result of the settlement the Group received a cash payment of £26m (excluding VAT) and has recorded an impairment of financial assets related to this of £2.8m in the current financial year.

Going concern

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in 2014, the requirements of the Code and Listing Rule 9.8.6(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. As a result, the Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, accordingly, is able to adopt the going concern basis in preparing these financial statements.

AGM

The 2023 AGM will be held at Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT on Friday 10 November 2023 at 11.00am. The Notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Further information on arrangements for the AGM and voting instructions will be set out fully in the Notice of AGM and Form of Proxy.

Fair, balanced and understandable

In accordance with the principles of the Code and as further described on page 97, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, position, business model and strategy.

Approval of report

This Directors' report, the Strategic report, and the Corporate Governance report and Directors' Remuneration report were approved by the Board of Directors on 20 September 2023.

For and on behalf of the Board

Kevin Corbett
General Counsel & Company Secretary

20 September 2023

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with UK adopted International accounting standards. Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

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

+ select suitable accounting policies and then apply them consistently;
+ make judgements and accounting estimates that are reasonable and prudent;
+ state whether they have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006; and
+ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group and Parent Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, position, business model and strategy.

Each of the directors, whose names and functions are listed on pages 76 and 77, confirms that to the best of their knowledge:

+ the Parent Company financial statements, which have been prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
+ the Group financial statements, which have been prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
+ the Strategic report contained on pages 1 to 73 includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

+ so far as the director is aware, there is no relevant audit information of which the Group and Group's auditors are unaware; and
+ they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Group's auditors are aware of that information.

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

For and on behalf of the Board

Bill Hocking
Chief Executive

20 September 2023

Forward-looking statements

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

Independent auditor's report
to the members of Galliford Try Holdings plc

Opinion on the financial statements

In our opinion:

+ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's profit for the year then ended;
+ the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
+ the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
+ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Galliford Try Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the balance sheets, the consolidated and the company statement of changes in equity, statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the members on 4 November 2019 to audit the financial statements for the year ended 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ended 30 June 2020 to 30 June 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

+ We assessed the appropriateness of the Group's cash flow forecasts in the context of the Group's secured ongoing contracts, the secured new work and forecast potential work which were agreed to the Board approved forecasts.
+ We evaluated the Directors' downside sensitivities including delays to construction resulting in reduced volume of work and impact of materials and labour price inflation.
+ We assessed the actual cash performance against forecasts for the current financial year and post year end to evaluate the Directors' accuracy and achievability of the forecasts prepared.
+ We evaluated the adequacy of the disclosures within the Directors' report in relation to the specific risks posed, the scenarios the Directors have considered and conclusions made.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	97% (2022: 94%) of Group profit before tax		
	97% (2022: 99%) of Group revenue		
	95% (2022: 92%) of Group total assets		
Key audit matters		2023	2022
	Revenue and profit recognition for construction contracts	X	X
	Recognition and recoverability of claims and variations	X	X
	Accounting for acquisition of NMCN*		X
	* Not considered a KAM for the current year as it relates to a prior year acquisition and the acquisitions in the current year are not considered a KAM.		
Materiality	*Group financial statements as a whole*		
	£3.5m (2022: £1.9m) based on 0.26% (2022: 0.15%) of revenue.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal controls, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

All of the Group's five significant components were subjected to full scope audits for Group purposes. For insignificant components, we carried out specified audit procedures. All components are located in the UK and were audited by the Group audit team.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

+ Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
+ Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
+ Review of the minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out on page 31 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as strategic information on page 57 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

Independent auditor's report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue and profit recognition for construction contracts Note 1 on page 136 to the financial statements gives further detail regarding the estimates and judgements made by the Group in this regard. Note 1 on page 136 to the financial statements provides the accounting policies for construction contracts.	For long term construction contracts, the Group recognises revenue over time and measures progress based on the input method by considering the costs incurred to date, relative to the total estimated forecast costs applied to the estimated forecast revenue. This is considered a significant risk as the stage of completion, forecast revenue and forecast costs on contracts are areas of significant judgement. These judgements have a consequential impact on a number of contract balances, including trade receivables, contract assets, trade payables, accruals and contract liabilities within the financial statements including the related judgements and estimates disclosures. There is also a risk that the accounting policies are not in accordance with – IFRS 15 Revenue from contracts with customers ('IFRS 15') Having considered the above we determined that construction contract revenue and other related contract balances have an inherent high degree of estimation uncertainty with a range of possible outcomes and hence we have treated these areas and the associated disclosures as a KAM.	We obtained an understanding of and evaluated management's processes and controls for ensuring construction contracts with customers meet the requirements of IFRS 15. We have tested the design and operating effectiveness of the key controls over the revenue, margin, costs to complete and stage of completion on construction contracts. We focused our work on those contracts with the greatest estimation uncertainty, based on the information included in the contract schedule (e.g. significant movement from tender/prior year or large unagreed variations or claims) and challenged the judgements made with the project teams as well as senior operational, legal, commercial and financial management. On each contract selected, we specifically challenged and critically assessed the explanations provided by management and carried out the following detailed testing; + obtained an understanding of the contract and its particulars by obtaining the initial contract with the customer and holding discussions with commercial teams and management. + agreeing forecast revenue to contractual agreements, supplemental agreements and agreed variations. The procedures to test the judgements in forecast revenue are included in the key audit matter on recognition and recovery of claims and variations. + reconciling revenue recognised with amounts applied for and amounts certified by clients, agreeing the amounts received to bank. Where the balance has not been received into bank, we have considered recoverability of the balance by reviewing correspondence with the customer. + re-performing the key calculations behind the margin applied, the profit taken and the stage of completion, as well contract assets and liabilities. + testing a sample of accrued subcontractor costs to the year-end subcontractor application and a sample of other accrued costs to applicable supporting documentation + corroborated a sample of forecast costs for significant subcontractor packages to documentary evidence. Where the subcontractor projected final accounts significantly differed from the amount included in the contract forecast we challenged management and obtained supporting evidence for the differences as applicable. + performed a review of forecast costs by type included within the CVR and performed analysis to determine the stage of completion of each cost type to determine where costs are progressing in line with the overall stage of completion. We challenged management where costs were not in line with our expectations and obtained supporting documentation as applicable. + challenged commercial Directors on variances between the stage of completion (internal) with external certified completion, judgements made in determining forecast costs and the remaining contingency on a project for the possibility of a material misstatement.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue and profit recognition for construction contracts (continued)	+ compared the percentage of forecasts costs that have been procured to the overall forecast costs and challenged management where there are substantial costs yet to procure as this presents a greater risk. We corroborated a sample of un-procured subcontractor costs to documentary evidence. + assessing the recoverability of contract assets by comparing to the post year end external certification of the value of work performed, and the receipt of post year end funds. + holding discussions with management to understand and challenge other areas of judgement taken including anticipated completion date and impact of any delays, whether there are any disputes with third parties on the contract and the reason for any movements in forecasts from tender and prior year to 30 June 2023. We obtained corroborating evidence for the explanations provided. + tested a sample of costs incurred in the year and ensured that they had been correctly allocated to the relevant project. + where appropriate, reviewing legal correspondence and expert advice obtained in respect of the judgements and where necessary speaking directly with management's experts who had provided this advice. + remained alert for any contradictory evidence or indicators of understatement of forecast costs while carrying out testing, including site visits, cost testing and payments testing. + performed a stand back review on the key judgements and estimates on each contract to ensure that sufficient assurance has been obtained and that we have sufficient coverage over the costs to complete. + compared the positions from the latest available contract schedule and compared the positions across all contracts to the audited year end schedule. We challenged management on any significant movements. We carried out targeted testing on the remaining of contracts which includes comparing the revenue recognised to amounts certified or final accounts where applicable. From the specific contract information reviewed for these contracts, we considered whether there was an indication of risks within the contract including delays, significant unagreed variations and un-procured costs for which we then performed additional procedures to address the risk. We visited a sample of sites across the business. We inspected the physical progress of the sites and discussed progress with personnel working on the specific sites. Where sites were selected for audit testing, we considered whether the information obtained from the site visit was consistent with the information obtained from audit testing. We assessed the reliability of management's estimates by reviewing the fluctuations in budgeted end of life margin from 30 June 2022 to 30 June 2023 for projects that are substantially completed at the year-end as well as from tender to the 30 June 2023 for all contracts. We considered the adequacy of the disclosures in the financial statements in relation to specific contracts and also the disclosures in respect of significant judgements and estimates. **Key observations:** We consider that the estimates and judgements made by management in respect of construction contract revenue recognition and the associated disclosures are appropriate.

Independent auditor's report continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Recognition and recoverability of claims and variations Note 1 on page 138 to the financial statements gives further detail regarding the estimates and judgements made by the Group in this regard. Note 1 on page 136 to the financial statements provides the accounting policy for construction services.	In a number of the Group's construction contracts there are assumptions of amounts contractually due from customers, and contract assets can include variations and claims which are not yet certified or formally agreed but have been assessed by management as highly probable of not reversing under IFRS 15. The assessment of revenue that is highly probable that there will not be a significant reversal requires judgement. Similarly, the assessment of the expected credit loss as regards contract assets is judgemental. There also is a risk these significant judgements and estimates are not adequately disclosed in the financial statements. In addition, there are some downstream claims against subcontractors, designers, and insurers other than customers which are only recognised once they are considered to be virtually certain of recoverability, in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Once the recognition criteria is considered to be met, significant judgement is required to determine the amounts to be recognised. These assumptions impact revenue recognised on these contracts, as well as contracts assets balances and hence is considered to be a key audit matter.	We challenged management's assessment of the expected recovery of variations, claims and compensation events from clients, to determine the basis on which the associated revenue was considered to be highly probable of not reversing. We obtained evidence of historic success rates and evidence of amounts agreed post year end to support management's assessment as applicable. We challenged the assumptions made by management in respect of estimated recoveries from subcontractors, designers, and insurers included in the forecast, to determine whether these could be considered virtually certain of recoverability. We also considered the existence of any contradictory evidence. We assessed the evidence provided by management regarding recovery of claims amounts to evidence of agreement with customers or insurance reserves provided by the insurers. We obtained and reviewed any legal correspondence relating to these claims and variations results and where necessary discussed the progress of legal disputes with the Group's external legal advisors. **Key observations:** We consider that the estimates and judgements and associated disclosures made by management in respect of recognition and recoverability of claims and variations are reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	3.5	1.9	3.0	1.8
Basis for determining materiality	0.26% of revenue	0.15% of revenue	1% of total assets	95% of Group materiality
Rationale for the benchmark applied	As the Group continues to return to profitability, we have considered what would be a stable basis of operations and have benchmarked to peers' materiality as a proportion of revenue. Based on this we have set Group materiality at 0.26% (2022: 0.15%) of Group revenue.		In the current year we have set Parent Company materiality at lower of 1% of total assets and 95% of Group materiality. We chose total assets as the benchmark as we believe this to be of most interest to the users of the financial statements.	
Performance materiality (£)	2.3	1.2	2.0	1.1
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's overall control environment and history of adjustments, our judgement was that overall performance materiality of the Group and Parent Company should be 65% of materiality.			

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 19% and 86% (2022: 5% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.65m to £3m (2022: £0.1m to £1.8m). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70,000 (2022: £38,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 2023 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	+ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 119 and + The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 69.
Other Code provisions	+ Directors' statement on fair, balanced and understandable set out on page 97; + Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52; + The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and + The section describing the work of the audit committee set out on page 94.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: + the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and + the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: + adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or + the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or + certain disclosures of Directors' remuneration specified by law are not made; or + we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

+ Our understanding of the Group and the industry in which it operates;
+ Discussion with management and those charged with governance; and
+ Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be, but not limited to, the Companies Act 2006, the UK Listing Rules and tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation etc.

Our procedures in respect of the above included:

+ Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
+ Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
+ Review of financial statement disclosures and agreeing to supporting documentation;
+ Involvement of tax specialists in the audit; and
+ Testing operating effectiveness of controls around procurement and tendering process.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

+ Enquiry with management and those charged with governance also considered Audit Committee, internal audit regarding any known or suspected instances of fraud;
+ Obtaining an understanding of the Group's policies and procedures relating to:
  – Detecting and responding to the risks of fraud; and
  – Internal controls established to mitigate risks related to fraud.
+ Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
+ Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
+ Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls that are otherwise operating effectively.

Our procedures in respect of the above included:

+ Testing a sample of journal entries throughout the year, which met a defined risk criteria and considered whether there was evidence of bias by the Directors within the significant judgements and estimates by agreeing to supporting documentation;
+ Involvement of internal forensic specialists in the fraud risk assessment procedures; and
+ Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, UK
20 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement
for the year ended 30 June 2023

	Notes	2023 Pre-Exceptional items £m	2023 Exceptional items (note 4) £m	2023 Total £m	2022 Pre-Exceptional items £m	2022 Exceptional items (note 4) £m	2022 Total £m
Revenue	3	**1,393.7**	**–**	**1,393.7**	1,237.2	–	1,237.2
Cost of sales		**(1,292.3)**	**–**	**(1,292.3)**	(1,151.5)	(5.8)	(1,157.3)
Gross profit/(loss)		**101.4**	**–**	**101.4**	85.7	(5.8)	79.9
Other income		**3.6**	**–**	**3.6**	–	–	–
Administrative expenses		**(86.1)**	**(10.5)**	**(96.6)**	(69.9)	(7.9)	(77.8)
Impairment of financial assets	17	**(2.8)**	**–**	**(2.8)**	–	–	–
Operating profit/(loss)		**16.1**	**(10.5)**	**5.6**	15.8	(13.7)	2.1
Share of post-tax profits from joint ventures		**–**	**–**	**–**	0.4	–	0.4
Finance income	6	**6.3**	**–**	**6.3**	4.3	–	4.3
Finance costs	6	**(1.8)**	**–**	**(1.8)**	(1.4)	–	(1.4)
Profit/(loss) before income tax	7	**20.6**	**(10.5)**	**10.1**	19.1	(13.7)	5.4
Income tax (expense)/credit	8	**(3.1)**	**2.1**	**(1.0)**	(1.7)	2.6	0.9
Profit/(loss) for the year		**17.5**	**(8.4)**	**9.1**	17.4	(11.1)	6.3
Earnings per share							
Basic							
Profit attributable to ordinary shareholders	10	**16.6p**		**8.7p**	16.0p		5.8p
Diluted							
Profit attributable to ordinary shareholders	10	**15.6p**		**8.1p**	15.0p		5.5p

The notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 30 June 2023

	Notes	2023 £m	2022 £m
Profit for the year		**9.1**	6.3
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of PPP and other investments	16	**(2.4)**	(0.9)
Total items that may be reclassified subsequently to profit or loss		**(2.4)**	(0.9)
Other comprehensive expense for the year net of tax		**(2.4)**	(0.9)
Total comprehensive income for the year		**6.7**	5.4

The notes are an integral part of the consolidated financial statements.

Balance sheets

	Notes	Group		Company	
		30 June 2023 £m	30 June 2022 £m	30 June 2023 £m	30 June 2022 £m
Assets					
Non-current assets					
Intangible assets	11	**5.6**	8.8	**–**	–
Goodwill	12	**92.7**	88.2	**–**	–
Property, plant and equipment	13	**7.2**	7.1	**–**	–
Right-of-use assets	14	**38.6**	24.5	**–**	–
Investments in subsidiaries	15	**–**	–	**188.5**	188.0
Investments in joint ventures		**–**	0.3	**–**	–
PPP and other investments	16	**44.6**	47.5	**–**	–
Deferred income tax assets	22	**15.5**	14.0	**–**	–
Total non-current assets		**204.2**	190.4	**188.5**	188.0
Current assets					
Trade and other receivables	17	**286.5**	243.0	**–**	–
Current income tax assets		**1.8**	3.1	**–**	–
Cash and cash equivalents	18	**220.2**	218.9	**114.2**	109.4
Total current assets		**508.5**	465.0	**114.2**	109.4
Total assets		**712.7**	655.4	**302.7**	297.4
Liabilities					
Current liabilities					
Trade and other payables	19	**(525.1)**	(471.1)	**–**	–
Lease liabilities	14	**(14.9)**	(9.9)	**–**	–
Provisions for other liabilities and charges	20	**(29.9)**	(27.4)	**–**	–
Total current liabilities		**(569.9)**	(508.4)	**–**	–
Non-current liabilities					
Lease liabilities	14	**(24.2)**	(14.9)	**–**	–
Total non-current liabilities		**(24.2)**	(14.9)	**–**	–
Total liabilities		**(594.1)**	(523.3)	**–**	–
Net assets		**118.6**	132.1	**302.7**	297.4
Equity					
Ordinary shares	24	**52.4**	55.5	**52.4**	55.5
Other reserves	26	**135.3**	132.2	**135.3**	132.2
Retained earnings	26	**(69.1)**	(55.6)	**115.0**	109.7
Total equity attributable to owners of the Company		**118.6**	132.1	**302.7**	297.4

The profit for the Parent Company for the year was £25.0m (2022: £28.8m).

The notes are an integral part of the consolidated financial statements.

The financial statements on pages 130 to 173 were approved and authorised for issue by the Board on 20 September 2023 and signed on its behalf by:

Bill Hocking
Chief Executive

Andrew Duxbury
Finance Director

Galliford Try Holdings plc
Registered number: 12216008

Consolidated and Company statements of changes in equity
for the year ended 30 June 2023

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 30 June 2021		55.5	–	118.4	(39.8)	134.1
Profit for the year		–	–	–	6.3	6.3
Other comprehensive expense		–	–	–	(0.9)	(0.9)
Total comprehensive income for the year		–	–	–	5.4	5.4
Transactions with owners:						
Dividends	9	–	–	–	(6.3)	(6.3)
Purchase of shares		–	–	–	(3.4)	(3.4)
Share-based payments	25	–	–	–	2.3	2.3
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	26	–	–	13.8	(13.8)	–
At 30 June 2022		**55.5**	**–**	**132.2**	**(55.6)**	**132.1**
Profit for the year		**–**	**–**	**–**	**9.1**	**9.1**
Other comprehensive expense		**–**	**–**	**–**	**(2.4)**	**(2.4)**
Total comprehensive income for the year		**–**	**–**	**–**	**6.7**	**6.7**
Transactions with owners:						
Dividends	9	**–**	**–**	**–**	**(9.6)**	**(9.6)**
Purchase of shares		**–**	**–**	**–**	**(14.0)**	**(14.0)**
Share-based payments	25	**–**	**–**	**–**	**3.4**	**3.4**
Cancellation of shares	24, 26	**(3.1)**	**–**	**3.1**	**–**	**–**
At 30 June 2023		**52.4**	**–**	**135.3**	**(69.1)**	**118.6**
Company statement						
At 30 June 2021		55.5	–	118.4	100.7	274.6
Profit for the year		–	–	–	28.8	28.8
Total comprehensive income		–	–	–	28.8	28.8
Transactions with owners:						
Dividends	9	–	–	–	(6.3)	(6.3)
Share-based payments	25	–	–	–	0.3	0.3
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	26	–	–	13.8	(13.8)	–
At 30 June 2022		**55.5**	**–**	**132.2**	**109.7**	**297.4**
Profit for the year		**–**	**–**	**–**	**25.0**	**25.0**
Total comprehensive income		**–**	**–**	**–**	**25.0**	**25.0**
Transactions with owners:						
Dividends	9	**–**	**–**	**–**	**(9.6)**	**(9.6)**
Share-based payments	25	**–**	**–**	**–**	**0.5**	**0.5**
Purchase of shares		**–**	**–**	**–**	**(10.6)**	**(10.6)**
Cancellation of shares	26	**(3.1)**	**–**	**3.1**	**–**	**–**
At 30 June 2023		**52.4**	**–**	**135.3**	**115.0**	**302.7**

Statements of cash flows
for the year ended 30 June 2023

		Group		Company	
	Notes	2023 £m	2022 £m	2023 £m	2022 £m
Cash flows from operating activities					
Profit for the year		**9.1**	6.3	**25.0**	28.8
Adjustments for:					
Income tax expense/(credit) – continuing operations	8	**1.0**	(0.9)	**–**	–
Net finance income – continuing operations	6	**(4.5)**	(2.9)	**–**	–
Profit before finance costs for continuing operations		**5.6**	2.5	**25.0**	28.8
Depreciation, amortisation and impairment of non-current assets	11, 13 & 14	**17.1**	14.5	**–**	–
Reversal of impairment of investment in subsidiary undertaking	15	**–**	–	**–**	(13.8)
Dividends received from subsidiary undertakings		**–**	–	**(25.0)**	(15.0)
Profit on disposal of joint venture	16	**(3.6)**	–	**–**	–
Share-based payments	25	**3.4**	2.3	**–**	–
Share of post-tax losses/(profits) from joint ventures		**–**	(0.4)	**–**	–
Impairment of financial asset		**2.8**	–	**–**	–
Other non-cash movements		**(0.2)**	–	**–**	–
Net cash generated from operations before changes in working capital		**25.1**	18.9	**–**	–
(Increase)/decrease in trade and other receivables	17	**(43.3)**	1.2	**–**	–
Increase in trade and other payables	19	**47.7**	6.7	**–**	–
Increase/(decrease) increase in provisions	20	**2.5**	(11.3)	**–**	–
Net cash generated from operations		**32.0**	15.5	**–**	–
Interest received		**6.3**	4.3	**–**	–
Interest paid		**(1.8)**	(1.4)	**–**	–
Income tax (paid)/received		**(1.0)**	4.4	**–**	–
Net cash generated from operating activities		**35.5**	22.8	**–**	–
Cash flows from investing activities					
Dividends received from joint ventures and associates		**0.3**	0.3	**–**	–
Decrease in amounts due from joint ventures		**0.2**	5.0	**–**	–
Proceeds from disposal of joint venture		**3.6**	–	**–**	–
PPP loan repayments	16	**0.5**	0.7	**–**	–
Acquisition of business combinations, net of cash acquired	30	**(1.0)**	(0.3)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**25.0**	15.0
Proceeds from disposal of property, plant and equipment		**–**	0.1	**–**	–
Acquisition of property, plant and equipment	13	**(2.2)**	(5.0)	**–**	–
Net cash generated from investing activities		**1.4**	0.8	**25.0**	15.0
Cash flows from financing activities					
Repayment of lease liabilities	14	**(12.0)**	(11.2)	**–**	–
Purchase of own shares	26	**(14.0)**	(3.4)	**(10.6)**	–
Dividends paid to Company shareholders	9	**(9.6)**	(6.3)	**(9.6)**	(6.3)
Net cash used in financing activities		**(35.6)**	(20.9)	**(20.2)**	(6.3)
Net increase in cash and cash equivalents		**1.3**	2.7	**4.8**	8.7
Cash and cash equivalents at 1 July	18	**218.9**	216.2	**109.4**	100.7
Cash and cash equivalents at 30 June	18	**220.2**	218.9	**114.2**	109.4

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try Holdings plc (the Company) is a public limited company incorporated, listed and domiciled in the UK, and registered under the laws of England and Wales. The address of the registered office is 3 Frayswater Place, Cowley, Uxbridge, UB8 2AD. The Company has its listing on the London Stock Exchange.

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

Basis of accounting

For the year to 30 June 2023, the Group consolidated financial statements and the Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. There was no impact or changes in accounting policies from the transition, which reflects a change in accounting framework.

The consolidated and Company financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of PPP and other investments and financial assets and liabilities (including derivative financial instruments) at fair value through other comprehensive income.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Viability Statement (on page 69) and the Strategic Report (from page 1).

As at 30 June 2023, the Group had substantial cash balances, no debt, and a strong forward secured order book. The directors regularly review the working capital requirements of the Group while considering downside sensitivities.

The Group's forecasts have been prepared in the context of the current economic conditions and additionally, the directors have considered a range of downside sensitivities (as discussed in detail in the Viability Statement on page 69). Even in the worst-case scenario, the Group is forecast to continue to meet its obligations and remain cash positive for a period of at least 12 months from the date the financial statements are authorised for issue.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement and statement of comprehensive income.

New standards impacting the Group that have been adopted for the first time in this set of financial statements are listed below:

+ Amendments to IFRS 3 Business Combinations
+ Amendments to IAS 12 Income Taxes
+ Amendments to IAS 16 Property, Plant and Equipment
+ Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
+ Annual improvements 2018 – 2020 (impacting IFRS 1, IFRS 9, IAS 41 and IFRS 16)

These standards have been assessed to have no significant impact on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's previous accounting policies.

The following are new standards, interpretations and amendments, that are not yet effective or have not been endorsed. The Group has chosen not to adopt these early. These may however have an effect on the Group's future financial statements:

+ Amendments to IAS 1, Presentation of financial statements on Non-current liabilities with covenants
+ Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
+ IFRS 17 Insurance Contracts as amended in December 2021
+ Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
+ Amendment to IAS 12 International tax reform – pillar two model rules
+ Amendment to IAS 7 and IFRS 7 – Supplier finance
+ Amendment to IFRS 16 Leases: Leases on sale and leaseback
+ IFRS S1 General requirements for disclosure of sustainability-related financial information
+ IFRS S2 Climate-related disclosures

The Group has yet to assess the full outcome of these new standards, amendments, and annual improvements. It is not expected that these will significantly impact the financial statements of the Group.

Basis of consolidation

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

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

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

Notes to the consolidated financial statements continued

1 Accounting policies continued

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

Impact of climate change on the financial statements

As reported in the TCFD disclosures starting on page 57, and the principal risks starting on page 52, the directors have considered the risks and potential impact of climate change to the Group. It is unlikely that these risks will have a material financial impact in the short and medium term, particularly given the nature of the contractual arrangements in place, however the directors continue to monitor this, particularly regarding any judgements on construction contracts, impairment reviews and going concern.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Critical judgements are those management has made when applying its significant accounting policies, whereas critical estimates are assumptions and estimates made at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates, judgements and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates and judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates and judgements. The estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and judgements are recognised in the period in which the estimate or judgement is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(i) Revenue and profit recognition for long-term contract accounting (judgement and estimate)

In order to determine the profit and loss that the Group is able to recognise on its construction contracts in a specific period, the Group has to estimate the outcome of both the total costs to complete the contract as well as the final contract value. The Group has to allocate total costs of the construction contracts between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation.

Contract modifications are recognised when the Group considers they have been approved (which also includes consideration of whether enforceable rights exist in the contract). The estimation of final contract value includes the assessment of the recovery of variations, claims and compensation events (contract modifications). The estimate made is constrained in accordance with IFRS 15 so that it is highly probable not to result in a significant reversal of revenue in the future. Where the change in scope results in an increase to the work to be performed that is distinct and reflects the stand-alone selling price of the distinct good/service, it is treated as a separate contract. This is assessed on a contract specific basis.

The Group recognises recoveries of claims from clients as revenue where clear entitlement has been established, such as through dispute-resolution processes. This includes the recovery of costs (such as delays to the contract programme) to the extent it is highly probable not to result in a significant reversal of revenue in the future.

The estimation of costs to complete is based on all available relevant information such as procured packages and management experience and includes estimation of final accounts and any potential maintenance and defect liabilities. Recoveries resulting from actual or potential claims against subcontractors are accounted for in accordance with IAS 37 and are recognised only when they meet the virtually certain threshold.

Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions. As with most large, complex construction projects, there is an element of estimation uncertainty over costs to complete and final account settlements. This is, however, reduced by the experience of the management team and the controls that we have in place. The settlement of these final accounts may give rise to an over or under-recognition of profit or loss and associated cash flows, which could be material.

As at 30 June 2023, the Group's contract assets, contract liabilities and contract provisions amounted to £204.9m, £106.6m and £29.9m respectively as set out in Notes 17, 19 and 20. The Group has considered the nature of the estimates involved in deriving these balances and concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different from the Group's assumptions applied as at 30 June 2023 and could require a material adjustment to the carrying amounts of these assets and liabilities in the next financial year. However, due to the level of uncertainty, combination of cost and income variables and timing across the Group's large portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

1 Accounting policies continued

The Group's five largest unagreed variations and claims positions at the year-end are summarised in aggregate below.

	£m
Overall contract value (including total estimated end of contract variations and claims after IFRS 15 constraints)	**385.5**
Revenue in the year	**58.6**
Total estimated end of contract variations and claims before IFRS 15 constraints	**71.9**
Total estimated end of contract variations after IFRS 15 constraints	**46.5**

These five positions represent the most significant estimates of revenue. The aggregate unagreed variations and claims constrained revenue recognised at year-end of the subsequent five largest unagreed variations and claims is £16.1m.

These items include estimation uncertainty, with a range of reasonably possible outcome of £nil to £71.9m.

In respect of contract assets of £204.9m (30 June 2022: £173.4m) and in assessing receivable provisions calculated on an expected loss basis, the Group has recorded a provision of £nil (2022: £14.0m), refer to note 17.

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

(ii) Taxation (judgement and estimate)

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will arise against which the temporary differences will be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits (note 22).

(iii) Exceptional items (judgement)

Exceptional items are items of financial performance which the Group believes should be presented separately on the face of the income statement, to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of underlying items or non-underlying items requires judgement. Details of exceptional items included in the financial statements are included in note 4. The exceptional items presented in the income statement meet the Group's definition of exceptional, being material and irregular costs incurred during the year, that the Group believes assists the users of the accounts by disclosing separately.

(iv) PPP and other investments measured at fair value through other comprehensive income (estimate)

At 30 June 2023, £44.6m (2022: £47.5m) of PPP and other investments were classified as financial assets measured at fair value through other comprehensive income. In the operational phase, the fair value of these financial assets is measured at each reporting date by discounting the future value of the cash flows allocated to the financial asset. Individual discount rates have been used which equate to an overall blended discount rate of 7.3% (2022: 7.0%), which reflects the rates typically experienced in the marketplace. A 0.5% increase/reduction in the discount rate would result in a corresponding decrease/increase in the value of the investments recorded in the balance sheet of approximately £1.6m (2022: £1.9m) (note 16).

(v) Business combinations (judgement and estimate)

The acquisition of the nmcn Water Business during the prior year, represented a material business combination. This required the application of both estimates and judgements to be made by management in determining the allocation of the purchase price against the identifiable assets and liabilities and any residual goodwill. During the current year the Group has acquired MCS Control Systems Limited and the business of Ham Baker and has applied a consistent methodology.

Exceptional items

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

Segmental reporting

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

Revenue and profit

Revenue is recognised when the Group transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value-added tax. Where consideration is subject to variability, the Group estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods. The Group also assesses whether the costs incurred on a project depict an appropriate measure of progress, and constrain revenue accordingly.

Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under joint operations.

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

1 Accounting policies continued

Revenue for the Group's continuing operations is recognised as follows:

Construction services

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

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

Cost-reimbursable contracts – revenue is recognised based upon costs incurred to date plus any agreed fee and is recognised over time. Where contracts include a target price, consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once it is highly probable that there will not be a significant reversal. Revenue includes any variations and compensation events where it is highly probable that there will not be a significant reversal.

Facilities management – management services and facilities management contracts typically represent a single performance obligation. Revenue is recognised over time as control passes to the customer and is typically measured on a straight-line basis as this is considered to be a reliable estimate of the pattern of transfer to the customer.

Recoveries from claims against third parties

The recognition of expected reimbursements resulting from certain third-party claims such as against the supply chain or through insurance recoveries is accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This requires recovery to be 'virtually certain' before an asset can be recognised.

Government funding

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

Contract costs

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

Interest income and expense

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

Income tax

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

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

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

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

Goodwill

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

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

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

1 Accounting policies continued

Intangible assets

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

Intangible assets are amortised over the following periods:

(a) Customer contracts and relationships – on a straight-line basis over up to 10 years.

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

Property, plant and equipment

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

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

+ Freehold buildings 2%
+ Plant and machinery 15% to 33%
+ Fixtures and fittings 10% to 33%

In addition to systematic depreciation, the book value of property, plant and equipment is written down to estimated recoverable amounts should any impairment in the respective carrying values be identified. The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

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

Joint arrangements

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

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

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

PPP and other investments

PPP and other investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition, the asset is recognised at cost.

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

The debt element of the Group's PPP/PFI entities is accounted for under IFRS 9 'Financial Instruments' with fair value movements recorded in other comprehensive income and with recycling of gains and losses through the income statement. Tax is recognised on the movements in other comprehensive income, where we expect the recycling to attract a tax charge/credit to the income statement. This reflects the fact that the Group has a demonstrable track record of investing in PFI assets as part of an overall construction procurement strategy, with a view to churning these investments on a regular basis. Management has reviewed the classification of PPP investments and considers that the business model continues to be hold to collect and sell. The investments therefore continue to be held at fair value through other comprehensive income.

Leases

In accordance with IFRS 16, 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.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model (general or simplified approach, as detailed under impairment of financial assets). The amount of the loss is recognised in the income statement through administrative expenses unless presented separately.

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

Notes to the consolidated financial statements continued

1 Accounting policies continued

Impairment of financial assets

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are included for purposes of cash flow movements and the cash flow statement.

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

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate.

Provisions for liabilities and charges

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

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

Foreign currency

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

Retirement benefit obligations

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

Accounting for Employee Share Ownership Plan

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

Share-based payments

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

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

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

Dividend

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

Equity instruments

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

Investments in subsidiaries

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

2 Segmental reporting

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

The Chief Operating Decision-Makers (CODM) have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments of the Group to be Building, Infrastructure, PPP Investments and Central (primarily representing central overheads).

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. In the financial year ending 30 June 2023, the Group has also presented pre-exceptional performance excluding a one off contract settlement as announced on 8 June 2023 (disclosed in the consolidated income statement as an impairment of financial assets of £2.8m). 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.

Income statement

Year-ended 30 June 2023	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	**797.1**	**590.8**	**5.8**	**–**	**1,393.7**
Pre-exceptional operating profit/(loss) before amortisation and impairment of financial assets	**18.5**	**14.5**	**1.4**	**(12.5)**	**21.9**
Finance income	**–**	**0.3**	**3.9**	**2.1**	**6.3**
Finance costs	**(0.7)**	**(0.7)**	**(0.1)**	**(0.3)**	**(1.8)**
Pre-exceptional profit/(loss) before amortisation and taxation and amortisation of financial assets	**17.8**	**14.1**	**5.2**	**(10.7)**	**26.4**
Amortisation of intangible assets	**(1.0)**	**(0.9)**	**–**	**(1.1)**	**(3.0)**
Pre-exceptional profit/(loss) before taxation and impairment of financial assets	**16.8**	**13.2**	**5.2**	**(11.8)**	**23.4**
Impairment of financial assets	**–**	**(2.8)**	**–**	**–**	**(2.8)**
Exceptional items	**–**	**–**	**–**	**(10.5)**	**(10.5)**
Profit before tax	**16.8**	**10.4**	**5.2**	**(22.3)**	**10.1**
Income tax charge					**(1.0)**
Profit for the year					**9.1**

Year-ended 30 June 2022	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	789.1	441.9	6.2	–	1,237.2
Pre-exceptional operating profit/(loss) before amortisation	18.9	10.8	(0.9)	(10.3)	18.5
Share of post-tax profits from joint ventures	–	–	0.4	–	0.4
Finance income	–	–	3.9	0.4	4.3
Finance costs	(0.3)	(0.7)	–	(0.4)	(1.4)
Pre-exceptional profit/(loss) before amortisation and taxation	18.6	10.1	3.4	(10.3)	21.8
Amortisation of intangible assets	(1.0)	(0.7)	–	(1.0)	(2.7)
Pre-exceptional profit/(loss) before taxation	17.6	9.4	3.4	(11.3)	19.1
Exceptional items	–	(7.7)	–	(6.0)	(13.7)
Profit before tax	17.6	1.7	3.4	(17.3)	5.4
Income tax credit					0.9
Profit for the year					6.3

Inter-segment revenue is eliminated from revenue above. In the year to 30 June 2023, this amounted to £61.0m (2022: £38.8m) for continuing operations, of which £nil (2022: £nil) was in Building, £40.1m (2022: £21.7m) was in Infrastructure and £20.9m (2022: £17.1m) was in central costs.

Notes to the consolidated financial statements continued

2 Segmental reporting continued

Balance sheet

30 June 2023	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		**41.0**	**57.1**	**–**	**0.2**	**98.3**
Working capital employed		**(60.9)**	**(178.2)**	**43.3**	**(4.1)**	**(199.9)**
Net cash	18	**139.0**	**42.7**	**(8.6)**	**47.1**	**220.2**
Net assets		**119.1**	**(78.4)**	**34.7**	**43.2**	**118.6**
Total Group liabilities						**(594.1)**
Total Group assets						**712.7**

30 June 2022	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		42.0	53.3	–	1.7	97.0
Working capital employed		(92.8)	(139.5)	41.9	6.6	(183.8)
Net cash	18	154.9	(1.4)	(9.6)	75.0	218.9
Net assets		104.1	(87.6)	32.3	83.3	132.1
Total Group liabilities						(523.3)
Total Group assets						655.4

Other segmental information

Year ended 30 June 2023	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Contracting revenue		**797.1**	**590.8**	**–**	**–**	**1,387.9**
Capital expenditure – property, plant and equipment	13	**0.8**	**1.2**	**0.1**	**0.1**	**2.2**
Total depreciation	13 & 14	**6.4**	**6.1**	**0.2**	**0.9**	**13.6**
Share-based payments	25	**0.9**	**0.5**	**0.4**	**1.6**	**3.4**
Acquisition of intangible assets[1]	30	**–**	**0.3**	**–**	**–**	**0.3**
Amortisation of intangible assets	11	**1.0**	**0.9**	**–**	**1.1**	**3.0**

1 Acquired as part of a business combination. See note 30.

Year ended 30 June 2022	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Investment in joint ventures		–	–	0.3	–	0.3
Contracting revenue		789.1	441.9	–	–	1,231.0
Capital expenditure – property, plant and equipment	13	0.9	3.8	–	0.4	5.1
Total depreciation	13 & 14	4.5	5.8	0.1	1.4	11.8
Share-based payments	17	0.6	0.1	0.3	1.3	2.3
Acquisition of intangible assets[1]	25	–	5.8	–	–	5.8
Amortisation of intangible assets	11	1.0	0.7	–	1.0	2.7

1 Acquired as part of a business combination. See note 30.

3 Revenue

Nature of revenue streams

(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 and water 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
Fixed price	A number of projects within these segments are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract, given that each is highly interdependent on the other. The Group typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. No significant financing component typically exists in these contracts.
Cost-reimbursable	A number of projects are undertaken using cost reimbursable/target price (possibly with a pain/gain share mechanism) contracts. These projects are often delivered under frameworks, however, individual performance obligations under the framework are normally determined at a project level where multiple services are supplied. The Group constrains revenue and calculates any pain/gain mechanism at the framework level where appropriate. 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. No significant financing component typically exists in these contracts.
Facilities management*	Contracts undertaken within the Building segment that provide full life-cycle solutions to clients, are accounted for as a single performance obligation, with revenue recognised over time and typically on a straight-line basis.

* Facilities management represents around 5% of the total Building segment turnover.

(ii) Investments segment

Our Investments business specialises in managing construction through to operations for major building projects through public private partnerships and co-development opportunities. The business leads bid consortia and arranges finance, as well as making debt and equity investments (which are recycled).

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
PPP Investments	The Group has investments in a number of PPP Special Purpose Vehicles (SPVs), delivering major building and infrastructure projects. The business additionally provides management services to the SPVs under Management Service Agreements (MSA). Revenue for these services is typically recognised over time as and when the service is delivered to the customer.

Notes to the consolidated financial statements continued

3 Revenue continued

Disaggregation of revenue

The Group considers the split of revenue by operating segment to be the most appropriate disaggregation. All revenue has been derived from performance obligations settled over time.

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 2023	2024 £m	2025 £m	2026 onwards £m	Total £m
Building	**614.4**	**214.4**	**32.7**	**861.5**
Infrastructure	**453.1**	**185.0**	**49.4**	**687.5**
Total Construction	**1,067.5**	**399.4**	**82.1**	**1,549.0**
PPP Investments	**3.2**	**2.6**	**26.5**	**32.3**
Total transaction price allocated to performance obligations yet to be satisfied	**1,070.7**	**402.0**	**108.6**	**1,581.3**

Revenue – year ended 30 June 2022	2023 £m	2024 £m	2025 onwards £m	Total £m
Building	526.4	111.6	33.2	671.2
Infrastructure	295.2	134.5	142.4	572.1
Total Construction	821.6	246.1	175.6	1,243.3
PPP Investments	2.8	2.7	25.7	31.2
Total transaction price allocated to performance obligations yet to be satisfied	824.4	248.8	201.3	1,274.5

Any element of variable consideration is estimated at a value that is highly probable not to result in a significant reversal in the cumulative revenue recognised.

4 Exceptional items

	2023 £m	2022 £m
Acquisition and integration related costs[1] – cost of sales	**–**	5.8
Acquisition and integration related costs[1] – administrative expenses	**–**	1.9
Implementation costs of cloud based arrangements[2] – administrative expenses	**10.5**	6.0
Total	**10.5**	13.7

1 The Group acquired the Water business of nmcn plc (in administration) on 7 October 2021 and incurred acquisition and integration related costs of £7.7m. This is predominantly made up of legal and professional fees, integration and restructuring costs recognised in administrative expenses, and specific staff costs incurred during the period of site closures following nmcn plc entering administration that are recognised in cost of sales. Although similar costs have been incurred as a result of the acquisitions in the year, these have not been classified as exceptional as they are not considered to be material or significant in quantum.

2 The Group incurred £10.5m (2022: £6.0m) of customisation and configuration costs associated with the move to Oracle Fusion, a cloud-based computing arrangement, during the period. Taking into account the IFRIC Agenda Decision issued by the IFRS IC in March 2021, the Group has analysed the costs and concluded that these costs should be expensed in the period. In accordance with the Group's existing accounting policy, management considers that the costs should be separately disclosed as exceptional because they are significant and irregular. The Group expects the project and associated costs to be completed in the first half of the next financial year.

An associated tax credit of £2.1m (2022: £2.6m) has been recognised.

5 Employees and directors

Employee benefit expense during the year

	Notes	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Wages and salaries		**206.6**	171.5	**–**	–
Social security costs		**24.8**	21.3	**–**	–
Other pension costs		**21.9**	17.7	**–**	–
Share-based payments	25	**3.4**	2.3	**–**	–
Restructure costs		**–**	0.2	**–**	–
Total		**256.7**	213.0	**–**	–

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.

All pension costs in the current and prior years were in respect of the Group's defined contribution schemes. Of the total charge, £10.4m (2022: £8.3m) and £11.5m (2022: £9.4m) were included, respectively, within cost of sales and administrative expenses.

Average monthly number of people (including Executive and non-executive directors) employed

	Group 2023 Number	Group 2022 Number	Company 2023 Number	Company 2022 Number
By business:				
– Building	**1,271**	1,265	**–**	–
– Infrastructure	**2,235**	1,751	**–**	–
Construction	**3,506**	3,016	**–**	–
PPP Investments	**60**	73	**–**	–
Central	**181**	165	**7**	6
Total	**3,747**	3,254	**7**	6

Remuneration of key management personnel

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

	2023 £m	2022 £m
Salaries and short-term employee benefits	**3.8**	3.4
Retirement benefit costs	**0.3**	0.3
Share-based payments	**2.9**	2.0
Total	**7.0**	5.7

Notes to the consolidated financial statements continued

6 Net finance income

Group	2023 £m	2022 £m
Interest receivable on bank deposits	**2.4**	0.4
Interest receivable from PPP Investments and joint ventures	**3.9**	3.9
Finance income	**6.3**	4.3
Other (including interest on lease liabilities)	**(1.8)**	(1.4)
Finance costs	**(1.8)**	(1.4)
Net finance income	**4.5**	2.9

7 Profit before income tax

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

	Notes	2023 £m	2022 £m
Employee benefit expense	5	**256.7**	213.0
Total depreciation	13 & 14	**13.6**	11.8
Amortisation and impairment of intangible assets	11	**3.5**	2.7
Repairs and maintenance expenditure on property, plant and equipment		**1.0**	0.7
Impairment of financial assets	17	**2.8**	–
Exceptional items	4	**10.5**	13.7

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

Services provided by the Group's auditor and network firms

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

	2023 £m	2022 £m
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor for other services:		
The audit of financial statements of the Company's subsidiaries	**2.1**	0.8
Audit-related assurance services	**0.1**	0.1
Total other services	**2.2**	0.9
Total	**2.4**	1.1

The audit fee for 2023 includes an amount in respect of additional costs related to the 2022 audit. A description of the work of the Audit Committee in respect of the auditor's independence is set out in the Governance report.

8 Income tax charge/(credit)

Group	Notes	2023 £m	2022 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**–**	(1.6)
Deferred tax[1]	22	**0.9**	0.5
Adjustments in respect of prior years			
Current tax		**–**	0.8
Deferred tax	22	**0.1**	(0.6)
Income tax expense/(credit)		**1.0**	(0.9)
Tax on items recognised in other comprehensive income			
Tax recognised in other comprehensive income		**–**	–
Total tax expense/(credit)		**1.0**	(0.9)

1 Includes impact of change in rate of tax.

The total income tax charge for the year of £1.0m (2022: credit of £0.9m) is lower (2022: lower) than the blended standard rate of corporation tax in the UK of 20.5% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
Profit before income tax	**10.1**	5.4
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 20.5% (2022: 19.0%)	**2.1**	1.0
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.4
Non-taxable income	**(1.0)**	(0.1)
Adjustments in respect of prior years	**0.1**	0.2
Change in tax rates	**0.1**	(0.4)
Net (recognition and utilisation)/restriction of tax losses[1]	**–**	(2.1)
Other	**(0.4)**	0.1
Income tax expense/(credit)	**1.0**	(0.9)

1 The net recognition and utilisation of tax losses of £nil (2022: £2.1m) reflects the utilisation of £nil (2022: £nil) tax losses in the year and the recognition of £nil (2022: £2.1m) tax losses in line with the Group's accounting policy (note 22).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. This new law was substantively enacted in the Finance Bill 2021 and received Royal Assent on 10 June 2021. Where appropriate, deferred taxes at the balance sheet date have been measured using the appropriate tax rates (based on when the underlying balance is expected to crystallise) and reflected in these financial statements.

Notes to the consolidated financial statements continued

9 Dividends

Group and Company	2023 £m	2023 pence per share	2022 £m	2022 pence per share
Previous year final	**6.4**	**5.8**	3.9	3.5
Current year interim	**3.2**	**3.0**	2.4	2.2
Dividend recognised in the year	**9.6**	**8.8**	6.3	5.7

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

	2023 £m	2023 pence per share	2022 £m	2022 pence per share
Interim	**3.2**	**3.0**	2.4	2.2
Special	**12.6**	**12.0**	–	–
Final	**7.9**	**7.5**	6.4	5.8
Dividend relating to the year	**23.7**	**22.5**	8.8	8.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2023 of 7.5 pence per share (2022: 5.8 pence per share), bringing the total dividend in respect of 2023 to 22.5 pence per share (2022: 8.0 pence per share). The final dividend will absorb approximately £7.9m of equity. Subject to shareholders' approval at the AGM to be held on 10 November 2023, the dividend will be paid on 8 December 2023 to shareholders who are on the register of members at the close of business on 10 November 2023.

On 8 June, the directors declared a special dividend of 12.0 pence per share following the settlement of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund, returning a substantial portion of the proceeds to shareholders. The Special Dividend will be paid on 27 October 2023 to shareholders on the register as at 6 October 2023. The ex-dividend date is 5 October 2023.

10 Earnings per share

Basic and diluted earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Trust, which are treated as cancelled.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the year. The dilutive effect amounts to the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option price. Only shares that have met their cumulative performance criteria are included in the dilution calculation. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long-term incentive plans. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit.

The earnings and weighted average number of shares used in the calculations are set out below.

	2023 Earnings £m	2023 Weighted average number of shares	2023 Per share amount pence	2022 Earnings £m	2022 Weighted average number of shares	2022 Per share amount pence
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	**17.5**	**105,180,316**	**16.6**	17.4	109,016,667	16.0
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	**9.1**	**105,180,316**	**8.7**	6.3	109,016,667	5.8
Effect of dilutive securities:						
Options	**n/a**	**7,286,375**	**n/a**	n/a	6,627,132	n/a
Diluted EPS – pre-exceptional	**17.5**	**112,466,691**	**15.6**	17.4	115,643,799	15.0
Diluted EPS	**9.1**	**112,466,691**	**8.1**	6.3	115,643,799	5.5

The pre-exceptional EPS (basic) excluding the impact of the one-off contract settlement as announced on 8 June 2023 (note 17) is 18.9p (and diluted EPS is 17.7p).

11 Intangible assets

Group	Notes	Customer contracts and relationships £m	Computer software £m	Total £m
Cost				
At 1 July 2021		12.2	10.9	23.1
Additions	30	5.2	0.6	5.8
At 30 June 2022		17.4	11.5	28.9
Additions	30	**0.3**	**–**	**0.3**
At 30 June 2023		**17.7**	**11.5**	**29.2**
Accumulated amortisation and impairment loss				
At 1 July 2021		(9.2)	(8.2)	(17.4)
Amortisation in year		(1.5)	(1.2)	(2.7)
At 1 July 2022		(10.7)	(9.4)	(20.1)
Amortisation in year		**(1.8)**	**(1.2)**	**(3.0)**
Impairment loss		**–**	**(0.5)**	**(0.5)**
At 30 June 2023		**(12.5)**	**(11.1)**	**(23.6)**
Net book amount				
At 30 June 2023		**5.2**	**0.4**	**5.6**
At 30 June 2022		6.7	2.1	8.8
At 30 June 2021		3.0	2.7	5.7

All amortisation charges in the year have been included in administrative expenses. Computer software relates to the Group's reporting systems.

The remaining period of amortisation on computer software ranges from one year and six months to two years and three months. The remaining period of amortisation on customer contracts and relationships ranges between two and nine years.

12 Goodwill

Group	Notes	£m
Cost		
At 30 June 2021		77.2
Additions	30	11.0
At 30 June 2022		88.2
Additions	30	4.5
At 30 June 2023		**92.7**
Aggregate impairment at 30 June 2021, 2022 and 2023		**–**
At 30 June 2021, 2022 and 30 June 2023		**–**
Net book amount		
At 30 June 2023		**92.7**
At 30 June 2022		88.2
At 30 June 2021		77.2

12 Goodwill continued

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

	2023 £m	2022 £m
Building	**40.0**	40.0
Infrastructure	**52.7**	48.2
	92.7	88.2

Impairment review of goodwill and key assumptions

Goodwill is tested for impairment at least annually. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on future financial budgets approved by the Board, based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue and the future profit margin achievable, in line with our strategy and targets 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 revenue and 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.

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.

Building CGU

A pre-tax discount rate of 15.0% (2022: 13.1%) in Building has been applied to the future cash flows, based on an estimate of the weighted average cost of capital (WACC) 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 cash flows) 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 14.6% (2022: 12.7%) 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 significantly in excess of the carrying value of the CGU assets.

The Infrastructure 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.

13 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2021	1.1	3.1	9.4	13.6
Additions	1.7	1.9	1.5	5.1
Disposals	–	(1.8)	(0.4)	(2.2)
At 1 July 2022	2.8	3.2	10.5	16.5
Additions	**0.9**	**1.0**	**0.3**	**2.2**
Disposals	**(0.4)**	**–**	**(6.5)**	**(6.9)**
At 30 June 2023	**3.3**	**4.2**	**4.3**	**11.8**
Accumulated depreciation				
At 1 July 2021	(0.4)	(1.1)	(7.7)	(9.2)
Charge for the year	(0.1)	(0.2)	(1.1)	(1.4)
Disposals	–	0.8	0.4	1.2
At 1 July 2022	(0.5)	(0.5)	(8.4)	(9.4)
Charge for the year	**(0.5)**	**(0.4)**	**(0.7)**	**(1.6)**
Disposals	**0.1**	**–**	**6.3**	**6.4**
At 30 June 2023	**(0.9)**	**(0.9)**	**(2.8)**	**(4.6)**
Net book amount				
At 30 June 2023	**2.4**	**3.3**	**1.5**	**7.2**
At 30 June 2022	2.3	2.7	2.1	7.1
At 30 June 2021	0.7	2.0	1.7	4.4

There has been no impairment of property, plant and equipment during the year (2022: £nil).

The Company has no property, plant or equipment.

Notes to the consolidated financial statements continued

14 Leases

This note provides information for leases where the Group is a lessee.

The Company holds no leases.

Right-of-use assets

Cost	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
At 1 July 2021	10.0	7.1	16.4	33.5
Additions	5.3	2.7	7.4	15.4
Disposals	(2.7)	(1.1)	(2.2)	(6.0)
At 1 July 2022	12.6	8.7	21.6	42.9
Additions	**5.2**	**6.4**	**14.5**	**26.1**
Disposals	**(0.4)**	**(6.4)**	**(2.7)**	**(9.5)**
At 30 June 2023	**17.4**	**8.7**	**33.4**	**59.5**
Accumulated depreciation				
At 1 July 2021	(4.2)	(2.7)	(7.1)	(14.0)
Charge for the year	(2.2)	(2.8)	(5.4)	(10.4)
Disposals	2.7	1.1	2.2	6.0
At 1 July 2022	(3.7)	(4.4)	(10.3)	(18.4)
Charge for the year	**(2.5)**	**(2.6)**	**(6.9)**	**(12.0)**
Disposals	**1.4**	**4.5**	**3.6**	**9.5**
At 30 June 2023	**(4.8)**	**(2.5)**	**(13.6)**	**(20.9)**
Net book amount				
At 30 June 2023	**12.6**	**6.2**	**19.8**	**38.6**
At 30 June 2022	8.9	4.3	11.3	24.5
At 30 June 2021	5.8	4.4	9.3	19.5

Lease liabilities

	2023 £m	2022 £m
Current	**14.9**	9.9
Non-current	**24.2**	14.9
Total lease liabilities	**39.1**	24.8

The consolidated income statement shows the following amounts relating to leases for continuing operations:

	2023 £m	2022 £m
Depreciation of right-of-use assets	**12.0**	10.4
Interest expense (included in finance cost)	**1.6**	1.0
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**10.7**	9.6
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**0.8**	0.1
Total expenses	**25.1**	21.1

The total cash outflow for leases in the year to 30 June 2023 was £13.6m, of which £1.6m was included in net interest expense – note 6 (2022: £11.2m and £1.0m respectively).

14 Leases continued

Maturity of contractual undiscounted future lease payments:

As at 30 June 2023

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
Less than 1 year	**3.1**	**3.6**	**8.3**	**15.0**
Between 1 and 5 years	**8.3**	**2.5**	**14.1**	**24.9**
More than 5 years	**8.4**	**–**	**–**	**8.4**
Total	**19.8**	**6.1**	**22.4**	**48.3**

As at 30 June 2022

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
Less than 1 year	2.3	2.5	5.2	10.0
Between 1 and 5 years	6.4	1.3	7.0	14.7
More than 5 years	7.8	–	–	7.8
Total	16.5	3.8	12.2	32.5

15 Investments in subsidiaries

Company	2023 £m	2022 £m
Cost		
As at 1 July 2022 and 2021	**188.0**	187.7
Additions	**0.5**	0.3
At 30 June	**188.5**	188.0
Aggregate impairment		
As at 1 July 2022 and 2021	**–**	(13.8)
Reversal of impairment	**–**	13.8
At 30 June	**–**	–
Net book value		
At 30 June	**188.5**	188.0

Following the disposal of the housebuilding divisions to Vistry Group plc on 3 January 2020, Galliford Try Limited paid a cash-backed distribution to the Company of £100.0m, which resulted in an equivalent reduction in the fair value of the investment at the time of initial recognition. Previously this reduction in value was reflected as an impairment however management have re-assessed this presentation and consider it would provide more relevant information to reflect it as an adjustment to the gross cost of the investment. As such, the 2022 comparatives have been restated to reflect a reduced gross cost and a nil accumulated impairment. There is no effect on the net carrying value of investments.

The carrying value of investments was reviewed. In the prior year a partial impairment reversal of £13.8m was recorded, determined from value in use calculations based on the same assumptions as those disclosed in note 12.

15 Investments in subsidiaries continued

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Construction Limited
Galliford Try Infrastructure Limited[1]
Galliford Try Investments Limited
Galliford Try Facilities Management Limited
Galliford Try Services Limited
Galliford Try Limited[2]

1 Incorporated in Scotland.
2 Shares owned directly by the Company.

Unless otherwise stated, each subsidiary has a 30 June year-end, operates as a construction company, is incorporated in England & Wales and 100% of ordinary shares and voting rights are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of the Group's undertakings is set out in note 33.

16 PPP and other investments

Group	2023 £m	2022 £m
At 1 July	**47.5**	49.1
Disposals and subordinated loan repayments	**(0.5)**	(0.7)
Movement in fair value	**(2.4)**	(0.9)
At 30 June	**44.6**	47.5

These comprise PPP/PFI investments and investments in other listed securities.

Debt investments at fair value through OCI

None of the financial assets are past their due dates (2022: £nil), and the directors expect an average maturity profile of around 10 years. Further disclosures relating to financial assets are set out in note 23.

The expected credit loss (ECL) was assessed to be minimal and accordingly no ECL recognised.

During the year, there were no additions (2022: £nil) to the Group's PPP/PFI investments and subordinated loans of £0.5m (2022: £0.5m) were repaid. Of the total fair value movement in the year of £2.4m, all of it relates to the movement in the fair value of the PPP investments (2022: £0.9m) and has been recorded through other comprehensive income.

The Group has commitments of £nil (2022: £nil) to provide further subordinated debt to its investments.

The fair value of the portfolio reflects a blended discount rate of 7.3% (2022: 7.0%). A 0.5% increase/reduction in the discount rate would result in a corresponding decrease/increase in the value of the investments recorded in the balance sheet of approximately £1.6m (2022: £1.9m).

Equity accounted investments

Our share of PPP and other investments' external bank funding was £245.3m at 30 June 2023 (2022: £257.2m). Our share of these entities' other external funding consists of £64.1m (2022: £64.1m) of listed bonds. These balances are non-recourse to the Group.

The information disclosed reflects the amounts presented in the financial statements or management accounts of the relevant joint ventures and associates and not the Group's share of those amounts. The Group holds investments in both debt and equity within a number of entities over which it has significant influence. Predominantly all of the value that the Group recognises relates to the debt instruments (representing over 99% of the PPP and other investments portfolio) which have been fair valued within the PPP and other investments portfolio. Consequently, the material (due to their holdings and/or issuing listed debt) joint ventures (in which the Group also holds debt investments either directly or indirectly) are disclosed within this note (£nil value (2022: £nil) has been recognised through equity accounting for these joint ventures). The net assets disclosed in the balance sheet extracts are not recognised as part of the investment in joint ventures. The joint ventures have non-profit distribution agreements in place.

During the year the Group disposed of equity accounted interests in joint ventures held at £nil (2022: £0.2m), generating a profit on disposal of £3.6m (2022: £nil).

16 PPP and other investments continued

	Aberdeen Roads (Finance) Plc		Aberdeen Roads Limited[1]	
Income statement – extracts	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Revenue[2]	**–**	–	**(1.1)**	9.4
Depreciation and amortisation	**–**	–	**–**	–
Finance income	**24.1**	24.7	**29.7**	29.6
Finance expense	**(24.1)**	(24.7)	**(29.6)**	(24.7)
Income tax expense	**–**	–	**–**	–
Profit (100%)	**–**	–	**–**	–
Other comprehensive income	**2.9**	4.6	**–**	–
Total comprehensive income (100%)	**2.9**	4.6	**–**	–
Group's share of profit and total comprehensive income	**1.0**	1.5	**–**	–
Dividends received by the Group during the year	**–**	–	**–**	–
Balance sheet – extracts				
Cash and cash equivalents	**0.2**	0.2	**29.3**	29.9
Other current assets	**–**	–	**4.9**	3.8
Current assets	**0.2**	0.2	**34.2**	33.7
Non-current assets	**536.3**	548.4	**532.6**	544.5
Current external borrowings – bank/listed bonds	**(19.5)**	(19.1)	**–**	–
Other current liabilities	**(3.6)**	(6.5)	**(34.8)**	(30.6)
Current liabilities	**(23.1)**	(25.6)	**(34.8)**	(30.6)
Non-current external borrowings – bank/listed bonds	**(460.1)**	(474.8)	**–**	–
Other non-current liabilities	**(48.7)**	(47.2)	**(532.0)**	(547.6)
Non-current liabilities	**(508.8)**	(522.0)	**(532.0)**	(547.6)
Net assets (100%)	**4.6**	1.0	**–**	–

1 Material due to their holdings and/or issuing listed debt.
2 Revenue includes a deduction for the non-profit distribution model (NPD) surplus.

Details of related party transactions with joint ventures and associates are given in note 29. The Group's shareholding in each joint venture and associate can be seen in note 33.

17 Trade and other receivables

	Notes	Group 2023 £m	Group 2022 £m
Amounts falling due within one year:			
Trade receivables		**52.0**	46.0
Less: provision for impairment of receivables		**(0.1)**	(0.1)
Trade receivables – net		**51.9**	45.9
Contract assets[1]	21	**204.9**	173.4
Amounts due from joint ventures		**0.9**	1.1
Research and development expenditure credits		**5.8**	4.5
Other receivables		**7.6**	4.7
Prepayments		**15.4**	13.4
		286.5	243.0

1 Contract assets of £204.9 at 30 June 2023 (2022: £173.4m) are stated net of a life-time expected credit loss allowance of £nil (2022: £14.0m).

The Company has no trade and other receivables.

Retentions will be collected in the normal operating cycle of the Group and are therefore shown as a current asset. It is expected that £33.2m (2022: £33.6m) will be collected within 12 months from the balance sheet date.

The Group has no significant capitalised contract costs.

The Group announced on 8 June 2023 that it had agreed settlement terms in respect of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund. The settlement brought to a conclusion a complex and challenging multi-contract dispute. 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 and had also previously assessed any expected credit loss provision in accordance with IFRS 9. As a result of the settlement a further one-off expected credit loss of £2.8m has been recognised in the current financial year.

There have been no movements in the Group's provision for impairment of trade receivables.

Provisions for impaired receivables have been included in administrative expenses in the income statement. Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited, due to the Group's customer base being large, unrelated and predominantly within the public and regulated sectors.

As of 30 June 2023, trade receivables of £15.8m (2022: £13.7m) were past due but not impaired.

17 Trade and other receivables continued

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

	2023 £m	2022 £m
Number of days past due date		
Less than 30 days	**5.7**	4.4
Between 30 and 60 days	**2.3**	1.3
Between 60 and 90 days	**2.2**	0.9
Between 90 and 120 days	**0.5**	1.3
Greater than 120 days	**5.1**	5.8
	15.8	13.7

As of 30 June 2023, trade receivables were considered for impairment based on management's judgement and review of the trade receivables listings. The amount provided for these balances was £0.1m (2022: £0.1m). The allocation of the provision is as follows:

	2023 £m	2022 £m
Number of days past due date:		
Greater than 120 days	**0.1**	0.1
	0.1	0.1

18 Cash and cash equivalents

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash at bank and in hand and per the statement of cash flows	**220.2**	218.9	**114.2**	109.4

Cash at bank above includes £11.0m (2022: £22.7m), being the Group's share of cash held by jointly controlled operations. The effective interest rate received on cash balances is 2.6% (2022: 0.3%). The Group has no bank borrowings or loans.

Net cash excludes IFRS 16 lease liabilities (note 14).

Cash and cash equivalents and bank overdrafts are presented on a net (offset) basis. In 2016, the IFRS Interpretations Committee released an update in respect of IAS 32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. The Group's bank arrangements and facilities with both HSBC Bank plc and Barclays Bank plc provide the legally enforceable right to offset and the Group demonstrated its intention to offset by formally sweeping the balances within each bank. Consequently, the balances have been offset in the financial statements.

19 Trade and other payables

		Group	
	Notes	2023 £m	2022 £m
Trade payables		**136.6**	102.3
Contract liabilities	21	**106.6**	104.4
Other taxation and social security payable		**53.4**	29.9
Other payables		**1.9**	1.6
Accruals		**226.6**	232.9
		525.1	471.1

The Company has no trade and other payables.

All payables are unsecured. Retentions will be paid in the normal operating cycle of the Group and are therefore shown as a current liability.

The undiscounted future cash flows of non-derivative financial liabilities are £365.1m (2022: £336.8m) and these are expected to be settled within one year of the balance sheet date.

20 Provisions for other liabilities and charges

Group	Onerous contracts	Rectification	Total £m
At 1 July 2021	(0.8)	(24.2)	**(25.0)**
Utilised	10.2	3.7	**13.9**
Additions[1]	(14.0)	(2.3)	**(16.3)**
At 30 June 2022	(4.6)	(22.8)	**(27.4)**
Utilised	6.8	3.5	**10.3**
Additions[1]	(4.2)	(8.6)	**(12.8)**
At 30 June 2023	(2.0)	(27.9)	**(29.9)**

1 Additions include £0.1m (2022: £13.7m) acquired as part of business combinations (note 30).

Onerous contract provisions are made on loss-making contracts the Group is obliged to complete.

Rectification provisions are made for potential claims and defects for remedial works against work completed by the Group, and includes provisions for dilapidations on premises the Group occupies.

As at 30 June 2023 £22.3m of provision related to three contracts. Management's best estimate of the range of outcomes on these three contracts is between £14.6m and £22.7m. The remaining £7.6m of the provision relates to a number of immaterial balances. Due to the level of uncertainty, combination of cost and income variables and timing across the remaining portfolio of contracts, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level and therefore management has not given a range of expected outcomes.

Due to the nature of the provisions, the timing of any potential future outflows is uncertain, however they are expected to be utilised within the Group's normal operating cycle, and accordingly are classified as current liabilities. Of the total provisions, £17.0m (2022: £18.8m) is likely to be utilised by the end of 2031 with the remainder utilised within 12 months.

The Company does not hold any provisions.

21 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 contract liabilities (customer advances and deposits where no corresponding work has yet to be performed), being recognised on the Group's balance sheet.

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

	2023		2022	
	Contract asset £m	Contract liability £m	Contract asset £m	Contract liability £m
At 1 July	**173.4**	**(104.4)**	156.0	(92.7)
Revenue recognised in the year	**1,334.9**	**58.8**	1,183.2	54.0
Net cash received in advance of performance obligations being fully satisfied	**–**	**(61.0)**	–	(65.7)
Transfers in the year from contract assets to trade receivables	**(1,303.4)**	**–**	(1,165.8)	–
30 June	**204.9**	**(106.6)**	173.4	(104.4)

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

The Company has no contract balances.

The amount of revenue recognised in the year from performance obligations satisfied in previous periods amounts to £4.8m (2022: £3.0m).

22 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method and is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group	
	2023 £m	**2022 £m**
Deferred income tax assets	**16.6**	15.6
Deferred income tax liabilities	**(1.1)**	(1.6)
Net deferred income tax	**15.5**	14.0

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

	Group	
	2023 £m	**2022 £m**
At 1 July	**14.0**	14.3
Current year's deferred income tax	**(0.9)**	(0.9)
Adjustment in respect of prior years	**(0.1)**	0.6
Transfer from current tax assets and change in rates of deferred income tax	**2.5**	0.3
Acquisition of subsidiaries	–	(0.3)
At 30 June	**15.5**	14.0

All remaining unutilised tax losses have now been recognised and the Group has approximately £53m (2022: £53m) of unrecognised trading losses that arose from a historical contract. The availability of the losses is subject to agreement with HMRC and therefore no deferred tax asset has been recognised.

Movements in deferred income tax assets and liabilities during the year are shown below:

The Company has no deferred tax balances.

Deferred income tax assets

Group	Accelerated tax depreciation £m	Share-based payments £m	Tax losses £m	Other[1] £m	Total £m
At 30 June 2021	–	–	9.6	5.4	15.0
(Expense)/credit taken to income statement	(0.4)	0.2	–	(0.4)	(0.6)
Adjustment in respect of prior years[2]	(0.2)	–	2.4	(1.6)	0.6
Transfer to deferred income tax liabilities	0.6	–	–	–	0.6
At 30 June 2022	–	0.2	12.0	3.4	15.6
Credit/(expense) taken to income statement	**–**	**0.1**	**(1.1)**	**(0.3)**	**(1.3)**
Adjustment in respect of prior years	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Transfer to deferred income tax[3]	**–**	**–**	**2.5**	**–**	**2.5**
At 30 June 2023	**–**	**0.3**	**13.2**	**3.1**	**16.6**

1 Deferred tax assets included in the 'Other' category relate to future income tax deductions available from IFRS transitions adjustments in respect of IFRS 15, IFRS 9 and IFRS 16 which will be utilised over the next 3–6 years in line with the requirements of tax legislation.

2 The adjustment in respect of prior years arose predominantly due to the recognition of previously restricted tax interest expense deductions due to the corporate interest restriction provisions. This deferred tax asset will be utilised over the next three financial years in the form of reactivated tax interest expense deductions against tax interest income from Group investment assets. This is offset by other adjustments that reflect changes to the estimates made in the previous years' Annual Report and Accounts and the finalised tax computations submitted to HMRC.

3 The transfer to deferred income tax represents a transfer of tax losses that were previously recorded as a current tax asset.

The Company has no deferred tax balances.

22 Deferred income tax continued

Deferred income tax liabilities

Group	Accelerated tax depreciation £m	Intangible assets acquired £m	Total £m
At 30 June 2021	–	(0.7)	(0.7)
Transfer from deferred income tax assets	(0.6)	–	(0.6)
Acquisition of subsidiaries	–	(0.3)	(0.3)
At 30 June 2022	(0.6)	(1.0)	(1.6)
Credit taken to the income statement	**0.2**	**0.2**	**0.4**
Adjustment in respect of prior years	**–**	**0.1**	**0.1**
At 30 June 2023	**(0.4)**	**(0.7)**	**(1.1)**

23 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

Capital risk management

The Group is funded by ordinary shares, retained profits and its strong net cash position. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group has no borrowing or debt facilities and hence no gearing targets.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk, other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group and Company have no material currency exposure at 30 June 2023 (2022: nil).

(ii) Price risk

Other than a residual interest in equity securities, the Group and Company are not exposed to equity or commodity price risk.

(iii) Interest rate risk

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

The Group's interest rate risk arises from movement in cash and cash equivalents given that it is well capitalised with no debt or net overdraft facilities.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group does not hold any debt facilities. Further details of credit risk relating to trade and other receivables are disclosed in note 17. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount (book value) of each class of financial asset set out on the following page.

23 Financial instruments continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group finances its operations through its cash reserves and ongoing retained profits. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or gross overdrafts in all the Group's operating companies are aggregated into a total cash figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IFRS 9 'Financial Instruments', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Fair value of other financial assets and financial liabilities

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

Primary financial instruments held or issued to finance the Group's operations:

		2023		2022	
	Notes	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities:					
Current financial liabilities measured at amortised cost	19	**365.1**	**365.1**	336.8	336.8
Financial assets:					
PPP and other investments	16	**44.6**	**44.6**	47.5	47.5
Current assets measured at amortised cost	17	**271.1**	**271.1**	229.6	229.6
Cash and cash equivalents	18	**220.2**	**220.2**	218.9	218.9

Prepayments are excluded from the financial assets measured at amortised cost; and statutory liabilities and contract liabilities are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilities is given in note 19.

Borrowing facilities

The Group had no committed borrowing facilities available at 30 June 2023 or 2022.

Fair value estimation

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

+ Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
+ Level 2 – The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves.
+ Level 3 – Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of other investments is set out in note 16.

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

	2023		2022	
	Level 3 £m	Total £m	Level 3 £m	Total £m
Assets				
Fair value through other comprehensive income				
– PPP and other investments	**44.6**	**44.6**	47.5	47.5
Total	**44.6**	**44.6**	47.5	47.5

There were no transfers between levels during the year.

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

Notes to the consolidated financial statements continued

23 Financial instruments continued

Fair value measurements using significant unobservable inputs (Level 3)

	2023 £m	2022 £m
At 1 July	**47.5**	49.1
Movement in fair value	**(2.4)**	(0.9)
Disposals and subordinated loan repayments	**(0.5)**	(0.7)
Closing balance	**44.6**	47.5

The key assumptions used in Level 3 valuations include the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10–15 years and the timing of receipts is based on historical data. The fair value of the portfolio reflects a blended discount rate of 7.3% (2022: 7.0%) and is based on current market conditions. The sensitivity to discount rates is set out in note 16. If receipts were to occur earlier than expected, the fair value would increase.

24 Ordinary shares and share premium

Group	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 30 June 2021	111,053,489	55.5	–	55.5
Allotted under share option schemes	739	–	–	–
At 30 June 2022	**111,054,228**	**55.5**	**–**	**55.5**
Allotted under share option schemes	2,114	–	–	–
Cancellation of shares	(6,187,148)	(3.1)	–	(3.1)
At 30 June 2023	**104,869,194**	**52.4**	**–**	**52.4**

Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 30 June 2021	111,053,489	55.5	–	55.5
Allotted under share option schemes	739	–	–	–
At 30 June 2022	**111,054,228**	**55.5**	**–**	**55.5**
Allotted under share option schemes	2,114	–	–	–
Cancellation of shares	(6,187,148)	(3.1)	–	(3.1)
At 30 June 2023	**104,869,194**	**52.4**	**–**	**52.4**

Number of shares refers to 50p ordinary shares, which are authorised, issued and fully paid. There are no shares authorised and issued but not fully paid.

During the year the Company purchased and cancelled 6,187,148 shares as part of the share buy back announced in September 2022 for total consideration of £10.6m.

At 30 June 2023, the total number of shares outstanding under the sharesave scheme was 3,481,546 (2022: 2,776,374) and under the long term incentive plan was 6,466,295 (2022: 6,986,213) as detailed in note 25.

25 Share-based payments

The Group operates performance-related share incentive plans for Executives, details of which are set out in the Directors' Remuneration report. The Group also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £3.4m (2022: £2.3m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £3.3m (2022: £2.1m).

Savings related share options

The Company operates an HMRC approved sharesave scheme, under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

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

Grant date	Shares under option	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
07.04.21	1,989,993	130p	112p	01.06.21	60%	3	0.2%	3.1%	10%	50p
13.04.22	999,819	174p	143p	01.06.22	58%	3	1.5%	3.3%	10%	70p
14.04.23	947,033	174p	137p	01.06.23	54%	3	3.6%	4.5%	10%	67p

The expected volatility is based on historical volatility in the movement in the share price over the past three years up to the date of grant (or since incorporation of the Company in January 2020). The expected life is the average expected period to exercise. The risk free-rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2023 is shown below:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**2,776,374**	**123p**	1,989,993	112p
Awards	**947,033**	**137p**	999,819	143p
Forfeited	**(109,335)**	**124p**	(120,096)	112p
Cancelled	**(127,458)**	**124p**	(79,454)	113p
Expired[1]	**(2,954)**	**119p**	(13,149)	113p
Exercised	**(2,114)**	**112p**	(739)	112p
Outstanding at 30 June	**3,481,546**	**127p**	2,776,374	123p
Exercisable at 30 June	**–**	**–**	–	–

1 The number of options that expired in 2022 has been restated from 199,950 to 13,149, with the total outstanding balance at 30 June 2022 of 2,776,374 (previously reported as 2,589,973).

The weighted average fair value of awards granted during the year was 67p (2022: 70p). There were 2,114 share options exercised during the year ended 30 June 2023 (2022: 739) and the weighted average share price at the date of exercise was 164p (2022: 171p). The weighted average remaining contractual life is 1 years and 9 months (2022: 2 years and 3 months). The charge to the income statement relating to the sharesave scheme was £0.5m (2022: £0.3m).

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for Executives, details of which are set out in the Directors' Remuneration report. The awards that vest are satisfied by the transfer of shares for no consideration. The outstanding options were valued using a Black-Scholes model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Shares under option	Share price at grant date	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option
23.09.20	3,247,874	78p	36	(0.1)%	3.1%	71p
23.09.21	1,489,510	177p	36	0.4%	2.5%	164p
23.09.22	1,728,911	161p	36	4.0%	5.0%	139p

25 Share-based payments continued

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the past three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2023 Number	2022 Number
Outstanding at 1 July	**6,986,213**	5,496,703
Granted	**1,728,911**	1,489,510
Exercised	**(2,248,829)**	–
Outstanding at 30 June	**6,466,295**	6,986,213
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 139p (2022: 164p). There were 2,248,829 options exercised during the year ended 30 June 2023 (2022: nil). The weighted average remaining contractual life is nil as the shares are exercised on the day that they vest (2022: nil).

26 Other reserves and retained earnings

Group	Notes	Other reserves £m	Retained earnings £m
At 30 June 2021		118.4	(39.8)
Profit for the year		–	6.3
Dividends paid	9	–	(6.3)
Share-based payments	25	–	2.3
Movement in fair value of PPP and other investments	16	–	(0.9)
Purchase of own shares		–	(3.4)
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	13.8	(13.8)
At 30 June 2022		132.2	(55.6)
Profit for the year		**–**	**9.1**
Dividends paid		**–**	**(9.6)**
Share-based payments		**–**	**3.4**
Movement in fair value of PPP and other investments		**–**	**(2.4)**
Purchase of own shares		**–**	**(14.0)**
Cancellation of shares		**3.1**	**–**
At 30 June 2023		**135.3**	**(69.1)**

The Company and Group's other reserves relate to a merger reserve amounting to £132.2m (2022: £132.2m) and a capital redemption reserve of £3.1m (2022: £nil).

The purchase of own shares represents shares purchased by the Galliford Try Employee Share Trust of £1.9m (2022: £3.4m) and other share related transactions of £1.5m (2022: £nil), in addition to £10.6m (2022: £nil) purchased by the Company as part of the share buyback announced in September 2022.

26 Other reserves and retained earnings continued

Company	Notes	Other reserves £m	Retained earnings £m
At 30 June 2021		118.4	100.7
Profit for the year		–	28.8
Dividends paid	9	–	(6.3)
Share-based payments		–	0.3
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	13.8	(13.8)
At 30 June 2022		132.2	109.7
Profit for the year		**–**	**25.0**
Dividends paid	9	**–**	**(9.6)**
Share-based payments		**–**	**0.5**
Purchase of shares	15	**–**	**(10.6)**
Cancellation of shares		**3.1**	**–**
At 30 June 2023		**135.3**	**115.0**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5m (2022: £9.5m).

At 30 June 2023, the Galliford Try Employee Share Trust (the Trust) held 3,705,343 (2022: 3,541,603) Galliford Try Holdings plc shares. The nominal value of the shares held is £1.9m (2022: £1.8m). 1,200,000 shares were acquired during the year (2022: 1,820,000) at a net cost of £1.9m (2022: £3.4m) and a further £1.5m (2022: £nil) was paid in relation to other share related transactions. 965,194 (2022: nil) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement in the period to which it relates. The market value of the shares at 30 June 2023 was £7.2m (2022: £6.0m). No shareholders (2022: none) have waived their rights to dividends.

As part of and as a result of the disposal of the housebuilding operations to Vistry Group plc on 3 January 2020 and the associated scheme of arrangement completed under Part 26 of the Companies Act 2006, shares held in Galliford Try Limited (formerly Galliford Try plc) as at 3 January 2020 (221,603) were exchanged for an equivalent number of shares in Galliford Try Holdings plc and 127,189 shares in Vistry Group plc (at a rate of 0.57406 Vistry Group plc shares for each Galliford Try Limited share). The Group has disposed of the majority of the shares in Vistry Group plc, with a residual 14,132 shares held by the Group at 30 June 2023 (2022: 14,132). These shares are recorded at fair value with the movement being reflected in profit or loss.

27 Financial and capital commitments

The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2023 (2022: £nil), nor any commitment for other capital expenditure.

28 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, amounting to £165.5m (2022: £127.1m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. While the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

The continuing evolution of Government legislation and guidance, such as the Building Safety Act and its implications for cladding solutions used on historical contracts, also creates ongoing uncertainty that the Group manages.

Where the Group has received such claims, the directors have made provision in the financial statements when they believe it is probable a liability exists and it can be reliably estimated, but no provision has been made where the Group's liability is considered only possible or remote. This is based on the best estimates of future costs to be incurred after assessing all relevant information and taking legal advice where appropriate. The Group's assessment of liability and estimates of future costs could change in the future. Although the Group has appropriate insurance arrangements in place that should mitigate any significant exposure, the recognition thresholds under IAS 37 would mean a liability could be recognised before a corresponding asset.

As Government legislation and guidance changes in the future, the Group will reassess the estimates made accordingly.

Notes to the consolidated financial statements continued

29 Related party transactions

Transactions between the Group and its related parties are disclosed as follows:

Group

	Sales to related parties		Amounts owed by related parties	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trading transactions				
Related parties	**71.2**	97.3	**36.8**	38.4

	Interest and dividend income from related parties	
	2023 £m	2022 £m
Non-trading transactions		
Related parties	**4.1**	4.6

Sales to related parties (all of which are to joint ventures and associates) are based on terms that would be available to unrelated third parties. Amounts owed by related parties consist predominantly of subordinated debt within the PPP and Other Investments portfolio, that if held to maturity would be due over the next 25 years (2022: 26 years). These receivables are unsecured, with interest rates varying between a range of 9% and 12%. Payables are due within one year (2022: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest and dividend income from related parties	
	2023 £m	2022 £m
Non-trading transactions		
Subsidiary undertakings	**25.0**	15.0

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

30 Business combinations

During the year, the Group acquired (i) 100% of the share capital MCS Control Systems Limited and (ii) certain contracts and assets of Ham Baker Limited (in administration). The Group has also finalised the acquisition accounting of nmcn having previously reported the balances as provisional in accordance IFRS 3.

(i) MCS Control Systems Limited

On 8 July 2022, the Group acquired 100% of the share capital of MCS Control Systems Limited ("MCS"), a leading systems integrator to the industrial and utilities sectors for consideration of £1 settled in cash. The addition of MCS's capabilities is complementary to the operations of Galliford Try's expanding Environment business. In particular, MCS provides additional competencies that complement those acquired in October 2021 with nmcn's Water business and Lintott Control Systems Limited and will accelerate the growth of Galliford Try Environment's asset optimisation and capital maintenance strategy.

The goodwill of £3.2m arising from the acquisition is significantly attributable to the acquired workforce and their technical expertise and the opportunity to leverage this expertise across the Group to enhance the asset optimisation and capital maintenance strategy.

30 Business combinations continued

The following table summarises the consideration paid and the provisional fair value of the assets acquired and liabilities assumed.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property plant and equipment	0.1
Intangible assets	0.2
Right-of-use assets	0.6
Trade and other receivables	3.2
Trade and other payables	(5.9)
Bank and other borrowings	(0.8)
Lease liabilities	(0.6)
Total identifiable net liabilities	**(3.2)**
Goodwill	3.2
Total	**–**
Consideration	
Cash	–
Total	**–**

The acquisition contributed £5.7m of revenue and a £0.7m loss before tax and amortisation in the year to 30 June 2023, which is similar to the contribution it would have made if acquired at the start of the financial year.

(ii) Ham Baker

On 18 November 2022, the Group acquired certain contracts and assets from Ham Baker Limited (in administration) for £225,000 settled in cash. The Group has acquired the asset inspection, maintenance and screens and distributor operations. The acquired business produces a variety of engineered products for the water industry, which the Group will use as a basis to develop a low carbon engineering offering, enabling products and raw materials to be as reused if possible, and reducing waste. The acquisition brings complementary capabilities to the Group's growing Environment business and will give it a further advantage in preparing for the water industry's AMP8 cycle, in particular addressing storm overflow challenges. It also plays into Galliford Try's role in decarbonising the industry for a greener, more sustainable future.

Similar to the MCS Control Systems Limited acquisition, the goodwill of £0.5m arising from the acquisition is significantly attributable to the acquired workforce and their technical expertise and the opportunity to leverage this expertise across the Group to enhance the asset optimisation and capital maintenance strategy.

The following table summarises the consideration paid and the provisional fair value of the assets acquired and liabilities assumed.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	0.1
Trade and other payables	(0.4)
Total identifiable net liabilities	**(0.3)**
Goodwill	0.5
Total	**0.2**
Consideration	
Cash	0.2
Total	**0.2**

The acquisition contributed £1.5m of revenue and a £1.6m loss before tax and amortisation in the year to 30 June 2023.

The performance of the business preceding the acquisition was impacted by Ham Baker Limited entering administration, and accordingly it is impracticable to assess the contribution it would have made to the Group if acquired at the start of reporting period.

30 Business combinations continued

(iii) nmcn

On 7 October 2021, the Group acquired the water business of nmcn plc (which had been placed into administration) for £1.0m settled in cash.

This expanded the Group's geographical presence on key frameworks across the UK, and its capabilities in the water sector, in line with the Group's strategy.

In accordance with IFRS 3, the Group has assessed the acquisition accounting during the measurement period and has identified the need to reflect a final adjustment to the reported acquisition note in the 30 June 2022 annual report. The change reflects an increase to the onerous contract provisions and net unfavourable contracts acquired by £0.8m with an offsetting increase in goodwill by £0.8m. As this is not material, the adjustment has been recorded in the current year (with £11.0m goodwill recognised in the previous year). The finalised acquisition accounting is detailed below.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Net cash and cash equivalents	0.7
Property plant and equipment	0.1
Intangible assets[1]	5.8
Right-of-use assets	1.4
Trade and other receivables[2,5]	7.8
Trade and other payables[3,5]	(10.4)
Provisions and other liabilities[4]	(14.5)
Lease liabilities	(1.4)
Net deferred tax liabilities[6]	(0.3)
Total identifiable net liabilities	**(10.8)**
Goodwill	11.8
Total	**1.0**
Consideration	
Cash	1.0
Total	**1.0**

1 Intangible assets of £5.8m comprise customer relationships and contracts (£5.2m) and technology (£0.6m) that will be amortised over 3–10 years,

2 Trade and other receivables include £4.4m relating to favourable contracts acquired.

3 Trade and other payables include £6.4m relating to unfavourable contracts acquired.

4 Provisions and other liabilities relate to onerous contracts.

5 The favourable and unfavourable contracts have been valued after assessing the margins in the underlying contracts novated.

6 Deferred tax has been recognised where temporary differences arise on the fair value adjustments.

The acquisition contributed £74.1m of revenue and £1.8m of pre-exceptional profit before tax and amortisation (on the acquired intangibles) in the period to 30 June 2022. The performance of the business preceding the acquisition was impacted by nmcn plc entering administration, and accordingly it is impracticable to assess the contribution it would have made to the Group if acquired at the start of reporting period.

Acquisition related costs of £7.7m include legal and professional fees, integration, and staff costs, have been treated as exceptional in the year of acquisition, being material and non-recurring/irregular items in accordance with our accounting policies and detailed further in note 4.

31 Events after the reporting date

There were no material post balance sheet events arising after the reporting date.

32 Alternative performance measures

Throughout the Annual Report and Accounts, the Group has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as they provide relevant information on the Group's performance. They are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided below.

Providing clarity on the Group's alternative performance measures

The Group has included this note and the enclosed explanations and reconciliations with the aim of providing transparency and clarity on the measures adopted internally to assess performance. The APMs adopted by the Group are also commonly used in the sectors it operates in.

The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers.

These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Measuring the Group's performance

The following measures are referred to in this report:

Statutory measures

Statutory measures are derived from the Group's reported financial statements, which are prepared in accordance with UK adopted International Accounting Standards and in line with the Group's accounting policies, that can be found in note 1.

The Group's statutory measures take into account all of the factors, including exceptional items which do not reflect the ongoing underlying performance of the Group.

Alternative performance measures

In assessing its performance, the Group has adopted certain non-statutory measures that more appropriately reflect the underlying performance of the Group. These typically cannot be directly extracted from its financial statements but are reconciled to statutory measures below:

a) Pre-exceptional performance

The Group adjusts for certain material one-off (exceptional) items which the Board believes assist in understanding the performance achieved by the Group as this better reflects the underlying and ongoing performance of the business. A reconciliation of the statutory measure to the pre-exceptional measure is provided in the following tables. In the financial year ending 30 June 2023, the Group has also presented pre-exceptional performance excluding a one off contract settlement as announced on 8 June 2023 (disclosed in the consolidated income statement as an impairment of financial assets of £2.8m).

b) Operating profit before amortisation

The Group adjusts operating profit to exclude the amortisation of intangible assets as this better reflects the ongoing performance of the business. Operating margin reflects the ratio of pre-exceptional operating profit before amortisation of intangible assets and revenue. In the financial year to 30 June 2023, operating margin also excludes the one off contract settlement as announced on 8 June 2023. This differs from the statutory measure of operating profit which includes the amortisation of intangible assets. Divisional operating margin is the combined operating margin of Building and Infrastructure.

Notes to the consolidated financial statements continued

32 Alternative performance measures continued

A reconciliation of the statutory measure to the Group's performance measure is shown below, based on continuing operations:

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2023					
Statutory operating profit/(loss)	**17.5**	**10.8**	**1.4**	**(24.1)**	**5.6**
exclude: amortisation of intangible assets (note 11)	**1.0**	**0.9**	**–**	**1.1**	**3.0**
exclude: exceptional items (note 4)	**–**	**–**	**–**	**10.5**	**10.5**
Pre-exceptional operating profit before amortisation	**18.5**	**11.7**	**1.4**	**(12.5)**	**19.1**
exclude: impairment of financial assets (note 17)	**–**	**2.8**	**–**	**–**	**2.8**
Pre-exceptional operating profit before amortisation excluding the impairment of financial assets	**18.5**	**14.5**	**1.4**	**(12.5)**	**21.9**
Revenue	**797.1**	**590.8**	**5.8**	**–**	**1,393.7**
Pre-exceptional operating margin excluding the impairment of financial assets	**2.3%**	**2.5%**	**n/a**	**n/a**	**1.6%**
Year ended 30 June 2022					
Statutory operating profit/(loss)	17.9	2.4	(0.9)	(17.3)	2.1
exclude: amortisation of intangible assets	1.0	0.7	–	1.0	2.7
exclude: exceptional items (note 4)	–	7.7	–	6.0	13.7
Pre-exceptional operating profit before amortisation	18.9	10.8	(0.9)	(10.3)	18.5
Revenue	789.1	441.9	6.2	–	1,237.2
Pre-exceptional operating margin	2.4%	2.4%	n/a	n/a	1.5%

c) Pre-exceptional profit before tax

The Group uses a profit before tax measure which excludes exceptional items and other items as noted above. This differs from the statutory measure of profit before income tax, which includes these items.

A reconciliation of the statutory measure to the Group's performance measure is shown below, based on continuing operations:

	2023 £m	2022 £m
Statutory profit before tax	**10.1**	5.4
exclude: exceptional items (note 4)	**10.5**	13.7
Pre-exceptional profit before tax	**20.6**	19.1

Pre-exceptional profit before tax excluding the impairment of financial assets is £23.4m (2022: £19.1m)

d) Pre-exceptional earnings per share

In line with the Group's measurement of adjusted performance, the Group also presents its earnings per share on an adjusted basis. This differs from the statutory measure of earnings per share, which includes these items. A reconciliation of the statutory measure to the Group's performance measure (post-tax) is shown below, based on continuing operations:

	2023			2022		
	Earnings £m	Ave number of shares	EPS pence	Earnings £m	Ave number of shares	EPS pence
Statutory results	**9.1**	**105,180,316**	**8.7**	6.3	109,016,667	5.8
exclude: exceptional items (note 4)	**8.4**	**n/a**	**n/a**	11.1	n/a	n/a
Pre-exceptional earnings per share	**17.5**	**105,180,316**	**16.6**	17.4	109,016,667	16.0

Pre-exceptional earnings per share excluding the impairment of financial assets is 18.9p (2022: 16.0p) based on post tax profit of £19.9m (2022: £17.4m).

33 Group undertakings

In accordance with section 409 of the Companies Act, the following is a list of all of the Group's undertakings as at 30 June 2023. Galliford Try Limited is the only subsidiary undertaking held directly by the Company.

(i) Subsidiary undertakings

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Chancery Court Business Centre Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Charles Grip Surfacing Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Construction Holdco 1 Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Brick Factors Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Asset Intelligence Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Building 2014 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Construction & Investments Holdings Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Corporate Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Employment Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Estates Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Facilities Management Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try HPS Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Infrastructure Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Investments Consultancy Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Investments Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Investments NEPS Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Plant Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Properties Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Construction Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Secretariat Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Telecommunications Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try (Water) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (Leicester) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Camberwell (Holdings) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Camberwell Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Car Parks Leicester (Holdings) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Car Parks Leicester Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Guildford Crescent Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Inverness Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT TMGL Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GTFM (Cavalry) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Ham Baker Engineering Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Leicester GT Education Company Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%

Notes to the consolidated financial statements continued

33 Group undertakings continued

(i) Subsidiary undertakings continued

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Lintott Control Systems Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Lintott Environmental Technologies Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
MCS Control Systems Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Morrison Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Morrison Highway Maintenance Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Oak Specialist Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Regeneco (Services) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Regeneco Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Rock & Alluvium Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Try Construction Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group, as a majority of voting rights are held in each case.

(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year-end
Aberdeen Roads (Finance) PLC	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Holdings Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
ACP: North Hub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Dec
GBV JV Limited	3 Frayswater Place, Uxbridge, UB8 2AD	50%	30-Jun
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
Hub South East Scotland Limited	8 Melville Street, Edinburgh, EH3 7NS	50%	31-Mar
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30-Jun
Space Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	83%[1]	31-Mar
Urban Vision Partnership Limited	65 Gresham St, London, EC2V 7NQ	30%	31-Dec

The above entities are all incorporated in the UK and considered to be joint ventures, based on the shareholding agreements in place.

1 Treated as a joint venture as indicated by its joint venture agreement.

33 Group undertakings continued

(iii) Associated and other significant undertakings

Entity name	Registered office or principal place of business	Proportion of capital held by class
Aberdeen Community Health Care Village Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Alliance Community Partnership Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	10%
Galliford Try Qatar LLC	PO Box 11726 Doha, State of Qatar (incorporated in Qatar)	49%
Hub North Scotland (Alford) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (FWT) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
James Gillespie's Campus Subhub Holdings Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
James Gillespie's Campus Subhub Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
LBP DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP DBFMco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Newbattle DBFM HoldCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Newbattle DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
ELCH DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
ELCH DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
KHS DBFM HoldCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
KHS DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 2 DBFM HoldCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 2 DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Hub North Scotland (I&F) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (I&F) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub South West Scotland Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
Hub SW Cumbernauld DBFMCo Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
Hub SW Cumbernauld Holdco Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%

The above entities are all incorporated in the UK except Galliford Try Qatar LLC, which is incorporated in Qatar.

Entities listed above with 50% ownership percentage are treated as associates, as indicated by their ownership agreements.

Five-year record (unaudited)

	2019 £m	2020[1] £m	2021[1] £m	2022[1] £m	2023[1] £m
Revenue	1,400.1	1,121.6	1,124.8	1,237.2	**1,393.7**
Profit/(loss) before exceptional items	(17.2)	(59.7)	11.4	19.1	**20.6**
Exceptional items	(47.3)	25.1	–	(13.7)	**(10.5)**
Profit/(loss) before taxation	(64.5)	(34.6)	11.4	5.4	**10.1**
Tax	15.0	2.0	(1.0)	0.9	**(1.0)**
Profit/(loss) after taxation attributable to shareholders	(49.5)	(32.6)	10.4	6.3	**9.1**
Fixed assets (including IFRS 16 right-of-use assets), investments in joint ventures, PPP and other investments	124.8	67.5	73.2	79.4	**90.4**
Intangible assets and goodwill	171.4	85.0	82.9	97.0	**98.3**
Net current assets/(liabilities)	340.2	(14.4)	(24.4)	(43.4)	**(61.4)**
Other long-term assets	246.7	5.3	14.3	14.0	**15.5**
Long-term payables and provisions	(203.8)	(22.9)	(11.9)	(14.9)	**(24.2)**
Net assets	679.3	120.5	134.1	132.1	**118.6**
Share capital	55.5	55.5	55.5	55.5	**52.4**
Reserves	623.8	65.0	78.6	76.6	**66.2**
Shareholders' funds	679.3	120.5	134.1	132.1	**118.6**
Dividends per share (pence)	58.0	–	4.7	8.0	**22.5**
Basic earnings per share (pence)[2]	(10.7)	(47.7)	9.5	16.0	**16.6**
Diluted earnings per share (pence)[2]	(10.6)	(47.7)	9.1	15.0	**15.6**

1 Income Statement and earnings per share balances reflect continuing operations only, accounted for in accordance with IFRS 5. The 2019 balance sheet reflects the whole Group, including housebuilding, in those years.

2 Pre-exceptional.

Shareholder information

Financial calendar 2023

Half year results announced	3 March
Full year results announced	20 September
Ex dividend date – special dividend	5 October
Special dividend record date	6 October
Special dividend	27 October
Ex dividend date – final dividend	9 November
Final dividend record date	10 November
Annual General Meeting	10 November
Final dividend payment	8 December

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday. Alternatively, write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Accounts electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £60 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are BKY40Q3 and GB00BKY40Q38.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel & Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2023

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1–10,000	92.21%	2,795	2.70%	2,836,690
10,001–50,000	3.93%	119	2.53%	2,655,396
50,001–500,000	2.71%	82	13.46%	14,112,013
500,001 – highest	1.15%	35	81.31%	85,265,095
Total	100.00%	3,031	100.00%	104,869,194

Registered office

Galliford Try Holdings plc
Blake House
3 Frayswater Place
Cowley
Uxbridge
Middlesex
UB8 2AD

Stockbrokers

Peel Hunt LLP
Panmure Gordon (UK) Limited

Bankers

Barclays Bank PLC
HSBC Bank PLC

Registration

England and Wales 12216008

Independent auditor

BDO LLP

Notes

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