


One Group
Three strong businesses

Galliford Try plc
Annual Report and
Financial Statements
2018

Top left We make an important contribution to meeting the demand for new homes through developments such as Boorley Park in Botley, Hampshire, by Linden Homes Southern.

Top right We regenerate neighbourhoods and build sustainable communities, delivering schemes that meet local and national needs, such as the Quayside Extra Care scheme in Totnes, Devon for those aged 55 or over, by Partnerships & Regeneration South West.

Bottom right We construct high-quality buildings and infrastructure for our clients and the communities we work in, as demonstrated at the Royal Birmingham Conservatoire. This world-class facility by Galliford Try Building West Midlands is the first of its kind in the UK.

See **Our businesses at a glance** **p02**

Strategic Report

Our business

Strategic review

Business review

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Financial information

Learn more about us at gallifordtry.co.uk

Galliford Try is a FTSE 250 company and one of the UK's leading housebuilding, regeneration and construction groups.

We have three strong and complementary businesses, which together transform lives and landscapes. The breadth and scale of our work means that we have an exceptional impact on the people and fabric of the UK, delivering positive and lasting change.

Why are we different?

Resilience Our businesses operate in different markets and have different customers, with different sources of funding. This helps us to perform, whatever the economic conditions.

Returns Our mix of capital-light and capital-intensive businesses delivers excellent returns on the funds we invest. We balance this investment with a clear commitment to rewarding shareholders.

Reliability We work hard to build responsibly and to treat all our stakeholders fairly. We care about satisfying our customers and clients and protecting our reputation, so we focus on doing the right thing and maintaining our stakeholders' trust in us as a valued partner.

Where are we going?

Our ambitious strategy, which charts our path to 2021, is making us simpler, leaner, more profitable and more sustainable. We are investing to make the most of our leading positions in growing markets, and devolving responsibility so our decision-making is faster and more efficient.

Read more about our **Strategy p14**

Financial highlights

Revenue[1]
£3,132m
+11%

Earnings per share
121.1p
+128%[3]

Group revenue[1]
£2,932m
+10%

Dividend per share[4]
77.0p
-10%

Pre-exceptional profit before tax[2]
£188.7m
+28%

Net cash
£98.2m
+£91.0m

Pre-exceptional earnings per share[2]
158.4p
+21%[3]

Pre-exceptional Group return on net assets[2,5]
29.2%
+1.7 ppts

Profit before tax
£143.7m
+145%

Group return on net assets[6]
24.9%
+10.9 ppts

Group highlights

Plots in Linden Homes' landbank
11,400

Accident Frequency Rate down from 0.12 in 2017 to
0.11

Plots in Partnerships & Regeneration's landbank
3,300

Reduction in greenhouse gas emissions since 2011
58%

Construction order book
£3.3bn

Training days for employees
14,388

See **Operating sustainably p40**

1 'Revenue' includes share of joint ventures' revenue of £200.7m (2017: £158.1m). 'Group revenue', where stated, excludes share of joint ventures.
2 Pre-exceptional measures exclude exceptional costs as described in the Financial review on page 26 and in note 3. All future references to pre-exceptional data and ratios are consistent with this definition.
3 Restated due to rights issue (notes 9 and 27).
4 Restated due to rights issue (notes 8 and 27).
5 'Pre-exceptional Group return on net assets' represents profit before tax, exceptional items, finance costs and amortisation divided by average pre-exceptional net assets.
6 'Group return on net assets' represents profit before tax, finance costs and amortisation divided by average net assets.

Q A

An insight into a selection of questions our senior team has been asked over the last year.

Throughout this report we address some key questions from our stakeholders about areas they have been interested in to provide a deeper insight into our business.

Our businesses at a glance

Three strong businesses, led by an effective Group

Our businesses span housebuilding, regeneration and construction. Each business is led by its own management team. Devolved responsibility enables them to make faster and more efficient decisions, within our overall Group strategy and governance framework. Our businesses work together to achieve our vision, with common values underpinning everything we do.

A top UK housebuilder

Key strengths

- Disciplined approach to producing quality homes, with predominantly standard layouts.
- Ability to deliver bespoke products on suitable sites.
- 10 strong business units, with potential for further geographical expansion.
- Committed to high levels of customer satisfaction.

Revenue

£947m

+1%

Linden Homes develops high-quality homes for first-time buyers and families. We have a strong presence in the South and East of England, with a growing footprint in the North and the Midlands, and the potential for further expansion.

Our sites are in good locations, close to transport links and local amenities. We create sustainable developments by building homes which complement their surroundings, while maximising the benefits of internal standardisation. Where the market requires, we have a proven ability to create bespoke designs.

Business review p30

A leading UK regeneration specialist

Key strengths

- Distinctive platform, combining contracting, regeneration and mixed-tenure development.
- National scale and proven track record of delivery and quality.
- Long-term partnerships with Homes England, the Greater London Authority, private rent clients and a significant number of active developing Registered Providers.
- Expertise in extra care markets.

Revenue

£475m

+44%

Our vision
To be leaders in the construction of a sustainable future.

Our values
Excellence, Passion, Integrity and Collaboration.

Construction

Partnerships & Regeneration is our specialist regeneration business, which carries out contracting, land-led solutions and development.

We have excellent relationships with Homes England and the Greater London Authority and provide contracting services to local authorities and Registered Providers, while working in joint venture to develop mixed-tenure projects, providing private housing for sale on regeneration-led sites. We use the Linden Homes brand to differentiate our developments and draw on Linden Homes' retail expertise to deliver these projects successfully.

Our ability to provide development solutions across all tenures and work with clients as contractor, developer and investor distinguishes us from others.

We have a strong track record of delivery and a growing national footprint.

Business review p33

Galliford Try
Morrison Construction

A major national contractor

Key strengths
- National presence with local delivery.
- Strong client relationships, based on collaborative working.
- Presence on numerous major frameworks with public sector and regulated clients.

Revenue
£1,687m
+11%

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

The business is organised into three divisions: Building, Infrastructure and PPP Investments. These include facilities management, telecommunications, dry lining and our national piling specialists, Rock & Alluvium.

Building serves a range of clients across the UK, with a substantial presence in Scotland. We work with clients in the public and regulated sectors, in particular the health, education and defence markets. We also serve commercial clients, mainly in the South East and the Midlands.

Infrastructure carries out civil engineering projects. We have strong positions in key sectors such as transport (including road, rail and airports), water and wastewater, and flood alleviation.

PPP Investments
PPP Investments delivers major building and infrastructure projects through public private partnerships. The business leads bid consortia and arranges finance, making equity investments, and manages construction through to operations.

Business review p36

Our business model
Three strong businesses

Our business model offers significant insulation against the cyclical peaks and troughs in performance faced by our housebuilding and construction peers. Each of our businesses has a different capital requirement and makes an important contribution to our bottom line.

The role of the Group

Set strategy
The Group sets overall strategic direction, within which our three businesses develop their own strategies, reflecting the specific opportunities and challenges they face.

See Strategy p14

Allocate capital
The Group, via the Executive Board and in accordance with the overall strategy set by the Board, allocates capital between our businesses, taking into account their different capital requirements, their strategies and the size of returns available to them.

Deliver centralised services
Our businesses deliver many support functions themselves, so they can tailor them to their precise needs. The Group provides a number of key services that are best delivered centrally and maintains small functional teams to support the Group's own activities.

Mitigate risk
The Board has ultimate responsibility for risk management, including determining our risk appetite and the extent and nature of our systems of risk management and internal control, working through the Executive team to implement them within the businesses.

See Principal risks p22

Embed culture
The Board defines the Group's culture, including our values of Excellence, Passion, Integrity and Collaboration, sets the behaviours we want to see in Galliford Try, and promotes that culture within our businesses through our Executive team.

See Our people p44

Govern effectively
Our approach to corporate governance provides a robust framework of oversight and control, within which our businesses can implement their strategies.

See Governance p50

How our businesses make money

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

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

- High investment up front
- Add value to land through planning and promotion
- Strong margins achieved on sale of homes

Partnerships & Regeneration
This business generates cash from its contracting activities, which it uses to fund cash-consuming but higher-margin mixed-tenure developments. We ensure we earn a profit through careful selection and delivery of our contracting projects, while sharing risk and using the Group's housebuilding skills and brand to successfully deliver our mixed-tenure developments.

Contribution to the Group's economic model: Partnerships & Regeneration requires relatively little capital, resulting in high returns. Its margin is lower than that of a pure developer but its profitability is increasing as its development activities expand.

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

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

Contribution to the Group's economic model: Construction has the lowest margin of our three businesses but its cash flow characteristics typically help to fund higher-margin development activities elsewhere in the Group.

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

Our business model

The key resources and stakeholder relationships we rely on

People

Having the right people is vital to our success and we look to recruit and retain the very best talent across the Group.

See Our people p44

Our impact
We develop our people so they can progress their careers. We also reward them appropriately, promote inclusion and diversity, and work hard to keep everyone healthy and safe. We have a Group-level health and safety policy and common minimum standards, with each business increasingly adopting an approach tailored to its needs.

How we manage it
Each of our businesses is responsible for recruiting and developing its own talent, while working closely together on Group-wide initiatives such as wellbeing and agile working, which helps us to attract and retain a more diverse workforce.

5,485
people employed across our Group

Natural and manufactured resources

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

See Environment and climate change p47

Our impact
We plan to minimise our environmental impact and waste production by looking to reduce our carbon emissions year-on-year, maximise the waste diverted from landfill and use timber verified as coming from legal and sustainable sources. We support jobs and local economies through our supply chain.

How we manage it
We have a network of national preferred suppliers, which we manage through our procurement function, as well as a locally managed subcontractor supply chain. We collaborate with strategic subcontractors through our Advantage through Alignment programme in Construction. Land purchases and strategic land are managed through dedicated teams.

92.5%
of the timber we use is FSC®/PEFC certified

Financial resources

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

See Financial review p26

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

How we manage it
Each business has its own finance team, which is responsible for day-to-day financial decisions. We also have a Group finance function, including specialists in areas such as treasury and tax.

29.2%
Pre-exceptional Group return on net assets

£98.2m
net cash

Communities

We aim to have a positive impact on the communities we operate in, both through the way we work and the legacy we leave in the form of homes, buildings, infrastructure and other key physical assets.

See Stakeholder relationships p48

Our impact
We deliver high-quality and functional homes, buildings and infrastructure, which benefit the people living in and around them, whether by providing homes to buy or rent, schools for children, offices to work in, transport projects for travel or recreational facilities for leisure.

How we manage it
We manage our community relationships at a local level through our businesses and by supporting relevant and national charities, as well as local groups. We use the Considerate Constructors Scheme to measure and assess the local community impact of our sites.

29
Considerate Constructors Scheme awards won

£19m+
committed to communities through planning obligations

Partners

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

See Stakeholder relationships p48

Our impact
By working with other organisations, we can take on a broader range of projects, while sharing risk and rewards and reducing our capital investment compared with undertaking the project alone.

How we manage it
We carefully select partners who are financially strong and who share our values and ethics. We work closely together in critical areas such as health and safety, so we maintain the high standards we look to achieve in our own business.

£200.7m
share of joint ventures' revenue

Customers and clients

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

See Business review p30

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

How we manage it
We have rigorous procedures in place including The Linden Way which defines our approach in housebuilding.

In Construction and Partnerships & Regeneration, quality control is embedded in the business management system, policies and procedures.

Four
stars in the NHBC customer satisfaction survey

Excellent
net promoter score in Construction

Our business model

How each of our businesses creates value for us

Linden Homes

Key activities

Invest: maintain landbank of prime plots in good locations.

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

Build: construct high-quality, sustainable homes, with a culture and commitment to health and safety principles.

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

Who our customers are

- We primarily sell to first-time buyers and families who want mid-market homes in vibrant and sustainable communities.
- The affordable housing elements of our developments are typically acquired by Registered Providers.

How we engage with our customers

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

Our strengths

- A key strength is our people. The structure and culture we have put in place ensures that responsibility and ownership of our business is devolved throughout the workforce, with our site teams playing a pivotal role.
- Our approach to standardising layouts and streamlining processes is an important strength, allowing our people to focus on delivering high-quality, well-designed homes and achieving a good customer journey. Approximately 84% of homes on our sites with planning consent are based on our standard layouts. This supports our ability to continue to grow our operating margin and unit numbers sustainably.
- Some sites, for example inner-city projects on brownfield land or refurbishment projects, require the ability to design bespoke products. We retain the skillsets needed to deliver these projects and this helps to differentiate us from other housebuilders. The discipline created by our standard processes helps us to deliver these more complex developments successfully.
- We have a strong landbank of prime plots to meet our expected needs for the next 3.0 to 3.5 years and we are increasing our investment in strategic land.
- As a responsible developer, we deliver public spaces that support sustainable communities. This can range from streetscapes that reduce vehicle speeds to incorporating cycle routes, woodlands and recreational areas within our developments.

See Strategy in action p16

Partnerships & Regeneration

Key activities

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

Develop solutions: identify local housing demand and assemble the right combination of tenures and financing partners to meet that demand.

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

Build and sell: use housebuilding and contracting skills to deliver solutions.

Who our customers are

- Our clients vary across our projects and could, for example, be a Registered Provider for affordable homes or a financial institution in the private rented sector. We also help local authorities to meet their significant housing needs.
- In addition, we develop homes for private sale and sell them directly to consumers.

How we engage with our customers

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

See Strategy in action p18

Construction

Our strengths

- Our breadth of capabilities across contracting, land-led commissioning and through our joint venture development model is unique in the market, making us an attractive partner to our clients and opening up a greater range of opportunities for us. This variety also allows us to reinvest cash generated by contracting and commissioning in suitable development opportunities.
- We are well established, with a track record of delivering performance, and have built up broad geographic coverage, with plans to expand into new areas.
- We are one of the fastest-growing regeneration businesses in the country. We now have eight regional offices, which are able to respond to client needs across most of England.
- We have been highly successful at recruiting people to support our growth, inducting them into our business and developing them using our Leaders in Regeneration training platform.
- Our long-term partnering arrangements are a significant strategic asset. The strength of these relationships allows us to unlock the capacity among our clients, which enables both parties to deliver in line with their own business plans, securing work for the present and future. We work with around 68 Registered Providers.

Key activities

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

Work with our supply chain: build successful, long-term relationships with our supply-chain partners to support delivery.

Deliver: focus on quality, using our expertise and technology to deliver superior construction projects.

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

Who our customers are

- Our clients are primarily public sector and regulated organisations. We also work with key private sector companies.

How we engage with our customers

- We aim to become our clients' long-term partners. Our approach to collaboration has been accredited to BS 11000 and makes us an attractive partner.
- We operate through a network of regional offices, giving us in-depth knowledge of local markets and enabling us to build strong local and national client relationships.
- We employ our Delivering Excellence framework, where we can, to achieve high levels of client satisfaction.

See Strategy in action p20

Our strengths

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

Our business
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Chairman's statement

Embedding good governance principles

> The Group has performed well, while dealing professionally and diligently with resolving the legacy and exceptional contracts in Construction. The Board has been proactive in taking the necessary steps to reinforce the Group's financial position, ensuring we can continue to successfully implement our strategy to 2021.

Peter Ventress
Chairman

Performance

The Board remains pleased with the Group's operational and financial performance. We have three strong businesses and each made further progress towards achieving its strategic targets. Linden Homes continued to increase volumes and improve its margins, while Partnerships & Regeneration continues to benefit from strong demand and opportunity to grow both its mixed-tenure and contracting offering. Construction's underlying performance continues to improve, as it maintains its disciplined approach to bidding, while working through the diminishing legacy contracts. Reflecting this performance, we have updated our targets as outlined on pages 14 and 15.

Rights issue and dividend

During the year, we took decisive action to reinforce the balance sheet, as a consequence of the increased cash commitments we faced on the Aberdeen Western Peripheral Route (AWPR) legacy contract. Our total cash commitments (before any recovery) are expected to exceed the original budget by more than £150m, as a result of cost over-runs and the compulsory liquidation of Carillion plc, one of our two joint venture partners on this major project. While we were operating well within our financial covenants and had sufficient resources to meet our obligations, restoring our financial position without raising capital would have meant cutting investment in the material growth opportunities in Linden Homes and Partnerships & Regeneration. The Board concluded that shareholders' interests were best served by continuing to implement our strategy and therefore we announced a rights issue on 14 February 2018, which raised gross proceeds of £157.6m when it completed in April. On behalf of the Board, I want to thank shareholders for their strong support.

The Board also understands the importance of balancing investment with returns to shareholders. We therefore decided to bring forward the planned increase in dividend cover to 2.0 times pre-exceptional earnings per share, which we had intended to achieve by 2021. Reflecting this, the Board declared an interim dividend of 28.0p per share for the first half (2017 restated: 29.0p) and is recommending a final dividend of 49.0p per share (2017 restated: 57.0p) to give a total dividend for the year of 77.0p. This is 2.0 times cover using pre-exceptional earnings of £154.7m. The final dividend will be paid on 5 December 2018 to shareholders on the register at 9 November 2018.

Annual strategy review

The Board conducts an annual strategy review in conjunction with the wider Executive team. This exercise confirmed that the strategy continues to serve us well and that the Group is delivering against its strategic goals. The review provided further support to the Board's decision to raise fresh equity so we could continue to implement the strategy in full.

Board changes and performance

As previously announced, Jeremy Townsend joined the Board as a Non-executive Director on 1 September 2017. At the same date, I assumed the chairmanship of the Nomination Committee with the previous chair, Terry Miller, remaining a member of the Committee.

Andrew Jenner retired as a Non-executive Director following the Annual General Meeting (AGM) on 10 November 2017, having completed nine years on the Board. Ishbel Macpherson also stepped down as a Non-executive Director after the AGM, due to her other business and personal commitments. I want to thank both Andrew and Ishbel for their important contributions to the Board. Jeremy Townsend took up Andrew's chairmanship of the Audit Committee, while Terry Miller took over from Ishbel as interim chair of the Remuneration Committee. Marisa Cassoni joined the Board as a Non-executive Director on 1 September 2018. It is intended that

Site visits such as the one to West Calder School in West Lothian help the Board to shape culture within our Group

Dividend per share

77.0p

Terry Miller will step down as interim chair of the Remuneration Committee following publication of the Group's half year results in February 2019, wherein Marisa will become the new Chair of the Remuneration Committee.

We have continued to formally review the Board's performance. The results of this year's Board and Committee evaluation survey, my individual meetings with the directors and the way the Board has worked together this year have confirmed to me that we have a strong Board, with good people who are willing to go the extra mile to steer the Group through important decisions.

People and culture

Having the right culture is one of the keys to sustainable success. The Board therefore spends time with the Executive team to understand what they are doing to develop the Group's culture, to provide support and advice and to monitor progress. Each year, there are at least two Board visits to parts of the business, which help us to test the culture with the people we meet. It is evident from these discussions that Peter Truscott's planned changes are bearing fruit. More information on our culture can be found in Peter's statement on page 10. On behalf of the Board, I want to thank everyone in Galliford Try for their contribution to a successful year.

Conclusion

We remain confident that Galliford Try has the right strategy and is implementing it successfully, while the actions we have taken this year will ensure we have the financial resources required. The Board looks forward to further success in the future.

Peter Ventress
Chairman

Creating value for our stakeholders

Through our work, we create both financial and non-financial value for a wide range of stakeholders.

26,000+

homes delivered by Linden Homes and Partnerships & Regeneration in the last five years, including 5,359 sold under Help to Buy, enabling people to get on the property ladder or to move within it.

£2.3m+

of time, money and materials donated to charities over the last five years, supporting vital work in our communities.

£4.4bn

of contracts undertaken for public and regulated sector customers over the last five years, supporting services and infrastructure that are critical to our way of life.

£80m+

committed to communities through planning obligations in the past five years.

62,198

training days provided to our people over the last five years, helping them to develop professionally and personally.

£250m+

of corporation tax and other taxes paid over the last five years, contributing to the UK's public finances.

£7.5bn

spent with our subcontractors over the last five years, helping to support jobs in our local communities.

£326.7m

of dividends paid to shareholders over the last five years.

See **Operating sustainability p40**

Chief Executive's review

A strategy for sustainable growth

> The Group continues to deliver strong underlying performance and we are making good progress against our growth plans to 2021. Following the successful rights issue, we have a robust balance sheet to support our planned growth.

Peter Truscott
Chief Executive

0.11
Accident Frequency Rate

£5.0bn
order book

Performance

Each of our three businesses further improved performance this year.

Linden Homes continued to prioritise margin growth and benefited from further standardisation and robust control of overheads. This enabled it to increase profitability in a year with modest house price inflation. The business also grew volumes in line with its plan, in a housing market that remains supported by Help to Buy, good mortgage availability and the cut in stamp duty for first-time buyers. The land market is favourable, allowing us to buy land at robust margins, in the right locations for our standardised product. At the year end, the business had an order book of £366m (2017: £373m).

Partnerships & Regeneration is seeing strong demand, resulting in a record year for revenue and operating profit. The business is also benefiting from its expansion into Bristol and Southampton last year and its new office in the East Midlands. Its margin progression in the year was largely driven by higher mixed-tenure revenues, and the business' ability to work in long-term partnering arrangements with clients is also benefiting contracting margins. Partnerships & Regeneration is also carrying out more land-led contracting, where we build for a third party on land we control.

The underlying Construction business is performing well and it continues to see a pipeline of suitable opportunities, although some larger public sector projects have been slower than expected to come to fruition.

The business continued to work through its legacy contracts, which had a lower impact on margins this year. However, following the compulsory liquidation of Carillion and a reassessment of the likely out-turn of the AWPR joint venture, we have incurred further exceptional charges totalling £45.0m, as we previously indicated would be the case. As at the date of this report, the vast majority of the AWPR is complete, with significant sections of the road open to traffic, and other legacy contracts have also completed on site. The final section of AWPR is expected to be completed by late Autumn. We continue to work with our clients to finalise the accounts on these contracts.

There are shortages in parts of the supply chain, particularly for some masonry products, but in general we are seeing a dampening of cost inflation, reflecting more subdued growth in the wider economy.

Capital raising

The Group has a strong focus on maintaining prudent financing, which was why we had the financial strength to manage the additional costs on legacy contracts. However, Carillion's failure increased the financial obligations on the Group. We therefore faced the choice of reducing investment in the business or raising additional capital. Recognising that the underlying performance and potential of the business was strong, we concluded that the best thing for all our stakeholders was to raise new equity through a fully underwritten rights issue. We were delighted with an excellent take-up of the issue, and grateful to our existing and new shareholders for the strong support that they demonstrated. Further details of the rights issue are set out in the Financial review on page 26.

Implementing our strategy

Last year, we set out a three-part strategy to drive operating efficiencies, maintain capital discipline and operate sustainably. We continued to make progress on all fronts and have updated our targets to reflect this, as set out on pages 14 to 15.

Driving operating efficiencies

We continued to make the business more efficient during the year, reflecting our focus on streamlining and simplifying our operations across the Group.

In Linden Homes, we increased our use of standardised house types and reduced overheads as a proportion of revenue, demonstrating our ability to grow volumes without a proportionate increase in costs. Partnerships & Regeneration has continued to invest in people and land to expand its growth platform and is delivering excellent results in both its established and newer businesses. Construction remains focused on improving its operations in a number of areas, all of which support its margin progression. In addition, we continue to ensure we have a lean overhead at Group level.

Maintaining capital discipline

The rights issue has reinforced our platform for growth but, in an uncertain world, we will always prioritise the quality of revenue over the quantity, and this will influence how we allocate capital within the Group. Our belief is that margins in the construction industry need to rise to ensure contractors are adequately rewarded for the risk they take on, and we will allow some shrinkage in the business if suitable opportunities are not available. Similarly, in Linden Homes, we will always put margin ahead of scale.

Q A

Why did you opt for a capital raise after the demise of Carillion?

Although we had sufficient financial resources to meet our obligations, this would have involved diverting capital away from our business plans, reducing our ability to take advantage of the material growth opportunities we would otherwise be well positioned to exploit.

This applies in particular to our Linden Homes and Partnerships & Regeneration businesses, where we plan volume growth from existing and new geographies, strategic land opportunities and increased investment in the provision of mixed-tenure housing.

See **Strategy p14** and **Financial review p26**

Group highlights

- Very strong performance, reflecting the excellent progress made towards strategy to 2021.
- 6,193 new homes built by Linden Homes and Partnerships & Regeneration (2017: 5,490).
- Sales order books in Linden Homes and Partnerships & Regeneration robust at £526m (2017: £450m).
- Successful one for three rights issue in April 2018 resulting in net proceeds of £150m.
- Average net debt of £227m (excluding the rights issue proceeds).
- Full year dividend payment of 77.0p per share (2017 restated: 86.0p), covered 2.0x by pre-exceptional profits.
- Pre-exceptional return on net assets improved to 29.2% from 27.5%.

To maximise capital efficiency, we also want to control no more land than is necessary. In the past, faced with an inefficient and unpredictable planning system, housebuilders naturally required larger landbanks to ensure that sufficient schemes with planning consent came through each year. While the planning process remains too slow, improvements achieved through the National Planning Policy Framework have significantly alleviated this issue, which has allowed us to set our target for our landbank at 3.5 years. The challenge for the government is to make the planning process more efficient, if it is to reach its ambition for more than 300,000 new homes to be delivered each year.

Operating sustainably

Longer-term value creation requires us to balance our financial performance with our obligations to all our stakeholders. These include our clients, customers and employees, and the communities and environment in which we operate.

Health and safety remains our top priority and we were pleased to reduce our Accident Frequency Rate to 0.11 from 0.12 in 2017. We are investing in new tools to support training, as well as our industry-leading Challenging Beliefs, Affecting Behaviour safety programme. One of our most significant programmes this year is Be Well, which supports our people's wellbeing and mental health. We believe it is industry-leading and it has already won a number of awards. From 1 July 2018, we have realigned the health and safety team to match our business structure and allow our businesses the flexibility to tailor their management of health and safety to their own needs. We continue to set policy and minimum standards at a Group level.

Regrettably, the Company was found guilty in regard to an incident at the Tarporley Wastewater Treatment Works in 2015. Our first priority as a business is to ensure that everyone goes home safely at the end of each day. As a result, we have reviewed our already rigorous health and safety procedures and policies and continue to stress the importance of following them.

We strive to consistently meet the needs of our customers and clients. Linden Homes retained its four-star National House Building Council (NHBC) customer satisfaction rating, while Partnerships & Regeneration and Construction continued to generate high levels of repeat business through strong client relationships. However, we recognise that customer and client expectations are rising and that we need to further improve our performance.

Having the right people is fundamental and to succeed in the long term, we need to attract and retain a more diverse workforce, which in turn requires us to adapt how we work, so we can appeal to the broadest range of potential employees. Our approach to smart working, using digital communication tools to reduce travel to meetings, is reaping benefits. Our people spend less time travelling, so they have better work–life balance and more time to be productive, while also reducing our costs and carbon emissions. In the first year, we have made significant savings in travel costs alone. Smart working in turn supports agile working, which gives our people flexibility over when, where and how they work. This year we launched an agile working initiative. The case study on page 45 explains more about this important initiative.

Our culture is also key to making us a great place to work. Devolving decision-making is empowering our people, making them responsible for their own businesses and their own decisions. Our employee survey gives us a valuable insight into what we are doing well and where we need to improve. The survey had a 73% response rate, well above the average of 51% for companies of our size. We were also accredited by Best Companies as 'One to Watch'.

Outlook

Market conditions are generally good across our businesses but we recognise that there are risks to the UK economy as we leave the EU. Our strong balance sheet means we can continue to grow but it is essential that we maintain our capital discipline and strive to make each of our businesses as efficient as possible, so we can drive performance through self-help.

In summary, we remain confident that our strategy to 2021 is the right one for the Group and we remain on track to reach our adjusted financial targets.

Peter Truscott
Chief Executive

Key trends

We are responding to key trends within our markets

A number of significant trends are driving long-term demand in the markets for each of our three businesses.

Structural undersupply of housing

The long-term demand for housing is driven by the UK's rising population, which is projected to continue growing to over 74 million by 2039 (Office for National Statistics). For more than three decades, the UK has built too few homes to meet demand. Although output has increased from 119,000 in 2012/13, reaching 184,000 homes in 2016/17, the government estimates that 300,000 new homes are needed each year (2017 Autumn Budget).

In Linden Homes and Partnerships & Regeneration, we have increased the total number of completions from 4,507 in 2014 to 6,193 this year, representing a growth of 37%. Our strategy to 2021 will see us increase output from both businesses, both through our existing business units and through further geographical expansion.

Government policy and planning

The government's stated commitment to the housing market, including extending Help to Buy beyond 2016 to 2021, the relaxation of stamp duty for first-time buyers on homes under £500,000, along with good mortgage availability and low interest rates, benefit both private and affordable homes businesses.

Many of our schemes are eligible for Help to Buy. To date, more than 5,300 of our homes have been sold under it by Linden Homes and Partnerships & Regeneration. We continue to promote it and other assistance schemes to our customers and have independent financial advisers available to explain the process and offer advice.

All of the main political parties support an expansion of the supply of affordable homes in the UK. In addition, the UK government is consulting on proposed changes to the National Planning Policy Framework (NPPF) which would lead to local authorities being required to ensure that more houses are delivered to their areas. There is also growing provision for Registered Providers and a wave of consolidation, which is enabling the enlarged organisations to significantly increase their output. These Registered Providers rely on the private sector to deliver this supply for them. This is a key focus of our strategy in Partnerships & Regeneration and we have established strong relationships with around 68 Registered Providers and many long-term partnering arrangements positioning us to support their growth.

The 2017 Housing White Paper additionally confirmed commitment to increasing housing supply by creating better plans for housing need and tackling delays in the planning system. While the quantity of land being released for housing is generally growing, the planning system is still less responsive in its ability to deal with the clearance of conditions and other pre-start requirements efficiently.

We see the potential for the growing use of off-site production, but for this to be truly effective, the planning system must be better aligned so as to create more certainty for developers and producers of off-site homes and components. Too often the planning system favours differentiation of design, which can be inconsistent with the goals of greater use of standardised models.

We welcome the findings from the Letwin Review, which recognise market constraints and supply chain are factors in the delivery of homes to market and that wider tenure delivery and investment in the supply chain help to alleviate this. The review also set out that a larger number of smaller to medium sites would help to increase building rates.

Significant need for infrastructure investment

There is underlying demand for more and better social and economic infrastructure in the UK, much of which is in need of upgrading. The extent of the investment required is shown by the 2016 National Infrastructure Delivery Plan, which set out the government's intention to spend £100bn by 2020/21. Investment in this area is a stimulant for economic growth and has to happen, regardless of Brexit or the performance of the wider economy. This investment will also help to tackle the UK's poor productivity.

We specialise in critical areas in need of investment, including health, education, defence, transport (road, rail and air), water and wastewater, and flood alleviation. Our position on numerous frameworks (page 39) puts us in place to benefit from future work in these areas.

Constraints on the labour supply

Skilled and experienced people are in strong demand. There is heavy reliance on EU nationals to meet this demand in London and the South East, although the proportion of workers from the EU is much lower elsewhere in the country. Potential post-Brexit immigration restrictions could limit the labour supply.

To remedy any potential impact, we have increased our number of apprenticeships and continue to work with our supply chain partners to encourage more young people into the construction industry.

Strategy to 2021, targets and performance

A three-part strategy for sustainable growth

In February 2017, we set out our three-part strategy for sustainable growth focusing on driving operating efficiencies, maintaining capital discipline and operating sustainably.

We are making strong progress towards our objectives, with each business working towards individual financial targets to drive Group profit and returns. Reflecting this and market conditions, the business targets by which the Group targets will be achieved, have been updated.

Strategic priority one

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

Group

Strategy

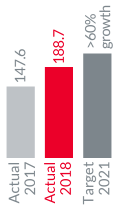
Across the Group, we are streamlining our operations to make us a leaner and more resilient business, while supporting our ability to grow.

Progress

Achieved further strong top-line growth and increased pre-exceptional operating margins across the Group, resulting in record pre-exceptional profit before tax.

Targets and performance

Pre-exceptional profit before tax £m



Linden Homes

Business review p30

Strategy

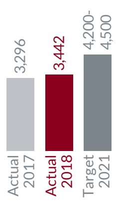
1. Increase standardisation of layouts and processes.
2. Grow volumes and operating margins from existing and new geographies.
3. Maintain an appropriate landbank commensurate with market conditions, while increasing delivery from strategic land and reducing average sales values.

Progress

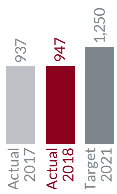
1. Introduced the third generation of standard layouts, with 84% of units in planning now using standard designs.
2. Grew volumes by 4% to 3,442 units and increased the operating margin from 18.2% to 19.5%.
3. Maintained a landbank of 3.0 to 3.5 years (11,400 plots) and made further progress with strategic land, with further investment increasing the portfolio of unallocated land with no planning status by 2,730 acres with the potential of 13,270 plots.

Targets and performance[1]

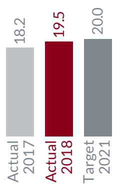
Units



Revenue £m



Operating margin %



Partnerships & Regeneration

Business review p33

Strategy

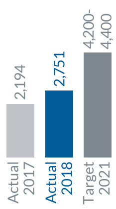
1. Grow national footprint by expanding into new geographies.
2. Drive margin improvement by leveraging mixed-tenure expertise.
3. Unlock partners' capacity in sub-markets.

Progress

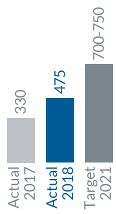
1. Opened the East Midlands office and delivered good performance from the new platforms in Bristol and Southampton.
2. Grew mixed-tenure revenues to £123.9m, representing 26% of the total, and expanded the blended margin from 4.5% to 5.0%.
3. Continued to work with partners in new markets such as buy-to-rent and the private rented sector.

Targets and performance[2]

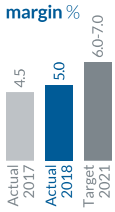
Units



Revenue £m



Operating margin %



Construction

Business review p36

Strategy

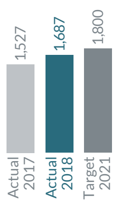
1. Retain existing platform for sustainable growth.
2. Improve operations to drive margins.
3. Deliver strong, predictable cash flows and margin improvement.

Progress

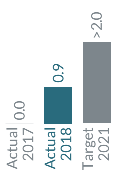
1. Maintained strong position on key frameworks and focus on public and regulated sectors, and further enhanced our management of risks.
2. Continued to invest in our people, enhanced our processes and systems and actively engaged with our supply chain.
3. Delivered improved margins on newly-won work, although cash performance and overall margins were held back by legacy issues.

Targets and performance

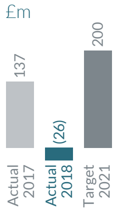
Revenue £bn



Pre-exceptional operating margin %



Cash/(debt) £m



Strategic priority two

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

Group

Strategy

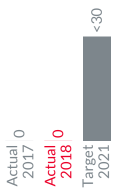
- The Group has a resilient and flexible balance sheet. We will continue to manage capital prudently and intend to continue our record of paying good dividends while reinvesting appropriately in growing the business.

Progress

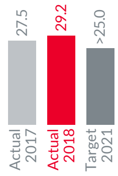
- Invested £892m in developments in Linden Homes and Partnerships & Regeneration.
- Raised gross proceeds of £157.6m through a one for three rights issue to ensure we have the resources to implement our growth strategy.
- Brought forward the planned increase to 2.0x dividend cover.

Targets and performance

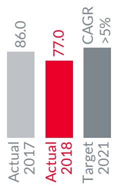
Gearing %



Pre-exceptional return on net assets %



Dividend per share[4] p



- A five-year CAGR[3] (Compound Annual Growth Rate) on dividend of at least 5%.
- Rebuild dividend cover to 2.0x.

Strategic priority three

Operating sustainably p40

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

Group

Strategy

Health and safety

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

Progress

- Launched Be Well, our award-winning wellbeing and mental health programme.
- Launched innovative virtual reality training modules.
- Began a refresh of our behavioural safety programme.
- Doubled the number of safety tours for each director, resulting in a record total of 1,898.
- Introduced a new protocol to investigate high-potential near-miss incidents.

Performance

Accident Frequency Rate

People

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

- Launched agile working practices to create a more inclusive working environment and empower employees to work in ways they find most productive, while also helping to attract and retain talent.
- Refreshed induction booklet and continued face-to-face induction days, reinforcing our Code of Conduct.
- Reviewed policies with a diversity lens.
- Rolled out values-based interview skills.
- Strengthened business focus on learning and development offering.

Employee churn rate %

1 Linden Homes, reflecting market conditions, is now focused on delivering more prudent volume growth, but a stronger improvement in margins. The volume target has therefore been adjusted from 4,750-5,000 to 4,200-4,500 units. The business has already reached its 2021 margin target (19-20%), and expects to achieve an operating margin at the upper end of the previously guided range. The revenue target is £1,250m (previously £1,250m to £1,350m).

2 Partnerships & Regeneration is performing ahead of expectations and now expects to exceed its original revenue target, which is increased from £650m to £700m-£750m. The volume target range is increased from 4,200 to 4,200-4,400.

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

4 2017 restated due to rights issue (note 8).

Strategy in action
Linden Homes

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

1

Increase standardisation of layouts and processes

Our strategy
We continue to increase the use of standardised layouts and improve processes, allowing our teams to build more efficiently, quickly, to a higher quality, at a lower cost and with shorter lead times. This approach helps us to attract and retain staff and subcontractors, benchmark performance and increase customer satisfaction.

Our progress
We have embraced standardisation and benchmarking across the business. In particular, we have introduced The Linden Collection, the third generation of standard house types. The aim is to further optimise development layouts and reduce both our build costs and build programmes, while achieving consistency of design and providing the best space for family living. Our original target was for 80% of our homes to be delivered from standard house types. Within 18 months of launch, 84% of units contained in our current planning applications are based on standard house types. Of these, 64% of the total are from The Linden Collection. The use of standard house types is not restricted to new planning applications. The substitution of our standard product on existing schemes is also delivering increased margins. The Copperfields development in Malton is just one example of the difference standardisation has made. By re-planning the 66 plots using The Linden Collection, we were able to reduce our build costs, increase productivity and, at the same time, offer a better and more saleable home.

Another important initiative is the introduction of a new IT system. COINS (Construction Industry Solutions) is a fully integrated system offering numerous efficiencies by giving Linden Homes complete visibility of the plot throughout its life cycle, from land acquisition, through build and sales, to the end of the customer care warranty period. The system is currently being tested on a number of live sites, with a target of rolling it out across the business by the end of 2019.






The Copperfields development in Malton is just one example of how we are implementing The Linden Collection

25
standard house types make up The Linden Collection

84%
of our homes will use The Linden Collection

See Business review p30

2

Grow volumes and operating margins from existing and new geographies

Our strategy

Our current 10 business units each have the capacity to deliver 500 to 600 homes a year, with limited additional overhead. We therefore have the capacity to deliver our strategic growth plans from our existing office locations.

As previously stated, however, we continue to see scope to extend our geographical coverage, although this is not necessary to achieve our targets to 2021 and will therefore be opportunity led.

Our progress

We increased volumes by 4% to 3,442 units, while reducing overheads as a percentage of revenue from 4.8% to 4.1%, as we benefit from the capacity within our structure and reflecting growth from individual businesses across our operating areas. We successfully increased our average number of active selling sites from 77 to 85.

500 to 600

We have the capacity to deliver 500 to 600 units each per year, per business unit

3

Implement our land strategy

Our strategy

We intend to maintain a landbank commensurate with market conditions. We believe that, in the current climate, a landbank of between 3.0 and 3.5 years is appropriate. We have a target for 20–25% of our plots to be delivered from our strategic land portfolio by 2021. We will also continue to selectively use joint ventures, with Registered Providers and other development partners. This approach enables us to increase our market coverage over a larger number of developments using the same level of investment.

Our progress

We have maintained our landbank at circa 3.5 years delivery, with strategic land contributing around 10–15% of the current landbank.

The Orchards, Thornbury, exemplifies our approach to strategic land, with a landowner and local community benefiting from proactive promotion by Linden Homes, a developer 'partner' focused on delivering homes.

Having acquired an option on this site in 2014, our planning team identified an opportunity to submit an early planning application due to our detailed understanding of the local authority's housing need and projected delivery numbers. Following a period of extensive consultation with all stakeholders, including the town council and the wider local community, a planning application for 125 homes was submitted in January 2015. Planning consent was achieved in May 2016 and, because of our control over the site via an option agreement which reflected the investment risk of non-allocated land, we were able to agree terms with the landowner at a discount to open market value. Work on the scheme commenced on site in 2017.

> "Councillors on the planning committee stated that Linden Homes was a developer that actually listened.

Strategy in action

Partnerships & Regeneration

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

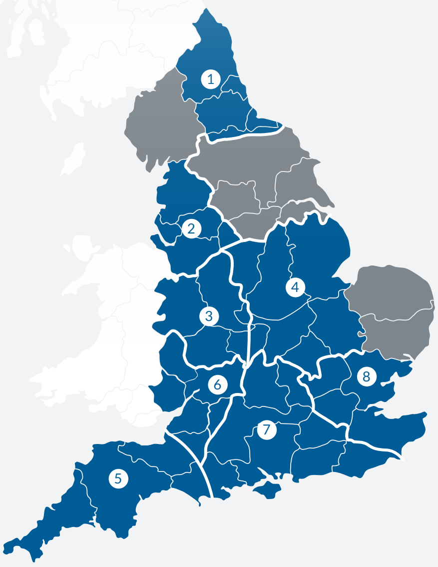
1 Grow national footprint

Our strategy
We intend to increase our national footprint by expanding into new geographies, with the aim of establishing a presence in Yorkshire in the 2018 calendar year.

Our progress
The acquisition of Drew Smith in May 2017 gave us a high-quality platform in the Southern region. We are delighted with the progress the business has made since the acquisition last year and, in particular, our success in crystallising the long-term land interests Drew Smith held in Eastleigh. This has enabled us to enter what we believe is a unique partnering arrangement with Eastleigh Borough Council, through which we will act as master developer and help the council to deliver more than 1,400 new homes. The innovative model allows the council to take a direct role in new housing delivery, accelerating the building of new homes for local people.

1,400
new homes to be built in partnership with Eastleigh Borough Council

> We are setting ambitious plans to take advantage of the significant opportunities in the private rental, mixed-tenure, affordable housing and regeneration sectors to support our strategy for growth.
>
> **Stephen Teagle**
> **Partnerships & Regeneration Chief Executive**



1. North East
2. North West
3. West Midlands
4. East Midlands
5. South West
6. West
7. South (Drew Smith)
8. South East

Potential operating areas

See Business review p33

2

Drive margin improvement by leveraging mixed-tenure expertise

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

Our progress
We have further extended our platform of joint ventures working with resourced, regionally-focused Registered Providers to establish strategic partnerships. As an example, we entered into a joint venture with Trafford Housing Trust to deliver 600 homes in Manchester and with Metropolitan Housing Trust for 171 homes in Nottingham.

We're very pleased to be working alongside Galliford Try Partnerships and Rushcliffe Borough Council, helping to meet local housing need with high-quality new homes.

Geeta Nanda
Metropolitan

This partnership is the first major contract for our recently established East Midlands team, helping us to further strengthen our national footprint as a leading regeneration specialist.

James Warrington
Partnerships & Regeneration Board

3

Unlock partners' capacity in sub-markets

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

Our progress
We had two notable successes in working with partners in attractive sub-markets. In September 2017, Legal & General appointed us to build a £120m buy-to-rent project in Walthamstow, creating 440 one-, two- and three-bedroom homes in a rapidly growing area of London. In February 2018, we announced our first collaboration with Sigma Capital Group, a leading provider of large-scale family housing schemes for the private rented sector. We will source sites for Sigma in the West and South West of England and take them through planning and construction, creating many hundreds of homes available for private rent.

£120m
buy-to-rent project in Walthamstow, creating 440 one-, two- and three-bedroom homes in a rapidly growing area of London

We are very pleased to be working with Galliford Try Partnerships on our first project together. Galliford Try Partnerships and Linden Homes have a well-established reputation for delivering high-quality new homes and we believe that there will be further opportunities to unlock additional development projects, especially as we continue our roll-out strategy for The PRS REIT plc.

Graham Barnet
Sigma Capital Group

Strategy in action

Construction

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

Our strategy

1

Retain our solid platform for sustainable growth

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

2

Improve our operations to drive margin progression

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

3

Deliver strong, predictable cash flows and margin improvement

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

See Business review p36

Our progress

Focusing on our people

Our people strategy includes a strong Equality, Diversity and Inclusion (EDI) focus on areas including gender, ethnicity and disability. This will help us to meet our business needs for and beyond our strategy period (page 44). This is supported by agile working arrangements and an EDI Action Plan targeted at continually improving the inclusivity of our governance, procedures, behaviours and resourcing.

This year, we have additionally developed a Leadership Framework which provides a foundation for career paths throughout the business. The core capabilities link to the values and behaviours required for leaders, showcasing what great leadership looks like.

The framework forms a cornerstone of our approach to key processes such as succession planning, development, high potential identification and recruitment.

Improving risk management

This year, we further strengthened our project approval process by introducing a new heat map approach, which appraises a project based on its inherent risk. The assessment covers a wide range of technical and other factors, including the project location, the type of work, the terms and conditions and the availability of people. Any project with a red flag must be approved by the Construction board. The project approval process is now separate from the regular monthly board meeting to ensure the directors can apply dedicated focus to considering the merits of each project.

Focusing on quality

Quality is critical for client satisfaction and for preventing additional costly work in rectifying problems. We are focusing on improving quality in two ways. First, we are using our experts to give practical on-site teach-ins on subjects such as fire stopping, so our people understand what they need to do to achieve the best result. Second, we are using technology to document and photograph our on-site quality control and upload the records centrally. This ensures we have the evidence that we are building to the right quality and makes the task much faster and simpler for our people. We have improved our customer satisfaction score to eight this year, out of a total of 10. Our Net Promoter Score is 59. This score can be as low as -100 if every customer is unhappy or as high as +100 if every customer is a promoter of the business. A score of above 50 is generally considered excellent, reflecting the progress we are making through our focus on quality and client satisfaction.

8/10

Our customer satisfaction score was 8 out of 10 this year, up from 7.93 the previous year

59

We have a Net Promoter Score of 59, which is considered excellent

Principal risks

Managing risk and uncertainty to deliver business performance

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

Our approach to risk and internal controls

Risks and uncertainties are inherent to the markets in which we compete, the regulatory environment in which we operate and the operational activities we perform in pursuit of our strategy. Our risk appetite, defined as the nature and level of risks that we are prepared to be exposed to, is discussed and agreed by the Board and is expressed in our Group strategy. This attitude to risk is then applied by the businesses and business units in their annual business plans and day-to-day operations. For example, at Group level, we have stated that we will not bid for large, fixed-price construction contracts that carry an unacceptable level of risk. At the business unit level, this appetite informs how opportunities are assessed and is enforced through the governance and review controls over bidding.

The Board also has overall responsibility for maintaining oversight of the Group's processes for identifying, assessing, managing and reporting on principal risks and the system of internal controls designed to manage them. The Board has reviewed the principal risks and uncertainties, including those that would threaten its business model, future performance, solvency or liquidity, together with the key mitigations in place, and the most significant risks are presented on pages 24 and 25. There may be other risks and uncertainties besides those listed which may also adversely affect the Group and its performance. In addition to the ongoing processes for monitoring our principal risks, during the year, the Board also carried out a comprehensive assessment of the general risk factors relating to the Group, which were included in the rights issue prospectus.

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

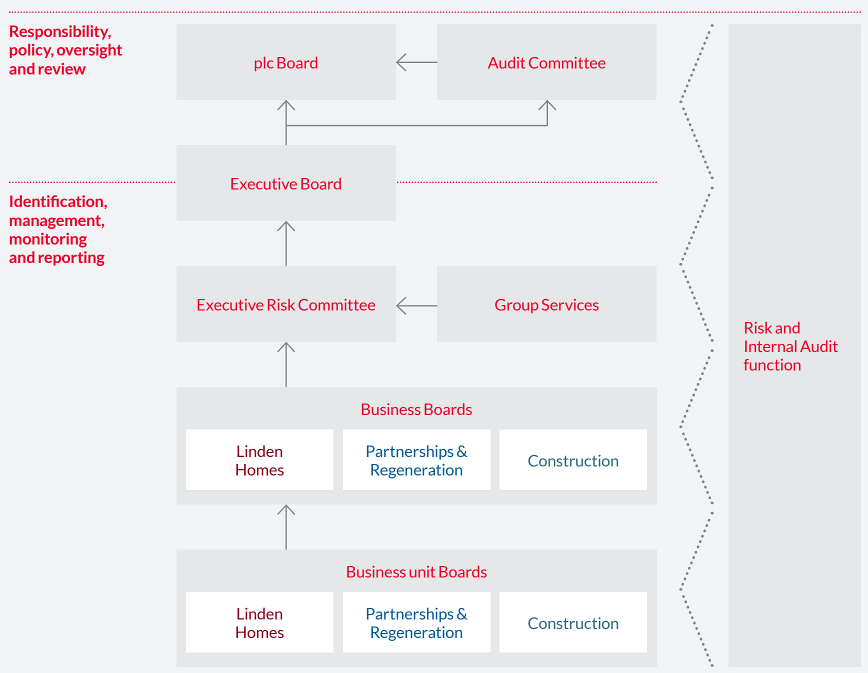
Risk management governance structure and process

The Group's risk management and governance structure, as shown below, highlights the way in which risks are identified, reported and managed within the frameworks set out by the Board. It is designed to facilitate both a bottom-up and top-down view of risk. The Board has delegated implementation of risk management and internal control, together with their day-to-day operation, to the Group's Executive management. The process is overseen by the Executive Risk Committee, which is chaired by the General Counsel and Company Secretary, and is managed on a day-to-day basis by the Director of Risk and Internal Audit. The Risk and Internal Audit function plays an integral role in facilitating the identification, reporting and management of risk throughout the governance structure.

Each business unit maintains a risk register, which captures the principal risks applicable to that business, the key mitigations in place and what further action is required to manage the risk. The business unit Board reviews the risk register twice a year. One of these reviews is facilitated by the Group Risk and Internal Audit function and includes an assessment of the likelihood and impact of each risk using defined risk assessment criteria and interactive voting software. The same methodology and review process is used to identify and assess the key risks at a business level.

The Executive Risk Committee meets three times a year and reviews the latest versions of each of the three business risk registers. Following each Risk Committee, the Group risk register is updated by the Director of Risk and Internal Audit and reviewed by the Executive Board and plc Board.

Risk management governance structure



The Audit Committee is responsible for keeping under review the adequacy and effectiveness of the Group's risk management processes and systems of internal control, and for reviewing and approving statements included in the Annual Report concerning internal controls, risk management and the Viability statement.

Internal control framework

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

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

Code of Conduct: the Group promotes a culture of acting ethically and with demonstrable integrity. Group standards are set out in a Code of Conduct which is communicated to all employees and supported by specific training modules in key areas.

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

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

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

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

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

Internal Audit: the Group Internal Audit function develops and delivers an annual programme of internal audits, which includes business unit key controls reviews, audits of business and Group processes and targeted risk reviews.

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

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

Viability statement

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

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

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

Principal risks
continued

Strategic priority 1	Strategic priority 2	Strategic priority 3
Drive operating efficiencies, so we increase margins, respond faster to changing market conditions and have strong foundations for delivering further top-line growth.	Maintain capital discipline, so we appropriately invest in growth opportunities, maintain a robust balance sheet and continue to pay strong dividends.	Operate sustainably, so we create longer-term value by balancing financial performance with our obligations to all our stakeholders.

Health and Safety (H&S)

Movement in the year

Link to strategy

3

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

Mitigation
We have operational controls in place, including an H&S site risk assessment for every site. We have processes in place which allow us to respond promptly and appropriately to incidents. Both the 'Golden Rules' and H&S database implemented in 2015/16 and the award-winning Challenging Beliefs, Affecting Behaviour safety programme help to reduce risk in this area.

Key risk indicators
- Increase in near misses and injuries.

Actions in 2017/18
- Restructured the H&S function so that it is aligned with each of our three businesses. This will facilitate the delivery of a service that is more tailored to each business' needs, supporting them to meet their objectives.

Economic

Movement in the year

Link to strategy

1 2 3

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

Mitigation
We manage the potential impact of economic downturn by building a strong order book in our contracting businesses and maintaining an appropriately-sized landbank.

Hurdle rates on land acquisitions are strictly applied and are regularly reviewed.

Where appropriate, we use joint ventures to reduce capital employed and share risks.

We manage our financial gearing by setting a maximum period-end level of net debt, and minimum facility headroom buffers, at all times, which we monitor continually.

Key risk indicators
- Interest rate increases.
- Consumer spending decreases.
- Unemployment increases.

Actions in 2017/18
- Continued to monitor the likelihood of interest rate rises, sales rates and visitor levels.
- Developed and rolled out standard house types to reduce costs and protect margins.
- Conducted early equity raising to pre-empt potential gearing issues arising from AWPR.

Government

Movement in the year

Link to strategy

1 3

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

Mitigation
The Group regularly engages with the government and Homes England, both directly and via our membership of industry bodies. Prudent pricing models, increased hurdle rates and other contingencies are built into our land appraisal process, including the removal of any government support. The Help to Buy scheme has been extended until at least 2021.

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

Actions in 2017/18
- Met with key clients and bodies such as the Ministry of Housing, Communities and Local Government and Homes England to feed back on emerging policy and potential and current issues.
- Participated in government initiatives including its leasehold consultation, the Letwin review and new National Planning Policy framework.
- Sought to influence plant procurement routes through trade bodies such as Build UK and CECA.

Legal and regulatory

Movement in the year

Link to strategy

3

Description of inherent risks
The legal and regulatory environment in which the Group operates is complex with the business required to comply with the legislation in relation to a wide range of areas, including bribery and corruption, competition, money laundering, health and safety, and building regulations. The introduction of the General Data Protection Regulation (GDPR) and new sentencing guidelines for health and safety breaches further increase the risk and consequences of non-compliance.

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

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

Actions in 2017/18
- Continued embedding of the Group's Code of Conduct, including quarterly messages from the Chief Executive.
- Established a GDPR steering group to manage our programme of activity to address the requirements of the regulation.

Commercial

Movement in the year

Link to strategy

1 3

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

Mitigation
We continue to provide management focus on our existing fixed-price contracts, no longer undertake infrastructure contracts on a fixed-price all-risk basis, and have robust review and approval controls for bids and contracts of this kind.

We have enhanced our risk management procedures, bringing greater rigour around contract selection.

Key risk indicators
- Profit margins.
- Slow or difficult cash recovery.

Actions in 2017/18
- Developed and implemented a risk-based heat map tool to support contract selection and bid approval.
- Introduced more rigorous controls at the contract acceptance and project completion stage gates within our business management system.

Customer satisfaction and quality control

Movement in the year

Link to strategy

1 2 3

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

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

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

Actions in 2017/18
- Developed and implemented a Delivering Excellence quality and client satisfaction framework within Construction.
- Continued the focus on customer satisfaction in all divisional and business unit Board meetings.
- Refocused incentive schemes in Linden Homes and Partnerships & Regeneration to emphasise this priority.

People

Movement in the year

Link to strategy

3

Description of inherent risks
The ability to attract, develop, retain and build relationships with a diverse range of high-quality employees impacts every level of the Group, from developing and building our products to succession planning for the Board, and is particularly important during a period of growth.

Mitigation
The Group has an established HR strategy based on best practice, Investors in People principles and relevant legislation which, among other things, includes the regular review of remuneration and benefits packages to ensure we remain competitive. Our succession planning and talent management processes enable continuity and identification of future leaders.

Key risk indicators
- Increase in staff churn.

Actions in 2017/18
- Made a further review of succession plans.
- Proactively targeted recruitment into key positions.
- Launched agile working practices.

Supply chain

Movement in the year

Link to strategy

1 3

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

Mitigation
The Group aims to 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.

The Advantage through Alignment programme in our Construction business facilitates greater engagement with our key supply chain partners and provides them with greater visibility of our pipeline of projects.

Key risk indicators
- Materials and trades shortages.

Actions in 2017/18
- Continued to embed Advantage through Alignment.

Balance sheet strength

Movement in the year

Link to strategy

1 2 3

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

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

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

Actions in 2017/18
- Our cash position and forecasts were subject to significant internal and external review as part of the process to prepare for the rights issue.
- The eight-week cash forecasting process was the subject of a review by Group Internal Audit.
- Dividend cover was increased, strengthening the balance sheet.

Financial review

Maintaining our strong platform for sustainable growth

This was another good year for the Group's underlying performance, which saw us deliver increased pre-exceptional margins from all three businesses, resulting in a record level of pre-exceptional profit.

Graham Prothero
Finance Director

Introduction

The Group delivered excellent results at the pre-exceptional level, with all three businesses showing improved margins as a result of progress against their strategic objectives. We were disappointed to incur further costs and cash outflows on the AWPR contract which, exacerbated by the failure of Carillion, prompted us to propose a rights issue in February. We are grateful for shareholders' robust support for the equity raise. We ended the year with a strong balance sheet and continued confidence in our strategy to 2021.

Results

Revenue including joint ventures rose 11% to £3,132m (2017: £2,820m). Group revenue, which excludes our share of joint ventures, was up 10% at £2,932m (2017: £2,662m).

Pre-exceptional profit from operations, which is stated before finance costs, tax and our share of joint ventures' interest and tax, rose 24% to £213.1m (2017: £171.2m). This contributed to pre-exceptional profit before tax of £188.7m, up 28% from £147.6m in 2017, reflecting revenue growth and improved pre-exceptional margins across the Group. Profit before tax was £143.7m (2017: £58.7m), after the exceptional charge relating to the AWPR contract (see note 3 and Exceptional items for more information).

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

	2018 £m	2017 £m
Profit before income tax	**143.7**	58.7
Charge on legacy contracts	**45.0**	87.9
Abortive merger costs	**–**	1.0
Pre-exceptional profit before income tax	**188.7**	147.6

Average net debt during the year, excluding the net cash received from the rights issue, was £227m, which was below our guidance of circa £240m and reflects our rigorous focus on cash management. Year-end net cash was £98.2m (2017: £7.2m).

Throughout this report, the Group has included alternative financial performance indicators alongside standard measures, which are used to manage performance. These measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors. An explanation of these measures and reconciliation to its statutory measures are detailed in note 36.

Linden Homes

Linden Homes continued to increase unit numbers and benefited from a higher average selling price, resulting in revenue up 1% to £947.3m (2017: £937.4m). This included sales of land into joint ventures of £8.6m (2017: £24.3m).

Linden Homes' gross margin was 23.6%, up from 23.0% in 2017. Realised profits from land sales to joint ventures were £6.5m (2017: £14.6m). Excluding these, the gross margin from house sales was 23.0% (2017: 21.3%), beginning to demonstrate the benefits of increased standardisation.

Profit from operations rose by 8% to £184.4m (2017: £170.3m), resulting in an operating margin of 19.5%, up from 18.2% in 2017. Our work to rationalise our processes meant overheads continued to reduce and were 4.1% of revenue in 2018 (2017: 4.8%). This resulted in an operating margin of 19.5%, up from 18.2% in 2017, producing an 8% increase in profit from operations to £184.4m (2017: £170.3m). Excluding profits from land sales into joint ventures, the operating margin for the year was 19.0% (2017: 17.0%).

Return on net assets was 30.5%, up from 28.0% in 2017.

Partnerships & Regeneration

Partnerships & Regeneration grew revenue by 44% to £475.2m (2017: £330.2m), benefiting from increasing client investment and our geographic expansion, including a full year contribution from Drew Smith. Revenue from mixed-tenure developments rose by 51% to £123.9m (2017: £82.2m), while contracting revenues were 42% higher at £351.3m (2017: £248.0m).

Profit from operations rose by 58% to £23.6m (2017: £14.9m). The blended operating margin improved further to 5.0% (2017: 4.5%), primarily due to the growing proportion of higher-margin mixed-tenure work, supported by improved contracting margins.

Our increased investment in mixed-tenure developments contributed to net debt in the business of £41.8m at 30 June 2018 (2017: £39.3 m). We intend to continue with modest investment in working capital in Partnerships & Regeneration, as it seeks growth in higher margin mixed-tenure projects, recognising always that the key measure of success in this business is the return generated on the capital we invest.

Return on net assets was 48.2% (2017: 40.7%).

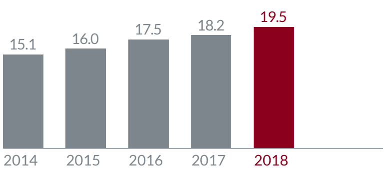
Construction

Revenue grew by 11% to £1,687.4m (2017: £1,526.9m). The business continued to prioritise selective bidding and margin enhancement over turnover growth. The pre-exceptional profit from operations was £15.9m (2017: loss of £0.9m), representing a margin of 0.9% (2017: 0.0%). The loss from operations was £29.1m (2017: £88.8m), after the additional costs to complete the AWPR contract. The portfolio of newer work is performing well and delivering appropriate margins that reflect the associated risk profile.

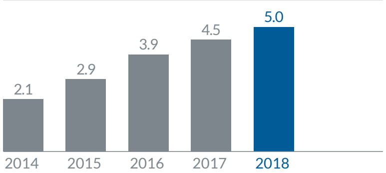
Group financial performance

- Revenue up 11% to £3,132m (2017: £2,820m)
- Pre-exceptional profit before tax up 28% to £188.7m (2017: £147.6m)
- Profit before tax up 145% to £143.7m (2017: £58.7m)
- Pre-exceptional Group return on net assets increased to 29.2% (2017: 27.5%)
- Exceptional charge of £45.0m (2017: £88.9m)
- Strong financial position, with Group year-end net cash of £98.2m (2017: £7.2m)
- Investment in Linden Homes' developments, including joint ventures, up to £752.5m (2017: £733.8m)
- Margin in Partnerships & Regeneration up from 4.5% to 5.0%
- Construction cash balance reduced to net debt of £26.0m, as a result of legacy contracts (2017: cash of £137.4m)
- Equity up by £201.0m to £776.5m (2017: £575.5m)
- Net tangible assets up by 52% to £601.6m (2017: £396.4m)

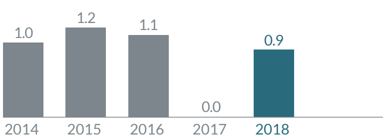
Linden Homes operating margin %



Partnerships & Regeneration operating margin %



Construction pre-exceptional operating margin %[1]



1 The reported margin in 2017 was (5.8)%.

The Building division generated a profit from operations of £11.6m (2017: loss of £12.0m), with a margin of 1.1%. Infrastructure's pre-exceptional profit from operations was £4.3m (2017: £11.1m), representing a pre-exceptional margin of 0.7% (2017: 2.0%). After the exceptional charge, Infrastructure's operating loss was £40.7m (2017: £76.8m). Further comments relating to specific projects are provided in the Construction business review.

PPP Investments

PPP Investments reported revenue of £21.7m (2017: £25.0m), with a profit from operations of £6.8m (2017: £2.4m), reflecting profits on sales of investments.

Exceptional items

As described in the Chief Executive's review on page 10, we have made very good progress towards completion of the AWPR. During the year we reported a further exceptional charge of £45.0m, which reflected the additional share of costs taken on following the insolvency of Carillion, one of our two joint venture partners, and further cost rises in the second half of the financial year, driven mainly by poor weather conditions. The total additional charge to date is £123m, of which £120m has been classified as exceptional. Our provisioning for the loss on this project reflects our current estimate of the final costs, and is reduced by an estimate of our share of significant claims against the client and others, which are yet to be agreed and concluded. This inherent uncertainty will be resolved only when the project is complete and the claims finally settled.

Exceptional items in 2017 totalled £88.9m. Of this, £87.9m was in respect of losses on two major infrastructure projects, with the larger proportion relating to AWPR. A further £1.0m represented professional fees in respect of the abortive merger proposal with Bovis Homes Group plc.

Taxation

The pre-exceptional items effective tax rate was 18.0% (2017: 18.6%), which compares with the standard corporation tax rate of 19.0%. We believe our effective tax rate will remain just below the headline rate of corporation tax for the foreseeable future. After exceptional items, the effective rate was 17.7% (2017: 17.0%).

We have published our tax strategy, which is available from our website at www.gallifordtry.co.uk. In summary, we look to comply with both the letter and spirit of relevant regulations while minimising the Group's tax burden. We also aim to have an open, honest and positive relationship with HMRC.

Earnings and dividend

Pre-exceptional earnings per share increased by 21% to 158.4p (2017 restated: 131.1p). After exceptional items, earnings per share were 121.1p (2017: 53.1p). Details of the calculation of earnings per share can be found in note 9 to the financial statements.

The directors are recommending a final dividend of 49.0p per share which, subject to approval at the AGM, will be paid on 5 December 2018 to shareholders on the register at 9 November 2018. Together with the interim dividend of 28.0p per share paid in April, this will result in a total dividend in respect of the year of 77.0p per share (2017 restated: 86.0p per share). The reduction in the dividend is a result of the Board's decision to bring forward plans to increase dividend cover to 2.0 times, based on pre-exceptional earnings, as announced at the time of the rights issue, in addition to the impact of the new shares issued as a result of the rights issue. The total dividend in 2017 was 1.6 times covered by pre-exceptional earnings.

The cost of the final dividend is £54m, resulting in a total dividend cost relating to the year of £78m (2017: £79m).

Financial review
continued

Q A

Why was the dividend cover increased to 2.0 times?

The Board is committed to a dividend strategy which fairly and prudently allocates profits between, on the one hand, providing returns to our shareholders and, on the other hand, further investing in the growth potential of the businesses and strengthening the balance sheet which protects against the risks in cyclical markets. We approach this by setting a target level of dividend cover. In our strategy document, published in February 2017, we indicated our intention to increase this cover up to two times during the strategy period. We took the opportunity of the rights issue to accelerate this adjustment, moving immediately to cover of 2.0x, which both provides clarity and enables the dividend to progress in line with profits after the current year.

Cash and equity

Net cash at the year end was £98.2m (2017: £7.2m). Group average net debt excluding the benefit of the proceeds from the rights issue during the year was £227m (2017: £240m). Cash remains a prime focus in Construction and we continue to prioritise cash profile as part of our contract bidding process. The business had an average net debt balance of £44m during the year. At the year end, net debt balances in Construction stood at £26.0m (2017: net cash of £137.4m), with the reduction principally reflecting the burden of AWPR.

The year-end net capital employed in developments and joint ventures was £753m (2017: £734m) in Linden Homes and £139m (2017: £93m) in Partnerships & Regeneration. We continue to purchase land on deferred payment terms where possible. Land creditors remained steady at £144m.

Total equity increased by £201.0m to £776.5m (2017: £575.5m), while tangible net assets increased by £205.3m to £601.6m (2017: £396.4m). This represented net assets per share at 30 June 2018 of £6.99 (2017: £6.94) and tangible net assets per share of £5.42 (2017: £4.78).

Return on net assets

Group return on net assets is a key measure for assessing our performance. It is calculated as profit before tax, finance costs and amortisation, divided by average net assets. On a pre-exceptional basis, it increased to 29.2% from 27.5%, reflecting pre-exceptional profit growth across the Group. On a reported basis, Group return on net assets was 24.9% (2017: 14.0%).

Pension and share scheme costs

The Group operates a single defined contribution pension scheme which all employees can join, as well as three closed defined benefit schemes (as set out in note 31).

The total pension cost charged to the income statement was £19.3m (2017: £16.6m).

Under IAS 19 'Employee Benefits' there is a net surplus in the Group's final salary pension schemes. This was calculated at 30 June 2018 by an independent actuary. The gross surplus recognised on the balance sheet is £7.0m (2017: £3.2m deficit).

The latest valuation of the Galliford Try Final Salary Scheme showed a deficit of £16.7m as at 30 June 2015. The latest valuations of the Group's other schemes showed a deficit of £1.2m.

The Group maintains an active and constructive dialogue with the trustees, in order to ensure that the Final Salary Scheme is appropriately funded and has a viable plan to achieve self-sufficiency in the medium term. The Group made annual deficit funding payments of £6.8m to the schemes. Further details of the Group's pension arrangements can be found in note 31 to the financial statements.

Amounts charged to the income statement in respect of employee share schemes amounted to £2.8m in 2018. Further details can be found in note 28 to the financial statements.

Treasury management and financial instruments

The Group operates under Board-approved treasury policies and procedures. Our financial instruments principally comprise bank borrowings, a debt private placement, interest rate swaps, and cash and liquid resources that arise directly from our operations. We do not trade in financial instruments.

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

Interest rate risk is the main risk arising from our financial instruments. Our policy is to accept a degree of interest rate risk and we have entered into a swap agreement, which is described under Capital structure and funding on the following page. The debt private placement provides further protection against interest rate rises.

Virtually all of our activities take place in the UK. We hedge significant overseas purchases of construction materials when we enter into the contract, so we avoid the risk of currency fluctuations. The Group had no material foreign currency exposure at 30 June 2018.

Maximum credit risk exposure

The directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 30 June 2018. Further information can be found in notes 19 and 26 to the financial statements.

Contingent liabilities

The directors ensure that contingent liabilities, as described in note 33 to the financial statements, are appropriately assessed, documented and monitored.

Going concern

The Group's statement of going concern, together with further related information, can be found in the Directors' report on page 73. The principal risks and uncertainties that could affect the Group's future financial performance are detailed on pages 22 to 25.

The Group has £550m of debt facilities, which gives us substantial headroom as we look to retain a prudent and flexible balance sheet, while investing in our growth strategy.

Critical accounting policies and assumptions

The Group's principal accounting policies are set out in note 1 to the financial statements, together with a description of the key estimates and judgments affecting the application of those policies and amounts reported in the financial statements. There were no significant changes to the Group's critical accounting policies or assumptions in the year.

We are completing our work on the implementation of IFRS 9 and 15, which will apply for the year ending 30 June 2019. Details are set out in note 1 to the financial statements. We are conducting a review of the changes in operation, control and reporting implied by IFRS 16 (Lease accounting), which we will apply from 1 July 2019, and will update further on this in due course.

Graham Prothero
Finance Director

Capital structure and funding

The Group is funded by ordinary shares, retained profits, a single bank facility and a debt private placement.

As discussed in the Chairman's statement and the Chief Executive's review, on 14 February 2018 we announced a capital raising alongside our interim results. This was only one month after Carillion's compulsory liquidation, meaning there was insufficient time to prepare a prospectus and secure underwriting in terms of the price per share. HSBC and Peel Hunt therefore fully underwrote the issue on a standby basis, giving us certainty about the proceeds the Group would receive.

On 27 March 2018, we announced a one for three rights issue of 27,741,204 new ordinary shares, at a price of 568p per share. This represented a discount of 32.8% per share to the theoretical ex-rights price of 937.5p per share at the close of business on the previous day. We were pleased with investors' response to the proposed issue, such that the share price implied a discount to the price on the day before the announcement of the standby arrangement of 33.5%, after adjusting for the dividend paid on 6 April, in line with the typical discount for a rights issue.

On 16 April 2018, we announced that we had received valid acceptances in respect of 25,385,074 new ordinary shares, representing approximately 91.5% of the new shares to be issued. The remaining 2,356,130 new shares were quickly and successfully placed at 860p per share. In total, the rights issue raised gross proceeds of £157.6m.

The Group has £550m of debt facilities, which gives us substantial headroom as we look to maintain a prudent and flexible balance sheet, while investing in our growth strategy. We have a target of period-end gearing of no more than 30%.

We have an interest rate swap for £100m at 1.4%, which runs until 2020. This locks in a low interest rate and gives us certainty about the cost of a portion of our debt. Our £100m private placement also has a fixed interest rate.

In line with our growth ambitions, net assets increased to £212.5m in Linden Homes and £56.6m in Partnerships & Regeneration. More information can be found in note 2 to the financial statements. In both of these businesses, we make strategic use of the joint venture model which, as well as diversifying location-specific risk and increasing our outlet numbers, significantly reduces our capital requirement, thereby optimising the deployment and efficiency of our own cash. Our joint ventures also use bank funding, which has limited recourse to Galliford Try. At 30 June 2018, this funding totalled £55m.

The land market remains favourable and we continue to take advantage of deferred land payments, minimising our working capital and improving our returns.

Our business

Linden Homes

The business performed well, with the continued drive for efficiencies delivering increased volume and margins, and good progress towards its strategic priorities.

Linden HOMES

Highlights

Operating margin was up to 19.5%
(2017: 18.2%)

Completions rose to 3,442
(2017: 3,296)

Revenue increased to £947m
(2017: £937m)

Sales rate per outlet per week was 0.59
(2017: 0.62)

Sales in hand were £366m
(2017: £373m)

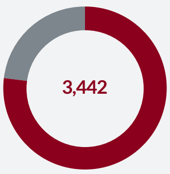
Landbank of plots up to 11,400
(2017: 10,650 plots)

100% of land secured for 2019 financial year and 81% secured for 2020
(2017: 100% and 90%)

Performance

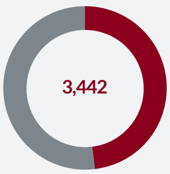
	2018	2017
Revenue (£m)	**947.3**	937.4
Profit from operations (£m)	**184.4**	170.3
Operating profit margin (%)	**19.5**	18.2
Completions	**3,442**	3,296

Completions by sector



Private	2,587
Affordable	855

Completions by region



East	1,657
West	1,785

Linden Homes' financial performance is discussed in the Financial review on p26

The business increased completions to 3,442 units (2017: 3,296), with private housing accounting for 2,587 (2017: 2,537) and affordable housing accounting for 855 (2017: 759). Excluding our joint venture partners' share, completions rose from 2,876 in 2017 to 2,903 in 2018.

Average selling prices were £367,000 for private housing, up 4% (2017: £354,000) and £134,000 for affordable homes, up 11% (2017: £121,000). The slightly higher average selling price principally reflects sales in London in the year, which made up a relatively small proportion of our units but had much higher than average selling prices. We continue to expect average selling prices to reduce over the strategy period to 2021, reflecting increased standardisation and the growth in regions away from the South East.

There were 85 active selling sites on average during the year, up from 77 in 2017. Sales per site per week were slightly lower at 0.59, compared with 0.62 in the previous year. Cancellation rates were steady at 19% (2017: 19%). Sales in hand at the end of the financial year were £366m (2017: £373m).

During the year, we introduced our third generation of standard layouts, The Linden Collection. Our target is for 80% of our planning applications to use these layouts by 2021. We already have 84% of units in our current planning applications using standard layouts and we reached 64% using third-generation layouts during the year. The plots being built using these layouts are showing the expected benefits in reduced build costs. The layouts have also ensured we have a better product range, giving us the best opportunity of delivering to the marketplace products that more closely match the target market within our regional markets.

Encouraging more women into the housebuilding industry

The context

Although there is roughly a 50:50 split of working men and women in the UK, data from the Office for National Statistics shows women make up less than 15% in our industry.

What we are doing

We actively work to encourage women into our industry from all walks of life and a variety of backgrounds across our Group as outlined on page 45. Our programme to date has included creating a women's network to focus on initiatives to attract and retain women in the industry. In Linden Homes in particular, we have also trained a number of employees to undertake 'Fairness, inclusion and respect ambassador' roles as well as sponsoring Women in Property and supporting Forward Ladies, the UK's largest business support network for women in business, by asking employees to complete the Women in STEM (Science, Technology. Engineering and Mathematics) Research Survey 2017.

The outcome

This year, our efforts were recognised by NextGeneration, which benchmarks the sustainability performance of the UK's largest homebuilders. We were awarded the initiative's Innovation Award for our commitment to diversity and inclusion and the promotion of women within the property industry. Within our business, we continue to recognise the success of these initiatives with growing numbers in key disciplines.

Delivering family homes in high demand locations

The context
The Halifax Quality of Life Survey has consistently listed Wokingham as one of the best places to live – and one of the UK's top places for bringing up children, making it an increasingly sought-after location for homebuyers. An independent assessment of the area's housing needs (the Strategic Housing Market Assessment) showed that the borough will need to accommodate about 850 new homes a year up to 2036.

What we did
We submitted a detailed planning application for new homes and public open space on land which now forms the Copsewood, a high-quality residential scheme.

The outcome
Following approval, we are providing 93 new homes, including a mix of two- to five-bedroom houses, and one- and two-bedroom apartments which contribute to meeting identified housing need. The new neighbourhood has been carefully considered to ensure that over 40% is open green space for use by both new and existing residents. Our homes are built to the latest standards and are more energy-efficient than the equivalent Victorian houses, helping to reduce the cost of utility bills by roughly 50%. We have created more than 130 new jobs on site, primarily with local contractors, and delivered just over 5% affordable housing.

93
new homes which contribute to meeting an identified housing need

40%
green open space

130
new jobs on site

Our business
Linden Homes
continued

Conditions in the supply chain remain challenging but manageable, for both labour and materials. As we grow our output, we need to ensure we retain our strong relationships with our supply chain partners, so they can support that growth. We have encouraged partner subcontractor feedback to incorporate in the 'working details' within our third-generation Linden Collection layouts. All of our business units actively engage with their local supply chains, giving them visibility of our plans to help them manage their workloads.

We launched an apprentice and trainee programme this year, as we invest to get a wider range of young people interested in working in the industry. The two-year programme provides vocational training in a range of disciplines including commercial, technical, sales, site management and procurement. We now have trainees in all disciplines and business units and, for the third year, have sponsored and joined the regional and national judging panel for the graduate Women in Property awards.

The land market remains favourable, allowing us to secure the plots we need with robust assumptions. At the year end, we had a landbank of 11,400 plots (2017: 10,650), which we estimate is equivalent to around 3.5 years' supply and provides a sustainable business platform. The figure represents sites we own and control, including sites under option but excluding our longer-term options on strategic land, discussed below.

Around 87% of Linden Homes' landbank relates to houses, with the remainder apartments. The average cost per plot is £69,000 and the expected average selling price per plot is £292,000. The gross development value of our landbank was £3.3bn at the year end (2017: £3.2bn).

Our strategic land team continues to identify attractive opportunities and we now have a representative in each of our business units. At 30 June 2018, our strategic land holdings stood at 2,730 acres (2017: 2,396 acres) and we expect to generate more than 13,270 plots from this land. Linden Homes has 100% of required land in place for the 2019 financial year and 81% secured for 2020.

Linden Homes has a strong pool of joint venture partners, such as Registered Providers. Joint ventures allow us to secure larger sites, reduce capital investment in a single site and gain additional points of sale. As discussed in the Financial review on page 26, we made further land sales into joint ventures this year. This will remain a feature of our business model, as we carefully select sites which suit this approach.

We continue to be rated four stars in the National House Building Council (NHBC) customer satisfaction survey. While this is a pleasing result, we are striving for five-star status and reward our staff on the high levels of customer satisfaction achieved in their business units.

For the third year in a row, Linden Homes was rated Silver for its sustainability performance in NextGeneration's independent Sustainability Benchmark of the top 25 housebuilders. The business received a score of 71% against the average of 38%, ranking it fourth overall. Particular strengths highlighted were health and safety, design and placemaking, and energy and carbon. We were also awarded NextGeneration's Innovation Award for Inclusion and Diversity for going "far beyond" the criteria set by the benchmark.

Outlook

Linden Homes has made a good start to the new financial year. The business has a solid forward order book, an optimal-length landbank equivalent to 3.5 years, and a growing strategic landbank. As part of the strategy to 2021, the business remains focused on delivering higher margins through continued process improvement, the benefits of product standardisation and enhancing our strategic landbank.

Developing our staff to plug the skills gap

The context
The Chartered Institute of Building (CIOB) states the industry will need to find 157,000 new recruits by 2021 in order to keep up with demand.

What we are doing
To attract new talent into the industry, we have been educating those currently studying so they are informed of roles within housebuilding through our new, tailored and structured management trainee scheme.

The programme is set over a three-year period and sees trainees working towards a set career path. It has various entry routes into the scheme, from BTEC to A-levels, ensuring that it is inclusive and welcoming to a broad range of learners.

Trainees work towards professional qualifications while learning personal skills courses, including communication, time management, problem-solving and presentation skills, with the support of an assigned mentor.

The outcome
The current retention rate among this group is 92%, above the initial benchmark of 90%.

> The combination of on-the-job training while studying for a qualification really appealed to me. I can see a clear career path and, with the support of my mentor and the wider company, I'm confident in my future at Linden Homes.

Jemima Marsh
Trainee Quantity Surveyor

Our business

Partnerships & Regeneration

We had an excellent year in Partnerships & Regeneration as we continued to grow our revenue from mixed-tenure schemes, improved our margin further and increased our contracting order book to record levels.

Highlights

Mixed-tenure revenue increased by 51% to £124m, from 751 completions
(2017: £82m and 594 completions)

Contracting revenue rose 42% to £351m
(2017: £248m)

Margin improved further to 5.0%
(2017: 4.5%)

Landbank of 3,300 plots
(2017: 2,700)

Contracting order book increased to £1,196m
(2017: £1,032m)

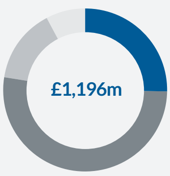
Mixed-tenure sales carried forward of £160m
(2017: £77m)

Strong contributions from new Southern and East Midlands regions

Performance

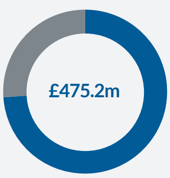
	2018	2017
Revenue (£m)	**475.2**	330.2
Profit from operations (£m)	**23.6**	14.9
Operating profit margin (%)	**5.0**	4.5
Completions	**751**	594
Equivalent contracting units	**2,000**	1,600
Order book (£m)	**1,196**	1,032

Order book



North	£304m
South	£626m
Central	£174m
Drew Smith	£92m

Revenue



Contracting	£351.3m
Mixed-tenure	£123.9m

Partnerships & Regeneration's financial performance is discussed in the Financial review on p26

The business completed 751 mixed-tenure units at an average selling price of £220,000 (2017: 594 units and £186,000). We also completed around 2,000 equivalent contracting units, compared with 1,600 in the previous year. We ended the year with mixed-tenure sales carried forward of £160m (2017: £77m) and a landbank of 3,300 plots (2017: 2,700). The contracting order book stood at £1,196m (2017: £1,032m), giving the business a record total order book of £1.4bn, providing strong visibility of future work.

During the year, Partnerships & Regeneration secured a number of major projects. These included a new joint venture with Trafford Housing Trust to deliver a £100m, 600-home regeneration scheme in Partington, Greater Manchester; an extension of three sites to our existing joint venture with Gateshead Council; and selection as a development partner by Ealing Council for an estimated £275m regeneration scheme to create 471 new homes and a new council headquarters. The business was also appointed by Eastleigh Borough Council to project-manage the delivery of 1,400 new homes, in an innovative development model (page 18), and formed its first mixed-tenure joint venture with Metropolitan Housing Trust on a site in Nottingham (page 19).

On a contracting basis, the business will deliver a £120m, 440-home buy-to-rent scheme in Walthamstow for Legal & General; will collaborate with Sigma Capital Group to deliver high-quality homes for private rent (page 19); and was appointed by a joint venture between Genesis Housing Association and Queens Park Rangers Football Club to construct a £155m scheme for 605 new homes in West London. Partnerships & Regeneration has also begun work on its largest-ever contract to build 975 mixed-tenure homes at the Brunel Street Works site off Silvertown Way in Canning Town, London on behalf of Opal, a joint venture between Galliford Try and Thames Valley Housing.

In July 2017, Partnerships & Regeneration was reappointed to Homes England's Delivery Partner Panel 3. This four-year framework agreement is used by Homes England, local authorities, Registered Providers and other public sector bodies to streamline their procurement processes by providing access to pre-qualified housing developers. In London, we were appointed to the Greater London Authority's (GLA's) London Development Panel, a four-year framework agreement.

Creating mixed-tenure differentiation with the Linden Homes retail brand

We have formed one of the largest joint ventures in the North West between a housebuilder and a Registered Provider, as part of a major regeneration opportunity worth more than £100m to transform an area of Greater Manchester.

The properties will be a mix of one- to five-bedroom homes, including apartments and family homes. Some will be available for open-market sale, under the Linden Homes brand. Doing this enables us to benefit from the trusted retail brand of Linden Homes, and from Linden's expertise in terms of efficient build process and procedures, and sales platform.

Our business
Partnerships & Regeneration
continued

Housing an ageing population

The context
The Office for National Statistics states that the population in the UK is getting older, with 18% aged 65 and over, and 2.4% aged 85 and over. This demographic change demands better housing options for older people, helping them to stay healthy and to support them to live independently.

What we are doing
Working with our partners to build high-quality homes and care facilities is a key priority, and over the last seven years we have built over 40 developments specifically for the elderly or those with specialist care needs. We work with more than 20 different clients across the country and specialise in building retirement villages, with a longstanding relationship with the Extra Care Charitable Trust (ECCT).

The outcome
Our collaborations with ECCT have led to the construction of 11 retirement villages across the Midlands, the South East and the South West, providing more than 2,700 high-quality homes and supporting facilities.

18%
of the population are aged 65 and over

40+
retirement villages have been built by us

The geographical expansion of the business is progressing well. The new operating platforms in Bristol, Leicester and Southampton (following last year's acquisition of Drew Smith) all contributed during the year, winning contracts with Registered Providers, local authorities and institutional investors. We remain on track to open a new office in Yorkshire by the end of 2018.

We have been highly successful at recruiting people to support our growth and have doubled the number of employees in the business to 840 over the last two years. During the year, we introduced a new training platform, Leaders in Regeneration, as well as implementing an induction process and launching mentoring and career development pathways. This has contributed to a marked improvement in retention and provided greater visibility of the opportunity to tailor career development and for mentoring, as well as for career growth as the business expands.

The business has increased its focus on customer service, introducing processes at site level and at the development and planning stages to ensure continuous improvement in the customer journey and customer satisfaction. In addition, we are working to improve our forward visibility to give time to bring schemes through and complete pre-planning before we start on site.

We have a very strong joint venture platform with Registered Providers, across Partnerships & Regeneration and Linden Homes, worth over £3.5bn by gross development value. We have strengthened our joint venture governance by creating a specialist company secretarial post.

Outlook

Market conditions are positive, as we expect continued investment in our sector from Registered Providers, local authorities, institutions and government agencies. Our visibility of future work is strong and, in addition to our forward order book, we have a robust pipeline of projects at preferred bidder stage or where we are working with a partner to develop a solution for a particular site. We are therefore confident that we will meet our growth aspirations to 2021.

Responding to the need for affordable housing

The context
The government's ambition is to build 300,000 homes per annum of all tenures, with a funding budget of £44bn supporting delivery to 2021. Research by Savills suggests there are 100,000 households in need of low-cost housing per year.

What we are doing
The market has a financially robust purchasing sector of Registered Providers and local authorities. We continue to build on existing relationships, including with our 68 Registered Provider clients, an excellent relationship with the Greater London Authority and direct grant programmes with Homes England for the period to 2021.

The outcome
We deliver affordable homes through schemes such as Blackberry Hill, where we are working in partnership with Homes England, Bristol City Council and Sovereign Housing Association to create 346 much-needed, high-quality new homes, including 100 affordable homes, along with retail and start-up business units, a community building and green spaces.

100,000
households are in need of low-cost housing per year

£110m
of direct funding has been awarded to us by Homes England over the past 10 years

Our business

Construction

Construction delivered a strong underlying performance, maintaining a high-quality order book and focusing on its selective bidding process.

GallifordTry Morrison Construction

Highlights

Order book of £3.3bn
(2017: £3.6bn)

Secured 87% of this year's planned revenue
(2017: 85%)

Pre-exceptional Construction margin of 0.9%
(2017: 0.0%)

Revenue of £1,687m
(2017: £1,527m)

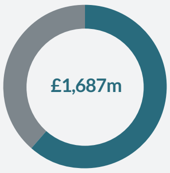
Cash affected by legacy contracts, with year-end debt balance of £26.0m
(2017: cash of £137m)

Exceptional charge of £45.0m

Performance

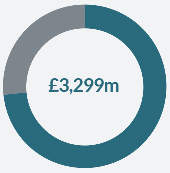
	Pre-exceptional 2018	2018	Pre-exceptional 2017	2017
Revenue (£m)	**1,687.4**	**1,687.4**	1,569.3	1,526.9
Profit/(loss) from operations (£m)	**15.9**	**(29.1)**	(0.9)	(88.8)
Operating profit margin (%)	**0.9**	**(1.7)**	0.0	(5.8)
Order book (£bn)	**3.3**	**3.3**	3.6	3.6

Revenue by division



- Building £1,038m
- Infrastructure £649m

Order book by division



- Building £2,423m
- Infrastructure £876m

Construction's financial performance is discussed in the Financial review on p26

We made further progress with our legacy contracts during the year, as discussed in the Chief Executive's review on page 10, with these contracts being materially finished on the ground by the date of this report. We continue to work to finalise the commercial accounts on these contracts. Completing the legacy contracts will free up considerable management time and energy, enabling us to look forward and lead the business into the future. In our Infrastructure business, we are in a process to recover entitlement to work in progress of circa £30m in respect of three contracts for a single client. The costs associated with these projects have been significantly impacted by client driven scope changes and, based on two favourable adjudications, we remain confident of recovery of our entitlement, although delays in resolving this have reduced our anticipated cash in the year.

We have continued to enhance our project approval process, ensuring we only take on projects with appropriate levels of risk and anticipated profit (page 20).

Both the Building and Infrastructure divisions were successful at winning new work during the year and were appointed to contracts and frameworks worth over £1.05bn and £548m respectively.

Building

Performance

	2018	2017
Revenue (£m)	**1,038.0**	1,014.1
Profit/(loss) from operations (£m)	**11.6**	(12.0)
Operating profit margin (%)	**1.1**	(1.2)
Order book (£bn)	**2,423**	2,588

Building's financial performance is discussed in the Financial review on p26

Significant wins for Building included being appointed to all six lots it bid for on the Education and Skills Funding Agency's new school-building framework, worth up to £3.1bn in total; a place on the £750m North Eastern Universities Purchasing Consortium major capital projects framework; and being appointed primary contractor on the £250m University of Strathclyde major building works framework.

Delivering the UK's infrastructure

The context
The government has put infrastructure at the heart of its economic plan, with an aim to increase the nation's living standards, drive economic growth and boost productivity through the National Infrastructure and Construction Pipeline. This sets out details of over £460bn of planned infrastructure investment across the public and private sectors, £78.5bn of which is in the transport sector.

What we are doing
We have implemented a new structure, comprising four business units: Highways; Rail & Aviation; Environment; and Scotland & International. This renewed focus is supporting our plans to increase our market share in the regulated transport sector, where there is significant opportunity to enhance facilities for the travelling public and increase capacity for the UK.

The outcome
We have further strengthened our relationship with key contracts as detailed above and have an order book of £876m in the infrastructure sector.

£0.9bn
of our order book is in Infrastructure

Infrastructure

Performance

	Pre-exceptional 2018	2018	Pre-exceptional 2017	2017
Revenue (£m)	**649.4**	**649.4**	555.2	512.8
Profit/(loss) from operations (£m)	**4.3**	**(40.7)**	11.1	(76.8)
Operating profit margin (%)	**0.7**	**(6.2)**	2.0	(15.0)
Order book (£bn)	**876**	**876**	982	982

Infrastructure's financial performance is discussed in the Financial review on p26

Major wins for Infrastructure included places on four lots of the £1bn YORCivil2 framework and the new Highways and Infrastructure Construction Works framework, worth a potential £200m in total, as well as a £67m smart motorways contract with Highways England.

At 30 June 2018, our order book was £3.3bn (2017: £3.6bn). Of this, 75% was in the public sector (2017: 74%), 10% was in regulated industries (2017: 13%) and 15% was in the private sector (2017: 13%). The business has secured 87% of planned revenue for the 2019 financial year. Generating a high level of work through frameworks is an important part of our business model and they provided 73% of our year-end order book (2017: 74%).

Our aim is to be a business people want to work in. The Group's focus on smart and agile working (page 45) is important for helping us to attract a diverse workforce. We are also focusing on how we bring people into the business and have trained our people to enhance their interviewing skills. This will help us to assess whether candidates are aligned with our culture, including their values, ethics and attitude to safety. Each month, a member of the Construction Board runs an induction for new employees to explain what is important about working for us and welcome them into the business. We have also strengthened our people proposition by developing our Leadership Framework, which demonstrates career paths for everyone from school leavers to

Our business
Construction
continued

Building our nation's defences

Through our position on the Next Generation Estates Contracts (NGEC) programme, we are supporting the Ministry of Defence (MOD) to strengthen the UK's defences.

The Defence Infrastructure Organisation (DIO), the MOD's estate and facilities management body, has awarded us 11 contracts, with a combined value of more than £310m, since April 2016.

The Aircraft/Amphibious Vehicle Underwater Escape and Survival Training Facility, a new 'dunker' at RNAS Yeovilton represents our first successful completion of a project under our framework with the DIO. The world-leading facility is the first of its kind in the UK, providing survival and rescue training for personnel in the event of an accident over water. It brings together all the factors involved in training personnel in survival techniques, including the ability to simulate climatic and sea conditions, such as wind, rain and waves, as well as darkness.

> Our robust framework allowed us to collaborate with both military and industry partners to deliver this challenging project to specific timescales.

Simon Jones
Project Manager at Defence Infrastructure Organisation (DIO)

experienced professionals. In addition, we have streamlined our performance appraisal process, strengthened our succession planning and introduced new training schemes for project and commercial management.

We made further improvements to our business management system during the year. This gives our people easy access to intuitive and simple-to-use processes, helping them to do their jobs, increasing compliance and improving predictability of outcomes. Our people are also increasingly using tools such as Yammer to share learning and best practice about a wide range of subjects, from safety and sustainability to project management. This is helping to create strong communities throughout the business.

Conditions in the supply chain have improved generally and while there are some constraints, overall there is more capacity in the supply chain than there was. During the year, we held another supply chain conference to explain to our partners where our business is going and their role in supporting that journey. The conference was oversubscribed and very well received by attendees.

High levels of client satisfaction help us to generate repeat business and protect our reputation, as well as supporting our ability to win work with new clients. We track client feedback on a regular basis and have a Net Promoter Score, which is measured on a scale of -100 to +100, of 59. This is considered to be excellent. Additionally, our customer satisfaction score was eight of out 10, up from 7.93 the previous year. The quality of our work is central to client satisfaction and is an area of focus for us.

Outlook

Construction, which continues to operate predominantly in the public and regulated sectors, benefits from the substantial current and planned investment in the nation's infrastructure. As the AWPR contract progresses to completion, and the few remaining legacy project negotiations are concluded, the business is focused on winning projects of the right quality and risk profile, through a rigorous project selection process. The performance of newer projects, which are aligned to the business' project selection parameters, is encouraging.

Key framework positions

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


University of Strathclyde major building works framework


Largs Campus, part of hub South West


Manchester Airports Group Capital Delivery Framework


AMP6 – Yorkshire Water, Scottish Water and Southern Water

PPP Investments

Performance

	2018	2017
Revenue (£m)	**21.7**	25.0
Profit from operations (£m)	**6.8**	2.4
Directors' valuation (£m)	**32.6**	31.3

PPP Investment's performance is discussed in the Financial review on p26

During the year, we invested £10.9m in equity and disposed of investments that generated an aggregate profit on disposal of £5.5m, compared with a £2.6m profit on disposal in 2017. The directors' valuation of our PPP portfolio was £32.6m at 30 June 2018, compared with a value invested of £26.1m (2017 valuation: £31.3m, value invested: £24.3m).

In addition to making its own investments, PPP Investments generates work for our Building, Infrastructure and facilities management divisions. In total, PPP investments added around £89m to the order books of our other divisions. Substantial projects included Queensferry High School, which was valued at around £50m.

The market for new investment in public/private partnership projects remains slow. In Scotland, there is an ongoing hiatus on new projects coming forward under the Non-Profit Distribution Model, with public sector bodies continuing to procure through the existing Hub frameworks instead. Galliford Try has positions on three of these frameworks. We have also seen no projects coming to market under either PF2 in England or the Welsh Mutual Investment Model. In Wales, we expect projects to come to market towards the end of the 2018 calendar year. A number of government departments are preparing business cases for PF2 projects in England, with prisons the closest to coming to market. In addition, the NHS in England is looking to procure primary care facilities through six regional frameworks, which will provide opportunities for PPP Investments.

In response to the slow market, we have continued to progress development-style projects in sectors such as private rented, student accommodation and, in conjunction with the Infrastructure business, rail. We have a number of projects in the pipeline and expect them to start coming to fruition in the coming months.

Operating sustainably

Each of our businesses does its part to help us become more sustainable

Underpinning our strategy to 2021 is our belief that for longer-term value creation, we must balance financial performance with our obligations to all our stakeholders, including clients, customers, employees, supply chain partners and the communities and environment in which we operate.

Addressing the skills shortage

Our industry plays a huge role in the country's economy but it currently faces a major challenge due to a nationwide skills shortage.

We recognise this risk to the industry and strongly believe in a proactive approach to combat it. We have an important role in helping to deliver employment and skills opportunities, adding value and creating social and economic benefits for the communities and neighbourhoods in which we work.

In a bid to bridge this skills gap, our Partnerships South West business has collaborated with the Working Skills Training Academy to launch the 'Galliford Try Partnerships Skills Academy' – an initiative designed to encourage the long-term unemployed back into work by offering work placements, full-time work and apprenticeships.

A prime driver of this project is to enable communities to prosper and thrive in the long term, providing a catalyst for economic growth.

So far, with an investment of £500,000, we have provided 360 work experience placements and engaged with 1,900 learners.

£500,000
investment

360
work experience placements provided

1,900
learners engaged

Our approach

Our Sustainability and Social Value Policy guides our approach and is owned by the Executive Board, which executes its responsibility through the business Boards as detailed on the right. Our businesses then adopt their own specific approaches to the policy.

We assess and address sustainability impacts in relation to six fundamental areas:

- health and safety;
- our people;
- environment and climate change;
- communities;
- customers; and
- supply chain.

These areas cover the manufactured, intellectual, human, social and relationship, and natural capitals.

Our performance

Our overall performance as a FTSE 250 company is recognised in the FTSE4Good Index, an exclusive investor index consisting only of companies that effectively manage their environmental, social and governance risks. We were independently assessed to have achieved a score of 3.5 out of 5, improving on last year's score of 3.4 and increasing our ranking to make us one of the higher performing constituents of the FTSE4Good index, in the top third of index members.

In addition, we ranked fourth out of the top 25 housebuilders in the NextGeneration Sustainability Benchmark and won its Innovation Award for Inclusion and Diversity, as well as achieving Gold status in the Supply Chain Sustainability School. We also have a CDP carbon disclosure score of 'C', which is in line with the industry.

Effective governance

As outlined in the Chief Executive's review on page 10, from 1 July 2018 we reorganised our Health, Safety and Sustainability function to create one team for each business, enabling us to better serve the businesses' needs. Each of our three businesses therefore has its own head of Health, Safety and Sustainability (HS&S) reporting to the respective Executive Board, all of which are accountable for sustainability across the Group.

The heads of HS&S form part of a newly-created Safety, Health and Environmental Leadership Team (SHELT), led by the SHELT Director, who ensures the businesses maintain our core Group mandates, policies and minimum standards, and facilitates collaboration and best practice sharing between our businesses.

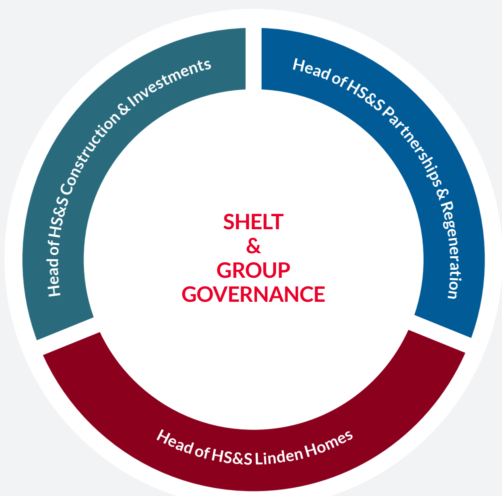
The SHELT Director reports directly to our Chief Executive and regularly reports to the Executive Board and the plc Board on our strategic progress.

3.5/5

We were independently assessed to achieve a score of 3.5 out of 5 in the FTSE4Good Index

FTSE4Good

Safety, Health & Environmental Leadership Team structure

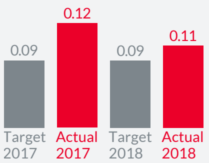


Operating sustainably
continued

Health and safety

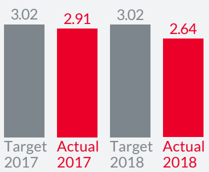
Accident Frequency Rate
(RIDDORs per 100,000 hours worked)

0.11



Accident Incident Rate
(RIDDORs per 1,000 people)

2.64



Key Performance Indicators

59
reportable RIDDOR accidents
(2017: 58)

90,661
Safe Behaviour Discussions
(2017: 91,810)

957
employees completed 'Challenging Beliefs, Affecting Behaviour' training
(2017: 906)

1,898
director health, safety and sustainability tours
(2017: 1,139)

0
prohibition or improvement notices received
(2017: 2)

Health and safety is our top priority and we were pleased to improve our performance, with an Accident Frequency Rate of 0.11. This reflects our considerable focus on health and safety and ongoing efforts to do even better.

Through our behavioural safety programme, Challenging Beliefs, Affecting Behaviour, we have trained more than 1,850 behavioural coaches across our Group and supply chain. We continue to work hard to enhance the programme, including the planned introduction of an app and web portal. This will enable our people to remain constantly up-to-date and allow us to monitor individual learning. The app will act as a constant coach for our people on site, for example by using camera phones to identify pieces of plant and prompting specific safety questions in relation to it.

Enhancements to the programme this year included a focus on plant safety to avoid preventable overturns, which is an issue for the industry. This was also a key part of our Stop Make a Change stand-down day, which we held across the Group. We also ran a Back to Basics programme, which challenged our people to ensure they were using the right person, with the right planning and equipment, in the right workplace.

During the year, we launched Virtual Reality (VR) training modules in areas such as underground services, rail and aviation. This allows our people to respond to and learn from a virtual health and safety incident (page 43). We believe our use of 360-degree VR is a first in the industry and we are now developing other modules, for example on the plant/pedestrian interface.

Visible leadership is an important element of maintaining high standards. We have therefore doubled the number of safety tours every director must complete each year, from six to 12. In total, we completed 1,898 tours in the year (2017: 1,139).

Another important initiative in the year was the introduction of a high-potential incident protocol. This ensures we fully investigate near-miss incidents that could have had a serious impact on health and safety, with the results and proposed remedial actions then reviewed by a panel of senior executives. This suite of measures will also allow us to understand and address the underlying causes and treat these issues with the attention they deserve.

Regrettably, the Company was found guilty in regard to an incident in 2015 at Tarporley Wastewater Treatment Works. Our first priority as a business is to ensure that everyone goes home safely at the end of each day. As a result, we have reviewed our already rigorous health and safety procedures and policies and continue to stress the importance of following them.

336
people were trained in mental health awareness

Focus on wellbeing

Wellbeing has been a major focus for us this year and we believe we are now an industry leader. Our Be Well programme provides a suite of tools aimed at improving the physical and mental wellbeing of our people. It includes online health assessments, mini-medicals, on-site health champions, discounted gym memberships and an online community to help people track their health and fitness regimes.

As part of Be Well, we signed up as a business partner of Mates in Mind, the mental health charity for the construction industry. The aim is to encourage people to discuss their concerns and to look out for their co-workers. We now have 61 Mates in Mind facilitators, 56 mental health first aiders and 213 line managers trained in mental health awareness. We were delighted to receive a highly commended Mates in Mind impact award and to win 'Most Inspiring Mental Health Initiative' at the Inspire Awards and 'Best Mental Health Strategy' at the Employee Benefit Awards.

A cutting-edge approach to training

Our new VR training films give our people an impactful, close-up experience from a safe distance. The first film we created shows the events that lead up to a worker accidentally hitting a power cable during excavation works. The VR headsets provide a truly immersive experience and encourage constant vigilance from trainees.

Early results are promising, with 85% of trainees saying they would pay more attention to a VR film than other forms of training.

> I was really impressed with the result. It's a brilliant idea. Looking at something is so much better at getting the message across than just listening to someone talking.

Chris Seal
Banksman

85%
of trainees say they would pay more attention to a VR film than other forms of training

Operating sustainably
continued

Our people

Key Performance Indicators

14,388
training days delivered
(2017: 16,753)

2.62
training days per employee
(2017: 3.0)

16.6%
employee churn rate
(2017: 18.3%)

5,485
employees
(2017: 5,506)

7.6%
of the workforce are graduates/trainees/apprentices
(2017: 4.9%)

Attracting, developing and retaining the right talent for our businesses

Our people play a critical role in achieving our vision, strategy and objectives. We therefore ensure we select and retain the right talent that helps to drive our business forward. We do this by:

- seeking individuals who have the right skills for the job and reflect our values and behaviours;
- providing business-specific inductions which explain our commitment to our Code of Conduct, which defines the legal and moral standards and principles that set out how we work and what we value;
- being an equal opportunities employer, valuing and promoting a diverse workforce and creating an inclusive environment in which our people are encouraged to realise their full potential and can be themselves;
- investing in the learning, training and development of our people so they can effectively carry out their roles and responsibilities to the standard required by our stakeholders and contribute to the Group's success together with personal growth;
- undertaking talent and succession planning to ensure business continuity;
- recognising and rewarding employees' commitment to the Group through a wide range of benefits beyond salary and bonus; and
- enabling employees to feed back on our performance as an employer through mediums such as our employee survey and developing actions based on their responses.

Doing the right thing

To maintain our reputation, we have a duty to behave responsibly, both morally and legally. We have developed our Code of Conduct 'Doing the right thing' to help us achieve that by setting out our principles and policies, and how we apply these to everyday situations. Above and beyond this, it defines how we behave in the workplace. All of our employees are introduced to the Code of Conduct when starting with the business and its importance is reinforced throughout the year, in particular at employee roadshows, briefings and via regular communication directly from our Chief Executive. We also take the view that we all have a duty to speak up when we suspect wrongdoing. We therefore encourage people to use our independent, anonymous whistleblowing hotline, which allows issues to be dealt with in confidence and with the Group's support.

Bribery and corruption

Our Policy and Guidance on the Prevention of Corruption and Fraud reflects our zero tolerance approach to bribery, corruption and fraud of all kinds when dealing with clients, suppliers or any other partners. We subject our internal control systems and procedures to regular audits to provide assurance that they are effective in countering bribery and corruption. Anyone offering, giving, requesting or taking bribes, or exhibiting corrupt behaviour, is subject to disciplinary action. Our responsibilities are detailed in our Code of Conduct and we provide mandatory training courses for all staff on induction.

Diversity and inclusion

To be a successful company, we draw on a diverse range of skills and talents, and recruit from all sectors of the community, seeking to ensure, wherever possible, that the composition of our workforce reflects the diversity of the communities in which we operate. We firmly believe that every employee has an equal right to opportunities within the Group and we treat employees based on merit. We value difference and promote respect and dignity for all regardless of an individual's race, colour, religion, nationality, ethnic origin, gender, sexual orientation, age or any other attribute or quality. We outline our approach in our Equality, Diversity & Inclusion Policy, covering recruitment and selection, promotion, training and monitoring. All our staff are required to complete a mandatory course covering 'Diversity in the Workplace' when joining the business.

Gender balance

We aim for gender balance at all levels within the Group, as described on page 45.

	Gender[1]		Ethnicity[1]		
	Male	Female	White	BME[2]	Unknown
Total Group	4,036	1,375	2,866	192	2,353
Senior grades[3]	250	20	204	5	61

1 Gender and ethnicity figures are based on employee numbers at year end 5,411. Please also refer to pages 50 and 51 for further information on the Board's composition and gender diversity.

2 Black and Minority Ethnic (BME).

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

Gender Pay Report

In April, we published our Gender Pay Report, which outlines the difference in average pay between men and women regardless of their role.

Our report outlined that average pay and bonuses are between 31% and 41% higher for male employees than female employees. The main reason for this gap, and common in our industry, is the under-representation of women in the organisation as a whole (25%); and the lack of women in more senior roles (9% in the upper quartile), at the time the data was collected.

Recognising the gap and being committed to closing it, we have developed a long-term plan to increase the representation of women in the workforce, particularly in more senior positions. This plan focuses on creating more inclusive policies for a more flexible working environment. We are also delivering targeted recruitment campaigns, shortlisting female candidates for all positions wherever possible and promoting careers in construction generally. Our retention activities are centered around sponsorship and coaching programmes and agile working arrangements.

Our report can be downloaded from http://www.gallifordtry.co.uk/about-us/company-policy-statements.

Targeting the under-representation of women and promoting inclusivity in our sector

Inspire Summit

We sponsored this one-day conference which celebrated women working in UK construction, engineering and housing who are reshaping expectations and inspiring others to follow in their footsteps. Senior women from our business took part in focus sessions and live workshops covering topics such as entry routes into the industry, the under-representation of women at all levels in the industry and what can be done about it, ways to accelerate careers, and people's personal experiences.

Women in Property National Student Awards

We sponsored this event for the third year running to help encourage more women into the industry and show aspiring professionals what they can achieve by pursuing a career in the property sector.

Career discussion panel

We hosted an event for our people that profiled female leaders from our business, their routes to entry and how they developed their careers to inspire women and highlight role models within our own business.

Disability Confident Employer

We are proud to be a Disability Confident Employer, an accreditation given to organisations that pledge to actively seek out and hire skilled disabled people, and to positively change attitudes, behaviours and cultures, within their businesses, supply chain and local communities.

Leadership, Diversity and Inclusion Network

We supported a Leadership Diversity and Inclusion Network event in which MSP Ruth Davidson called for greater diversity and inclusion. The event stimulated thinking and discussion about what businesses can do to move diversity and inclusion up the leadership agenda and play a vital role in readdressing balance, from closing the gender pay gap to establishing LGBT networking groups.

Agile working

We launched this programme to empower employees to choose the way they work, balancing their arrangements with their personal life and preferences. As well as the wider benefit of a more engaged, committed and productive workforce, adopting this approach also helps us to create a more inclusive culture by improving our ability to attract and retain people from more diverse talent pools, including parents, carers and those returning to work.

Operating sustainably
continued

Investing in our people

We have embedded succession planning further into our business by giving our teams more ownership and visibility of this important area.

We are in the process of designing a series of Management Development programmes, looking at personal effectiveness skills and upskilling managers to make them more confident in their roles. We appointed a new Head of Learning and Development last year, and are focusing on supporting individuals in their current roles with specific development opportunities which will be available via our learning platform, the GT Academy later this year.

Listening to feedback

We have looked very hard at how we can make Galliford Try a better place to work. An important part of this was acting on the results of our employee survey from June 2017 for which we partnered with Best Companies. We had a high response rate of 73%, above the average of 51% for companies of our size, giving us a valuable insight into what we are doing well and what we need to improve on. We were accredited by Best Companies as 'One to Watch'. Following the survey, we have produced action plans specific to each of the businesses and are in the process of delivering them.

Promoting human rights

As a housebuilding, regeneration and construction business operating within the UK, the key areas of our operation that could be affected by slavery and human trafficking are our directly-hired employees, agency workers working on our behalf, subcontractor operatives working on our sites, and the workforce of our supply chain who supply materials to our business. We are committed to taking appropriate and proportionate steps to mitigate the risk of these occurring within our business and our supply chain by verifying our employees have a right to work in the UK, making employees aware of their rights and entitlements via an Employee Handbook, prohibiting the use of forced labour and providing every employee with training on modern slavery. We aim only to engage with agency workers on a Preferred Supplier List, who are asked to ensure their workers have the right to work in the UK, who do not charge workers a work-finding fee and have procedures in place to minimise the risk of recruiting forced or compulsory labour. We opt to work with subcontractors who share our values, and we procure the majority of our directly sourced materials from UK-based organisations that are required to comply with UK laws on forced labour. We annually publish a statement on our approach to tackling this issue on our website and our whistleblowing procedure allows any employee or third party to confidentially raise a concern.

Attracting talent

We acknowledge there is a significant skills shortage in our industry and we are committed to help closing it, using the following methods:

5% Club

As a signed member of the 5% Club we are committed to having 5% of our workforce in 'earn and learn' positions and, trainees, apprentices and graduates now make up 7.6% of our workforce (2017: 4.9%).

STEM

We promote the role of STEM (Science, Technology, Engineering & Mathematics) ambassadors by reaching out to local communities and highlighting the many fantastic opportunities available within construction to inspire the next generation of new entrants.

Open Doors

As part of our involvement in Build UK's Open Doors event, we inspire people into our industry by inviting them to our sites to demonstrate how buildings and structures in their community are constructed and to showcase the diverse range of skills and professions needed on site. This year, 25 of our sites opened to the public (2017: 14).

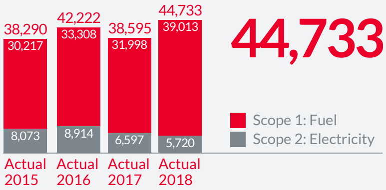
Industrial Cadets

We support Industrial Cadets, a workplace experience accreditation which is increasingly being used by companies across the country to accredit their activities with young people from their local communities.

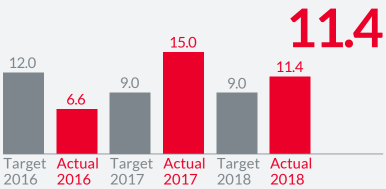
Environment and climate change

Key Performance Indicators

Carbon dioxide equivalent emissions
(tonnes)[1]



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



1.4
tonnes of Scope 1 and 2 carbon dioxide equivalent emissions per £100,000 revenue (2017: 1.4)

97.1%
of construction and demolition waste diverted from landfill (2017: 88.5%)

797
employees completed environmental training (2017: 1,132)

0
environmental prosecutions or fixed penalties (2017: 0)

92.5%
of timber supplied with FSC®/PEFC certification (2017: 89.5%)

99.8%
of timber verified as coming from legal and sustainable sources (2017: 98.7%)

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

Minimising our environmental impact

We are committed to a policy of effectively managing our environmental performance to minimise the impact of our business processes on the natural environment and the community at large. Our environmental impacts are identified, managed and mitigated from project to business level through our ISO 14001 certified management system.

We have successfully reduced our total carbon dioxide equivalent (CO_2e) emissions, even though the business our grown over the same period. The reduction has been achieved by becoming more carbon efficient, generating only 1.42 tonnes of CO_2e per £100k revenue, which is 58% less than in 2011 (3.4 tonnes of CO_2e per £100k revenue).

Across most of our business, we achieved our target of producing less than nine tonnes of waste per £100,000 of revenue. However, the overall figures are skewed by one business that generated significant quantities of bituminous and excavation waste, which was unavoidable due to the nature of our construction works.

Our continued support of the National Community Wood Recycling Project (NCWRP) through the disposal of 472 tonnes of waste wood via local NCWRP projects has resulted in the generation of four jobs and nine training days for locally disadvantaged people, including ex-offenders, those with mild mental health or learning difficulties, and people who have come through drug and alcohol abuse. This has provided them with the opportunity to build confidence, learn new skills, and overcome barriers to finding work.

We remain committed to proactive environmental management and continue to deliver our bespoke environmental training to our senior management through a four-day IOSH Environmental Responsibilities course as well as to our site management through an internally delivered one-day Site Environmental Awareness Training Scheme (SEATS) course.

Driving sustainable behaviour

We have launched a new Office Sustainability Scheme that aims to embed and reward sustainable behaviours that are taking place in our offices. The scheme is open to everyone and focuses on sustainable behaviours rather than the physical environment of the office, which is not always readily changeable.

All offices are encouraged to take part and measured across areas such as leadership, community involvement; carbon emissions and waste, as well as wellbeing and ethical behaviour. Points are awarded for different levels of accomplishment.

So far 26 offices have taken part with 22 receiving Gold awards.

Operating sustainably
continued

Stakeholder relationships

Proactive engagement
We recognise the importance of our stakeholders' views and actively listen to and respond to their concerns at all levels of the organisation. Engagement is extensive and tailored at both project level and at Group/business level and includes our people, customers, communities, supply chain and industry bodies.

Customers
In Linden Homes and Partnerships & Regeneration, our Customer Charter details our commitment to a high-quality customer service and providing customers with information relevant to them at each stage of their purchase. We issue the survey carried out by the NHBC (National House Building Council) to all new homeowners and incorporate their feedback into our processes and training.

In Construction, we seek clients who value a collaborative approach and aim to become their long-term partner. Our approach to collaboration has been accredited to BS 11000, the best practice standard.

Shareholders
We ensure there is clear, accurate and transparent communication between our Board and shareholders, and provide updates on our strategy and progress towards our objectives, using platforms such as our website, Annual Report and our AGM.

Employees
We keep our people updated on our strategy, progress against that strategy and their role in the wider context of the Group through platforms such as regular leadership conferences, Chief Executive's roadshow, regular emails from our Chief Executive, team briefings, toolbox talks on site, a quarterly employee magazine, intranet, Yammer groups, poster campaigns and e-bulletins. We encourage two-way dialogue using employee forums and surveys.

Supply chain
We select suppliers and subcontractors that align with our business vision and values and actively engage with our supply chain to promote our principles and practices.

We are Gold status partners of the Supply Chain Business School and are committed to empowering our supply chain through the use of the school's resources.

We engage with our supply chain in various ways including inductions, e-bulletins, workshops and Meet the Buyer events. In Construction, we have developed the Advantage through Alignment programme to help us work more closely with carefully selected 'Aligned' subcontractors by sharing our vision, values and objectives with them, opening up our training modules to them and providing visibility of works.

We also host an annual Supply Chain Business Briefing with circa 270 senior managers and directors from our Group supply chain to outline to them our business plans and approach to supply chain.

Many of our relationships are managed at a regional level to help us support local communities and also provide us with flexibility to suit the needs of our projects.

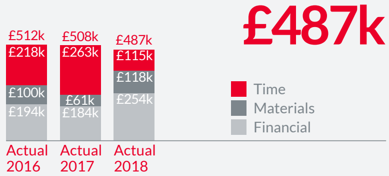
Communities
We are an Associate Member of the Considerate Constructors Scheme, which assesses our sites for the contribution they have made towards improving the image of construction by being more considerate of local neighbourhoods and the public, the workforce and the environment. This year, we received an average score of 37.4, which is the same as last year, and exceeds the industry average.

We support charitable causes at Group, business, divisional, business unit and project level by donating time, money and materials. We are a patron of CRASH, the charity which helps homelessness and hospices charities.

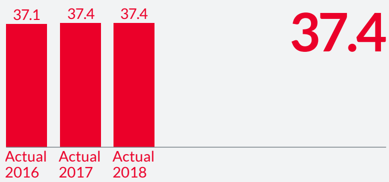
We also contribute to communities by spending a significant portion of our turnover with subcontractors, most of which are local small and medium-sized enterprises.

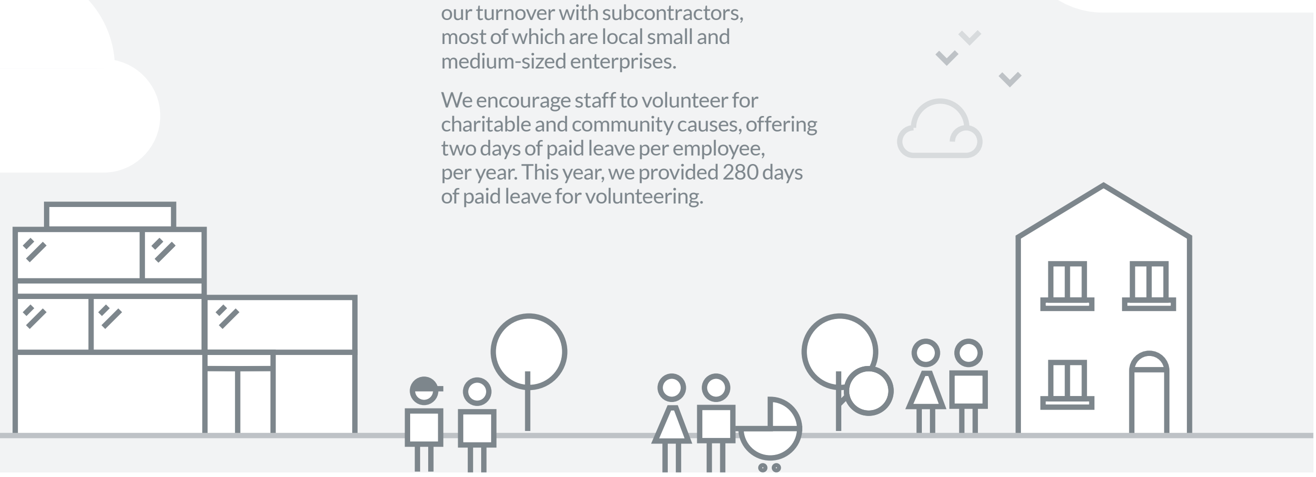
We encourage staff to volunteer for charitable and community causes, offering two days of paid leave per employee, per year. This year, we provided 280 days of paid leave for volunteering.

Charitable donations
(time, materials and financial)



Considerate Constructors Scheme
(average score out of 50)





Non-financial reporting

We aim to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below outlines to our stakeholders our position on key non-financial areas and how we manage them.

Reporting requirement	Impacts	Policies pursued	Further information
Employees	We employ 5,485 people. Construction is an industry where health and safety is particularly important, given the relative dangers, and so this is a key focus for us. We are also aware of the skills shortage in our industry and work hard to promote our industry to new people. We have a strong focus on employee wellbeing and employ agile working practices.	Code of Conduct Health & Safety Policy Statement Recruitment Policy and Guidelines Employee Wellbeing Policy Maternity, Paternity and Parental Leave Policies Equality Diversity and Inclusion Policy Flexible Working Policy Learning & Development Policy	Pages 40-48
Environmental	We use raw materials in the construction of our houses, which are non-renewable resources and create carbon emissions. It is also our responsibility to help our customers emit as little carbon as possible.	Biodiversity Policy Energy Policy Responsible Sourcing Policy Environmental Policy Statement	Pages 47-48
Social	We recognise that our construction projects affect the surrounding area, so we aim to maximise the benefits to the communities in which we work and minimise any negative impacts by actively engaging with local stakeholders.	Sustainability & Social Value Policy Data Protection Policy Considerate Constructors Scheme principles	Pages 40-48
Human rights	We recognise that slavery and human trafficking are significant human rights issues and are committed to taking appropriate and proportionate steps to mitigating the risk of these occurring within our business and our supply chain.	Modern Slavery Act Policy and Statement	Page 46
Anti-corruption and anti-bribery	We are committed to conducting our business in an open, honest and ethical manner and take a zero-tolerance approach to bribery and corruption of all kinds.	Corruption and Fraud Prevention Policy and Guidelines Whistleblowing Policy Code of Conduct	Page 44

For our business model, relationships, products and services see p4

For our related risks and how they are managed, see our Principal risks section on p22

Directors and Executive Board

Our Board

Peter Ventress
Chairman

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

Career and experience: Peter is a Non-executive Director of Softcat Plc, BBA Aviation Plc and Staples Solutions B.V. He was Chief Executive Officer of European textile service business, Berendsen plc, from 2010 to 2015. Prior to joining Berendsen, Peter spent 10 years in senior management positions in Europe and Canada in the office products distribution industry with Corporate Express N.V., becoming Chief Executive in 2007. In 2008, he was appointed head of all Staples' activities outside the United States and Canada. Aged 57.

Peter Truscott
Chief Executive

Appointment date: Peter Truscott was appointed to the Board as Chief Executive on 1 October 2015.

Career and experience: Peter was formerly Divisional Chairman, South at Taylor Wimpey plc and a member of its Group Management team. Peter joined George Wimpey in 1984 and worked at CALA Homes from 1993 to 1996, before rejoining George Wimpey, where he held a succession of senior management positions. Aged 56.

Graham Prothero
Finance Director

Appointment date: Graham Prothero was appointed to the Board as Finance Director on 1 February 2013.

Career and experience: Graham was previously with Development Securities plc, a listed property developer and investor in the UK, where he was Finance Director from November 2008. From 2001 until 2008, Graham was a partner with Ernst & Young. Graham is a Fellow of the Institute of Chartered Accountants and previously held the position of Finance Director with Blue Circle Properties and Taywood Homes. Graham is a Non-executive Director and Chair of the Audit Committee of Marshalls plc. Aged 56.

Executive Board

Kevin Corbett CEng MICE MIStructE
General Counsel and Company Secretary

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

Career and experience: Kevin was previously Chief Counsel Global for AECOM. Aged 58.

Andrew Hammond
Divisional Chairman of Linden Homes

Appointment date: Andrew Hammond was appointed to Galliford Try's Executive Board as Chairman for the West Division of Linden Homes on 6 September 2016.

Career and experience: Andrew joined the Company in April 2015 from Persimmon Homes where he held the position of Regional Chairman. Aged 48.

Bill Hocking
Chief Executive of Construction & Investments

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

Career and experience: Bill joined the Group from Skanska UK plc, where he held the position of Executive Vice President on the Executive Management Team of Skanska UK from 2008, having initially joined the Company in 1990. Aged 54.

Board composition

Balance of non-executive vs executive directors

Non-executive	4
Executive	2

Length of appointment

0-2 years	1
2-5 years	4
5-10 years	1

Diversity

Male	5
Female	1

Terry Miller
Senior Independent
Non-executive Director

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

Career and experience: Terry was previously General Counsel for the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG). Terry is currently a Director and Trustee of the Invictus Games Foundation and a Non-executive Director of Goldman Sachs International Bank and of Rothesay Life plc. Prior to her LOCOG appointment, Terry was International General Counsel for Goldman Sachs, having spent 17 years with Goldman Sachs based in London. Aged 66.

Gavin Slark
Non-executive Director

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

Career and experience: Gavin is currently Chief Executive Officer of Grafton Group plc, a publicly quoted distributor of building materials operating in the merchanting markets in the UK, Ireland, the Netherlands and Belgium, in the DIY retailing market in Ireland and in the mortar manufacturing market in Britain. He joined Grafton Group in April 2011 and was appointed Chief Executive Officer in July 2011. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors. Aged 53.

Jeremy Townsend
Non-executive Director

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

Career and experience: Jeremy is currently the Chief Financial Officer of Rentokil Initial plc following his appointment in August 2010 and is a Fellow of the Institute of Chartered Accountants of England and Wales. Previously, Jeremy was Finance Director at Mitchells & Butlers plc and prior to that held various finance roles at J Sainsbury plc including Corporate Finance Director. Jeremy began his career in audit and corporate finance at Ernst & Young. Aged 54.

Tom Nicholson
Divisional Chairman of Linden Homes

Appointment date: Tom Nicholson was appointed to Galliford Try's Executive Board as Chairman for the East Division of Linden Homes on 6 September 2016.

Career and experience: Prior to joining the Company in 1996, Tom held land and sales positions at Ideal Homes and Berkeley Group. He has held a succession of senior appointments within Linden Homes, and in the four years before joining the Board as Divisional Managing Director. Aged 53.

Stephen Teagle
Chief Executive of Partnerships & Regeneration

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

Career and experience: Stephen has over 25 years' experience in the regeneration and affordable housing sectors, joining Galliford Try from Registered Provider DCH, where he was Group Director of Investment and Managing Director of development subsidiary Westco Properties. Aged 58.

Key

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

As at 30 June 2018.

For updates to the Board since 30 June 2018, please see page 52.

Chairman's review

The right decisions at the right time for stability and future growth

Our ethos of strong corporate governance, evidenced by the successful rights issue, further strengthens the Group's balance sheet and supports the Group's strategic growth opportunities.

Peter Ventress
Chairman

Following my first Chairman's review last year, I am again delighted to be reporting to you as Chairman of the Board.

The Board takes its corporate governance responsibilities very seriously and I am pleased to confirm the Company has fully complied with the provisions of the April 2016 UK Corporate Governance Code (the 2016 Code) during the 2018 financial year.

Board and Committee changes

There were a number of changes to the Board and its Committees during the year. On 1 September 2017, Jeremy Townsend joined the Board as a Non-executive Director. Following the stepping down of Andrew Jenner as a Non-executive Director and Chair of the Audit Committee after the 2017 Annual General Meeting (AGM) held on 10 November 2017, Jeremy Townsend became Chair of the Audit Committee on that date. Also, with effect from 1 September 2017, I took over from Terry Miller as Chair of the Nomination Committee.

With effect from 10 November 2017, Ishbel Macpherson stepped down as a Non-executive Director and Chair of the Remuneration Committee. Terry Miller was appointed Interim Chair of the Remuneration Committee from that date. Following a review and search process, Marisa Cassoni joined the Board on 1 September 2018. It is intended that Terry Miller will step down as Interim Chair of the Remuneration Committee following publication of the Group's half year results in February 2019 and Marisa Cassoni will become the new Chair of the Remuneration Committee, having met the requirements under the 2016 Code. More details on Marisa Cassoni's appointment and induction can be found on page 59.

Board performance evaluation

A key requirement of good governance is that an evaluation of the Board is carried out annually, with an externally facilitated evaluation undertaken at least every three years. The Board undertook an internal performance evaluation in April 2018, the results of which confirmed the Board and its Committees continue to operate effectively and have the appropriate balance of skills, knowledge and experience to draw on. An update on the internal performance evaluation in April 2017, together with recommendations and actions from the 2018 evaluation, can be found on pages 55 and 56. An external evaluation will be carried out next year in line with the 2016 Code.

Governance developments

The Board is mindful of the introduction of the 2018 UK Corporate Governance Code applicable to financial years beginning on or after 1 January 2019 and will undertake any further work necessary to ensure that it continues to operate to the highest standards of corporate governance.

In March 2018, the Group published its Gender Pay Report for 2018. While the markets we operate in have been traditionally male dominated, we acknowledge the pay gap between men and women is high across the Group. The Board is committed to addressing such under-representation through the implementation of a long-term strategy to increase representation of women in all its workforce, including senior positions. The strategy has led to the development of a range of programmes to focus on the key areas of attraction, retention and progression. These include the promotion of careers in construction and targeted recruitment campaigns, the establishment of a women's network forum, promotion of agile working arrangements, career breaks and women returners' programmes, inclusive development and coaching programmes (page 45).

The second report by Hampton-Alexander on gender diversity was published in November 2017 and extended to FTSE 250 companies (in addition to FTSE 100 companies) the recommendation for 33% of leadership roles to be held by women. In addition, the final version of Sir John Parker's report into ethnic diversity of UK boards was published in October 2017. The report recommends that each FTSE 250 board should have at least one director from an ethnic minority background by 2024 and that recruitment practices, mentoring schemes and leadership programmes are reviewed to ensure there is a pipeline of capable candidates from diverse ethnic backgrounds. The Nomination Committee continues to focus on effective succession planning and opportunities to increase the levels of diversity, including gender and ethnicity, at both Board and senior management levels.

Succession planning continues to be at the forefront with policies strengthened and procedures further embedded into the business. The identification of successors at Executive, business and function levels continues, along with an integrated approach to leadership development for both senior and emerging leaders and six-monthly succession reviews at Executive and business levels have been introduced.

The EU Directive on disclosure of non-financial and diversity information (the Directive), implemented in the UK in December 2016, applies to financial years beginning on or after 1 January 2017. Accordingly, we have reviewed the requirements of the Directive and have, as appropriate, disclosed relevant non-financial and diversity information throughout this Annual Report. We have included a summary table on page 49 in the Strategic Report highlighting where relevant non-financial information can be found.

Annual General Meeting

The Company will be holding its AGM on 9 November 2018 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF, where the Board will be pleased to welcome shareholders, answer questions, listen to suggestions and encourage their participation in the business to be discussed at the meeting.

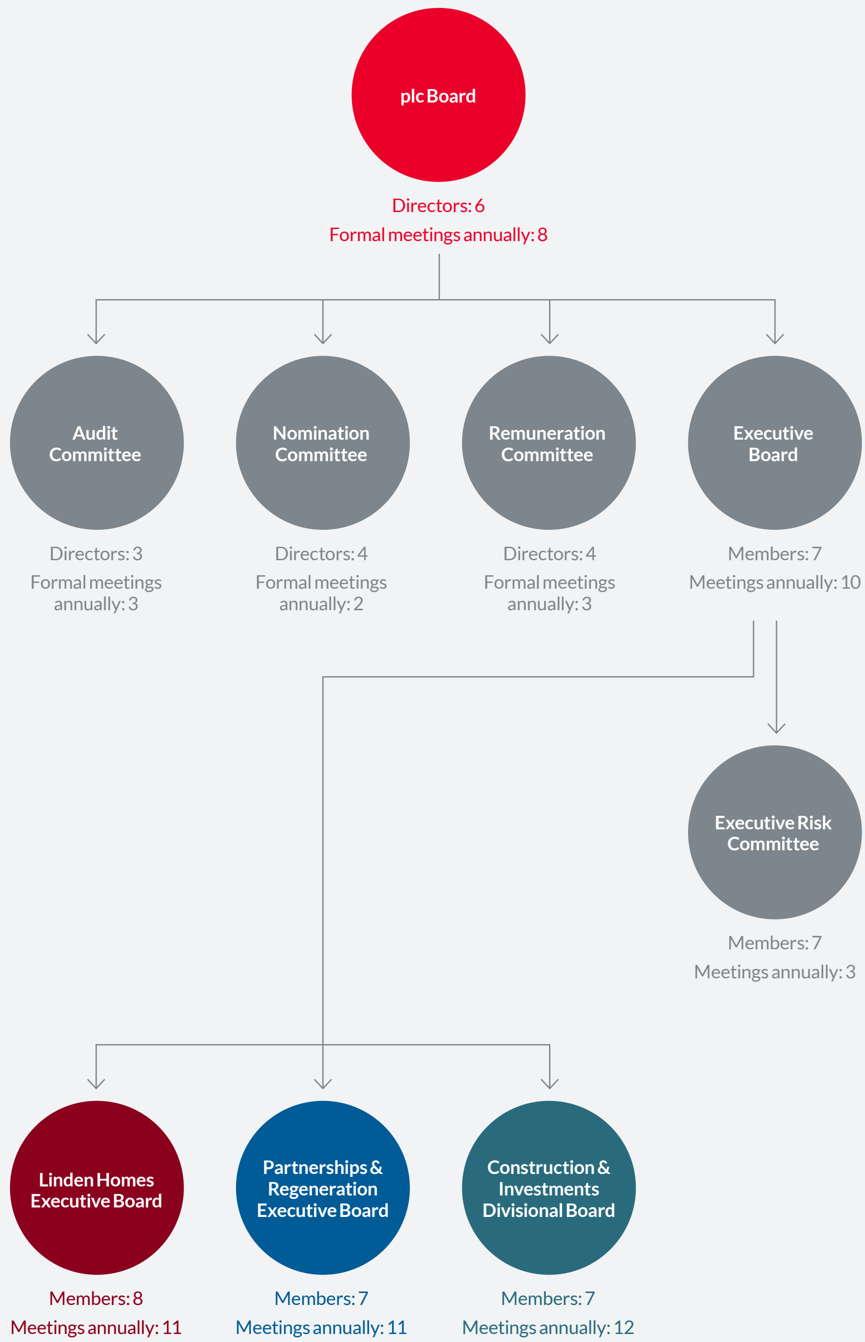
On behalf of the Board, I look forward to meeting with shareholders at the AGM.

Peter Ventress
Chairman

Site visits such as the one to West Calder School in West Lothian help the Board to shape culture within our Group

Group governance structure

As at 30 June 2018



Governance review

Board and Committee meeting attendance

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

2017/18 Board and Committee attendance table

Number of meetings (attended/scheduled)	Board	Audit Committee	Nomination Committee	Remuneration Committee
Peter Ventress Chairman	8/8	by invitation	2/2	3/3
Peter Truscott Chief Executive	8/8	by invitation	by invitation	by invitation
Graham Prothero Finance Director	8/8	by invitation	n/a	n/a
Terry Miller Senior Independent Director	8/8	3/3	2/2	3/3
Gavin Slark Non-executive Director	8/8	3/3	2/2	3/3
Jeremy Townsend[1] Non-executive Director	7/7	3/3	2/2	2/2
Kevin Corbett General Counsel and Company Secretary	8/8	3/3	2/2	3/3
Andrew Jenner[2] Former Director	2/3	1/1	n/a	2/2
Ishbel Macpherson[3] Former Director	2/3	1/1	n/a	2/2

1 Jeremy Townsend joined the Board on 1 September 2017.
2 Andrew Jenner stepped down from the Board on 10 November 2017. Andrew Jenner was unable to attend one Board meeting during the year but made alternative arrangements with the Chairman to provide input on the business of the meeting.
3 Ishbel Macpherson stepped down from the Board on 10 November 2017.

2017/18 Board focus

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

The Board also held rights issue and project meetings, as required, as well as its annual strategy away day in October 2017 where, in addition to adviser presentations, it reviewed business strategies with business management in attendance, received a financial update and reviewed the Group's corporate structure.

2017

July
- **Site visit** – Conservatoire, Birmingham City University
- **Presentation** – Building and Infrastructure
- **Presentation** – 2017/18 Group budget
- **Presentation** – risk review
- Board evaluation review
- Insurance renewal
- 2017 Annual Report

September
- Adviser presentations
- Full year results
- Annual Report
- Annual corporate governance review
- Dividend policy
- Review of internal controls and risk management
- Notice of AGM

October
- Investor relations
- Auditor appointment
- Group strategy
- Market conditions review

November
- Health, safety, environment & sustainability review
- Economic update
- AGM

December
- **Presentation** – Health, safety, environment & sustainability
- **Presentation** – Communications
- Project updates
- Gender Pay Report
- Corporate governance update

2018

February
- **Presentations** – HR and IT
- Half year results
- Interim dividend
- Project updates
- GDPR update
- UK Corporate Governance Code
- Annual Report 2018

April
- **Site visit** – Linden Homes Abbey Farm Site, Swindon
- **Presentation** – Linden Homes
- Project updates
- Risk update
- Pension scheme funding review

May
- Results of Board performance evaluation
- Corporate Governance update
- 2018 Annual Report design
- Audit rotation planning

Compliance statement

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

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' Report on pages 73 to 75.

The Group has complied with sections 414CA and 414CB as well as 414C of the Companies Act 2006 following the introduction of the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Relevant information can be found throughout the Strategic Report and Governance section of this Annual Report and refer to the summary table on page 49 in the Strategic Report highlighting where non-financial information can be found within this Annual Report.

Board and Executive Board composition

Biographical summaries for each of the directors as at 30 June 2018, their respective responsibilities and their external directorships are set out on pages 50 and 51.

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

How the Board operates

The Board is led by the Chairman who is responsible for the Board's effectiveness in all aspects of the role, including acting as an adviser to the Chief Executive on strategic matters, facilitating a culture of openness, debate and support among Board members and ensuring effective communications are maintained with shareholders. As at 30 June 2018, the Board further comprised of three independent non-executive directors, the Chief Executive and the Finance Director.

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

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

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

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

Other than the changes referenced, the roles and responsibilities of each of the non-executive directors, which are detailed in their individual letters of appointment, have not changed from the previous financial year. These include: to effectively participate, advise and provide guidance to the Board; to uphold standards of integrity and values; to develop and monitor strategy; to structure, challenge and scrutinise management performance against agreed objectives; to be satisfied as to the integrity of financial information and robust financial controls and systems in place; to assist in determining appropriate remuneration and succession planning; and ensure the views of shareholders are taken into account in decision-making and policy setting. The letters of appointment are available for inspection on request at the Company's registered office and will be available immediately prior to the 2018 AGM. The timely provision of quality information in advance of all Board and Committee meetings, and the provision of independent professional advice, continued throughout the financial year. The Board continues to benefit from its established reporting mechanisms, designed to ensure crucial management and project-specific information and significant Group-wide developments are reported quickly and accurately facilitating prompt approval of further actions. Throughout the year, the Board also received regular Group, business and business unit specific presentations, covering all key aspects of the Group's operations. In addition, at each Board meeting, a report from the Company's corporate brokers, Peel Hunt, regarding the market sector, the relative performance of the Group's share price, movements by top 20 shareholders and relevant comments by market analysts, along with any shareholder feedback, is provided to ensure the Board has a full understanding of the views of major shareholders.

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

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

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

Board evaluation: 2017 update and 2018 evaluation

The 2017 Board evaluation found that the Board and its Committees were operating effectively. The findings were presented to the May 2017 Board meeting and actions were agreed by the Board to address the recommendations of the evaluation. The table overleaf summarises the substantive recommendations made and actions undertaken during the financial year to address them.

Governance review
continued

2017 Board evaluation recommendations	Actions taken during the year
Board and Committee papers	The format of Board and Committee papers was reviewed during the financial year, with improvements made to the length and quality of papers.
Embed and develop Board relationships	There were a number of changes to the composition of the Board during the financial year which have resulted in new relationships being formed. The Board is continuing its efforts to ensure that strong and effective working relationships are built and maintained.
Additional site visit	An additional site visit was added to the Board meeting calendar to further enhance the Board's knowledge of operations as well as engagement with management.

Following the annual internal performance evaluation of the Board and its Committees in April 2018, it was found that the directors continue to perform to the levels expected of them and demonstrate commitment to their roles, including devoting such time as is necessary to discharge their responsibilities in full as directors. The Chairman met with each of the non-executive directors to discuss the findings and recommendations. The findings of the evaluation were presented to, and approved by, the Board in May 2018, with recommendations to be addressed over the forthcoming financial year by the Board.

Overall, the evaluation confirmed that the Board and its Committees are operating effectively and have the appropriate balance of skills, knowledge and experience to draw on, with recommendations being made, among other matters, in relation to increased flexibility around business presentations, the incorporation of an office visit, strategy discussions and risk.

In line with the 2016 Code, an externally facilitated performance evaluation of the Board and its Committees will be carried out during the next financial year.

Diversity

In 2013, the Board stated its commitment to addressing the expectations of the Davies Report, Women on Boards, where appropriate and possible. As at 30 June 2018, women held 17% of Board positions. Following the appointment of Marisa Cassoni on 1 September 2018, women held 29% of Board positions.

Strategies to improve diversity at all levels in the workforce have continued further on the work undertaken in 2017 to ensure each division has the right culture, procedures and policies in place. This involves a variety of inclusive initiatives, such as gender neutral recruitment, supporting diversity programmes and the promotion of agile working to make the Company more attractive to a wider group of employees. These programmes help to address the findings arising from both the 2017 Hampton-Alexander Review on gender diversity and the 2017 Sir John Parker report into ethnic diversity.

Further diversity disclosures can be found in the Strategic Report on page 44.

Executive Board report

Membership of the Executive Board is detailed on pages 50 and 51.

The Chief Executive is responsible for the effective leadership of the senior executive management and chairs the Executive Board which, in addition to the Chief Executive, consists of the Finance Director, the General Counsel and Company Secretary, the two Divisional Chairs of Linden Homes, the Chief Executive of Construction & Investments, and the Chief Executive of Partnerships & Regeneration. The Executive Board is responsible for the operational management of the Group under terms of reference delegated by the Board, which include responsibility for making recommendations to the Board on all items included in the formal schedule of matters reserved for Board authorisation.

The Executive Board receives and considers regular performance and operational reports and presentations from business management. The Assistant Company Secretary acts as secretary to the Executive Board and the minutes of Executive Board meetings are included in the Board pack.

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

Governance policies

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

Shareholder relations

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

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

The Company's AGM, held in November each year, continues to be a popular means for private shareholders to receive updates on Group performance, provides an opportunity to put questions to the Board and for the Board to listen to shareholder suggestions and concerns. All directors of the Company were in attendance at the 2017 AGM. Arrangements for the meeting, including notice period and voting arrangements, followed the requirements of the 2016 Code and related best practice.

Reporting, risk, internal audit and controls

The Governance review commencing on page 52 details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework, are disclosed in the Principal risks section on pages 22 to 25.

There were no significant internal control failings or weaknesses during the year. Any matters of non-compliance with the provisions of the Group Corporate and Finance Manuals have been rectified either during the financial year or by the date of this Annual Report. A separate programme of 15 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Audit Committee report

The Committee continued to monitor and review developments in corporate governance, the integrity of the financial statements and the effectiveness of the risk management and internal controls.

Jeremy Townsend
Audit Committee Chair

Committee Chair's annual statement

I am pleased to be reporting to you as Chair of the Audit Committee following my appointment to the Board on 1 September 2017 and subsequent appointment as Chair of the Audit Committee following Andrew Jenner stepping down on 10 November 2017. I would like to express my thanks to Andrew for the smooth handover provided.

The Committee is further comprised of two independent non-executive directors. Additional details on the Committee's members can be found on pages 50 and 51. The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Director of Risk & Internal Audit and the Director of Group Finance. The General Counsel and Company Secretary or his nominee act as secretary to the Committee. My financial background and membership of the Institute of Chartered Accountants satisfies the 2016 Code requirement that the Committee's membership must have recent and relevant financial experience.

During the financial year, the Group appointed a new Director of Risk & Internal Audit. The Committee continued to monitor and review developments in corporate governance, the integrity of the financial statements and the adequacy and effectiveness of the risk management and internal control framework of the Group, as it continues to grow each of its businesses. The Committee considers that the 2018 Annual Report and Financial Statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

Remit and activities

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

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

During the financial year, the Risk and Internal Audit team focused on delivering its agreed calendar of audit reviews under its rolling three-year internal audit plan and on providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management. Additionally, the newly appointed Director of Risk and Internal Audit presented his initial review of the Risk and Internal Audit function and operations to the Committee. The risks of the Group are reviewed by the Executive Risk Committee, which reports to the Executive Board and the plc Board. More information about the Group's principal risks, its long-term viability and its risk management and internal control systems can be found in the Principal risks section on pages 22 to 25.

Policies and review mechanisms governing the provision of material non-audit services, and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year. The policy specifies: the types of non-audit services for which the use of the external auditor is pre-approved (ie approval has been given in advance as a matter of policy); the services for which specific approval from the Committee is required before the auditor is contracted; and the services from which the external auditor is excluded. In respect of pre-approved services, a financial threshold is in place, applicable to individual and aggregated services in any year. Furthermore, should the total value of non-audit service engagements exceed a defined percentage of the total Group audit fee for the previous financial year, the Committee shall consider and give specific prior approval for any subsequent non-audit service engagements.

As disclosed in note 6 to the financial statements, the incumbent external auditor, PricewaterhouseCoopers LLP (PwC), provided non-audit services in relation to the rights issue during the financial year, in addition to non-audit related advice and services covering general corporate matters. The non-audit services in relation to the rights issue comprised the review and the issuing of an opinion on the Group's working capital forecasts and statement on behalf of the sponsors. They were selected as their knowledge and understanding of the structure and operations of the Group allowed this workstream to be completed more efficiently and effectively.

Audit Committee report
continued

Each year, the Committee assesses the effectiveness of the external audit process, which includes discussing feedback from the members of the Committee and key senior management within the Group. PwC has been an auditor of the Group since its initial appointment in 2001 and retained this appointment following a competitive tender completed in 2014. The Committee intends to tender the engagement of the Group's auditors in 2018/19 in line with the guidance of the UK Corporate Governance Code.

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, as well as review and debate over the following areas of significance.

Contract revenue and provisions: in conjunction with the annual audit, the Committee reviewed a paper setting out key judgments in respect of revenue recognition and contract provisions, in relation to individually significant long-term Construction contracts, including the legacy Construction contracts.

Future IFRS developments: during the year, the Committee considered the implementation of new accounting standards with respect to their impact on the Group's results and financial statements. This included IFRS 15 Revenue from Contracts and IFRS 9 Financial Instruments, for which impact assessment projects were completed and presented. The Committee also considered, reviewed and approved the Group's proposed internal accounting policies to reflect the requirements of the new standards, which were adopted by the Group on 1 July 2018. Further detail on the impact of the adoption of IFRS 15 can be found in note 1.

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

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

Disclosure of significant transactions: the Committee has given particular consideration to the presentation of individually significant transactions, and areas where alternative performance measures are required, to ensure that the financial statements give a fair, balanced and understandable view of the Group's performance, and that statutory measures are equally clear and prominent. Reconciliations of alternative performance measures to their statutory equivalent measures are detailed in note 36.

Jeremy Townsend
Audit Committee Chair

Calendar of 2017/18 Committee activities and areas of focus

September 2017
- Committee review of 2016/17 full year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process
- Risk, internal audit and whistleblowing reports
- Review of 2016 UK Corporate Governance Code

February 2018
- Committee review of 2017/18 half year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process
- Approval of non-audit work on rights issue
- Impact assessment of new accountancy standards – Financial Instruments, Revenue Recognition and Leases
- Risk, internal audit and whistleblowing reports
- Non-executive directors review without executive directors present

May 2018
- Review of risk and internal audit, and whistleblowing report
- Approval of external audit plan
- Impact of rights issue on Earnings Per Share (EPS)
- Impact assessment of new accountancy standards and approval of the associated Group's proposed internal accounting policies
- Review of Terms of Reference and Non-Audit Fee Policy

Nomination Committee report

The Committee has overseen the appointment of the new Non-executive Director Marisa Cassoni and has continued to monitor, develop and embed a variety of initiatives to further strengthen the work on succession planning, diversity initiatives and related processes.

Peter Ventress
Nomination Committee Chair

Committee Chair's annual statement

I am pleased to report on the Committee's activities during the financial year and am delighted to welcome new Non-executive Director Marisa Cassoni to the Board of Directors with effect from 1 September 2018. Upon joining the Board, Marisa became a member of the Audit, Nomination and Remuneration Committees and will become Chair of the Remuneration Committee after the Group's half year results in February 2019, following the stepping down of the current Interim Chair Terry Miller. Terry will continue to be a member of the Audit, Nomination and Remuneration Committees.

A formal, thorough and transparent appointment process was undertaken for Marisa, which included consulting with The Zygos Partnership search consultants and formal interviews of the shortlisted candidates with the non-executive and executive directors. Following interviews and a review of the skills, experience, diversity and expertise of the Board, the Committee recommended the appointment of Marisa to the Board which, after due consideration, was approved. Upon joining the Board, Marisa undertook a formal induction process, enabling her to gain a deeper understanding of the Company and introducing her to key management personnel and external advisers. We are extremely pleased that Marisa has joined us and look forward to her contribution to the Board and its Committees.

Composition and remit

Membership of the Committee is detailed on pages 50 and 51. I became chair of the Committee from 1 September 2017 and the General Counsel and Company Secretary acts as secretary to the Committee. As stated above, Marisa joined the Committee with effect from 1 September 2018.

The terms of reference of the Committee can be found on the Group's website (www.gallifordtry.co.uk). The authorities delegated to the Committee by the Board are similar to previous years and comprise, among other matters:

- reviewing the size, structure and composition of the Board;
- evaluating the balance of skills, knowledge, diversity and experience of the Board, including the impact of new appointments;
- overseeing and recommending the recruitment of any new directors;
- ensuring appointments are appropriately made against objective criteria; and
- keeping the leadership and succession requirements of the Group under active review.

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

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

External consultant The Zygos Partnership, which was consulted on a new Board appointment during the financial year, has no other connection with the Group.

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

Calendar of 2017/18 Committee activities and areas of focus

December 2017	Succession planning
May 2018	Succession planning
	Non-executive directors appointment review and Committee board membership
	Non-executive directors appointment update
	Terms of reference review and approval

Peter Ventress
Nomination Committee Chair

Remuneration Committee report

“

The Remuneration Committee was primarily focused on the implementation of the Remuneration Policy approved by shareholders at the 2017 AGM (2017 Remuneration Policy).

Terry Miller
Remuneration Committee Chair

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

Calendar of 2017/18 Committee activities and areas of focus

Month	Activity or area of focus
July 2017	• Salary review outcome • Non-Executive Director fees update • Long Term Incentive Plan (LTIP) 2014 performance measures to 30 June 2017 • Consultation with shareholders on Remuneration Policy review • Update on 2016/17 annual bonus forecast, performance and proposal of 2017/18 annual bonus scheme • Long Term Bonus Plan review 2014–17 and 2017 proposal • Consideration of 2017 Directors' Remuneration Report disclosures
September 2017	• Update on shareholder consultation • Vesting of 2014 LTIP award • Payment and award review of Long Term Bonus Plan • Review of 2016/17 annual bonus performance to 30 June 2017 • Approval of grant of 2017 LTIP award • Approval of the 2017 Directors' Remuneration Report
May 2018	• Remuneration and corporate governance developments • Update on 2018 AGM season • Impact of Carillion-related exceptional charges/ rights issue on Annual Bonus Scheme to 30 June 2018 and LTIP adjustments • Group and senior management remuneration review • Update on existing Long Term Bonus Plan 2017 performance • Review of Terms of Reference • Review of Employee Share Trust shareholdings and forward share projections

From 16 September 2014 to 10 November 2017, Ishbel Macpherson was Chair of the Remuneration Committee. Terry Miller took over as Chair of the Committee on Ishbel stepping down.

Committee Chair's annual statement

The Group delivered another year of both strong operational and underlying financial performance and is making good progress towards its strategic growth plans to 2021. The successful completion of the rights issue means the Group is well capitalised and has a strong balance sheet to support its planned growth as well as manage the impact of the compulsory liquidation of Carillion plc and additional costs as previously disclosed.

In line with the rules of the Annual Bonus Plan (ABP) and Long Term Incentive Plan (LTIP) and the adjustments made by the Committee to the ABP and LTIP payouts in the previous year, the Committee has resolved that the vesting of awards granted to executives under the LTIP in 2015 and the payout under the 2018 ABP would be determined using an adjusted profit* and appropriate adjustments be made to existing awards to reflect the impact of the rights issue. For the financial year ended 30 June 2018, 36.6% of the base 2015 LTIP will vest on 25 September 2018 and a payout of 86.5% in respect of the ABP for the year then ended.

Further details regarding the specific variable elements of pay received by the executive directors, based on the Group's 2017 Remuneration Policy, can be found in the Annual report on remuneration on pages 65 to 72.

Application of Remuneration Policy in 2018/19

The Committee consulted with the Group's major shareholders and undertook a thorough review of the Remuneration Policy in 2017, in which all areas were considered, including pension contributions, annual bonus structure and metrics, LTIP structure and performance measures, and a review of the guidelines on share ownership. Shareholders overwhelmingly approved the new policy at the 2017 AGM and this policy was adopted and implemented throughout the reporting period.

For 2018/19, no changes to the policy are proposed. The key elements of how the policy will be applied are set out below:

- Base salaries – increases in line with workforce.
  - The Committee continues to monitor and review pay and conditions across the Group and in line with the external market. The wider executive population immediately beneath the senior team is also reviewed. Merit-based salary increases were awarded to staff on review in July 2018, and a budget of 2.75% was provided to the Group to cover all increases. Peter Truscott and Graham Prothero's salaries have been increased by 2.75% in line with average increases across the workforce.
- ABP: no changes to metrics or structure.
  - The Group manages macro-economic risk by building a stronger and appropriate order book and maintaining an appropriately sized landbank. Both measures again feature in the 2018/19 annual bonus metrics, which comprise Group profit before tax, Group cash management, landbank and Construction order book. As in 2016/17 and 2017/18, performance against the financial metrics will be measured on a pre-exceptional basis. Health and safety is a priority and will continue to feature as a downwards adjuster.
- LTIP: no changes proposed to the metrics or structure.
  - The metrics will again comprise earnings per share (EPS) and return on net assets (RoNA).
  - As set out on page 72, RoNA is increasingly important in ensuring that profit is delivered efficiently. Strong achievement on both EPS and RoNA will ultimately drive returns through share price growth and dividends (targeting 5% growth per annum).

The impact of the liquidation of the Company's joint venture partner Carillion, and the resulting additional costs which the Group would incur, was considered by the Committee along with the adjustments to the LTIP and ABP shares awards following the rights issue. Considering the adjustments made last year, it was agreed the performance measurement metric for the ABP should be prepared using an adjusted profit* and that adjustments to the LTIP and ABP awards to reflect the rights issue and dilution impact would be implemented. In doing so the Committee has sought to ensure that its approach to measuring the targets and the targets themselves remained no less challenging in the circumstances than when they were originally set. Further details are set out later in this report.

There will be one advisory vote, at the November AGM, on the remuneration report and we look forward to your continued support.

Terry Miller
Remuneration Committee Chair

* Adjusted profit before tax is the sum of reported profits before tax of £143.7m and £31.67m, being the element of the exceptional charge arising from the compulsory liquidation of Carillion as announced in February and May 2018.

Remuneration Committee report
continued

Remuneration strategy

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

Remuneration Policy

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

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

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

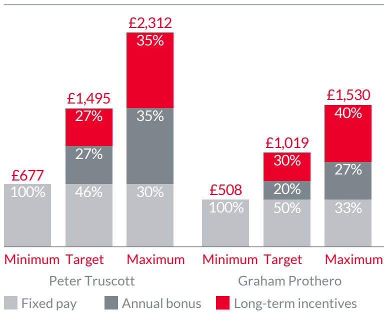
The policy is shaped by environmental, social and governance factors, which help to determine the design of incentive structures to encourage responsible behaviour. Furthermore, recognising that even well-designed incentives cannot cater for all eventualities, should any unforeseen issues arise that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

The individualised potential executive reward charts for 2018/19 set out below have been prepared using the following assumptions:

- For minimum remuneration: only fixed salary, benefits and pensions payments have been included.
- For on-target remuneration: fixed salary, benefits and pension plus 50% payout of the ABP and 50% of the LTIP (face value) awards have been included.
- For maximum remuneration: fixed salary, benefits and pension plus full payout under the ABP and full vesting (maximum 150%) of the LTIP (face value) awards have been included.

The chart below is indicative only, as share price movement and dividend accrual have been excluded. Salary levels are based on those applying on 1 July 2018. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2018. Executive directors can participate in all employee share schemes on the same basis as other employees but, for simplicity, the value that may be received from participating in these schemes has been excluded.

Illustration of application of remuneration policy
Remuneration (£000s)



Discretions retained by the Committee in operating incentive plans

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

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

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

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

Policy on recruitment

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

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

Policy on recruitment

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases (potentially above the average increase across the Company), as new appointee becomes established in the role.
Pension and benefits	In line with policy for executive directors.	A pension contribution of up to 20% of basic salary may be offered. Relocation expenses or allowance, legal fees and other costs relating to recruitment may be paid as appropriate.
ABP	In line with existing schemes.	Where a director is appointed part way through a financial year, different performance measures could be introduced to reflect the change in role and responsibilities. The annual bonus limit will be 150% of base salary for a Chief Executive and 100% for other directors. Pro-rating applies as appropriate for intra-year joiners. Where an individual is appointed to the Board, different performance measures may be set for the period of time remaining in that performance year.
LTIP	In line with Group policies and LTIP rules.	An award of up to 150% of salary may be made in accordance with the Remuneration Policy table. An award may be made in the year of joining or can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

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

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

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

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2018 are detailed below:

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

1 Contract dates shown are the directors' initial contract as an executive or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointments are subject to a rolling notice period as stated. All serving directors will stand for re-election at the 2018 AGM. Marisa Cassoni, appointed on 1 September 2018, will also stand for re-appointment.

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

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

Remuneration Committee report
continued

Executive directors' service contracts are available at the Company's registered office and will be available for inspection at the 2018 AGM.

For executive directors, at the Group's discretion, a sum equivalent to 12 months' salary and benefits may be paid in lieu of notice. In the contracts of Peter Truscott and Graham Prothero there are mitigation provisions to pay any such lump in monthly installments, subject to offset against earnings elsewhere. This will also be the case for any future appointments. The Company may pay statutory claims. Reasonable costs of legal expenses incurred by the director may be reimbursed by the Company by making direct payment to the professional adviser.

An executive director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

The Group may suspend executive directors or put them on a period of gardening leave during which they will be entitled to salary, benefits and pension.

For the proportion of the financial year worked, bonuses may be payable pro rata at the discretion of the Committee. Depending upon the circumstances, the Committee may consider additional payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, 'good leaver' status can be applied at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure).

For 'good leavers', LTIP awards may vest at the normal time (other than by exception) to the extent that the performance conditions have been satisfied. The level of vested awards will be reduced pro rata, based on the period of time after the grant date and ending on the date of cessation of employment relative to the three-year performance period, unless the Committee, acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case. Deferred bonus shares of 'good leavers' vest on cessation of employment.

The overriding principle will be to honour contractual remuneration entitlements and determine on an equitable basis the appropriate treatment of deferred and performance-related elements of remuneration, taking into account the circumstances. Failure will not be rewarded.

Legacy arrangements

Authority is contained within the 2017 Remuneration Policy for the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or vesting and exercise of a past LTIP award) that have been disclosed to shareholders in previous Directors' Remuneration Reports.

External directorships

The Board ensures any additional external appointments are only undertaken if time and commitments allow and with the prior written approval of the Board. Only upon approval are executive directors permitted to accept external appointments as non-executive directors and retain any associated fees.

Shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Remuneration Policy or individual executive director salary packages. The two most recent consultations took place in July 2016 on the proposed new LTIP rules and, in June 2017, on the 2017 Remuneration Policy and its implementation in respect of the year ended June 2018.

Certain sections, as noted, of the Annual report on remuneration from page 65 to 72 have been subject to audit.

How the views of employees have been taken into account

The Company, in line with current market practice, does not currently actively consult with employees on executive remuneration. The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors. For example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Company. The Committee notes the changes made to s.172 of the Companies Act and to the 2018 UK Corporate Governance Code which will take effect for the Company from the start of the 2019/20 financial year and will consider how to implement these during the course of the year.

Annual report on remuneration

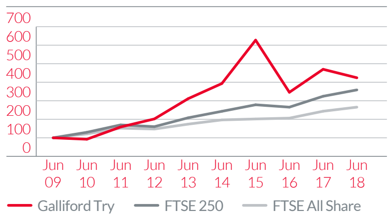
Recent Group performance

The Group delivered strong underlying performance during the year. The closing mid-market quotation for the Company's shares on 30 June 2018 was £8.74 (2017: £11.61). The high and low during the year were £12.81 and £7.20 respectively (2017: £15.83 and £7.85).

Comparative total shareholder return (TSR) performance over the last three financial years, reflecting share price movements plus dividends reinvested, ranked the Company below median against its dual comparator groups drawn from the housebuilding and construction industries.

The Company's TSR over the last nine financial years compared with the FTSE 250 and FTSE All Share indices is shown below. The FTSE 250 Index was chosen as it includes companies of a comparable size and the FTSE All Share Index was chosen as it gives a wider perspective of performance.

Total Shareholder Return
Value (£) (rebased)



Source: FactSet

The graph shows the value, by 30 June 2018, of £100 invested in Galliford Try on 30 June 2009, compared with the value of £100 invested in the FTSE 250 and FTSE All Share indices on the same date.

The other points plotted are the values at intervening financial year-ends.

Pre-exceptional profit before tax, pre-exceptional earnings per share and total dividend per share growth for the financial year ended on 30 June 2018 were 28%, 21% and -10% against the prior year respectively. These compare with a 7.97% annualised increase in total Group remuneration to £318.9m, for the year ended 30 June 2018. Profit before tax and earnings per share increase for the financial year ended on 30 June 2018 were 145% and 128% against the prior year respectively.

The total gross remuneration of the Chief Executive and the percentage achieved of the maximum annual bonus and LTIP awards is shown below for the last nine financial years.

	Year ended 30 June									
	2010	2011	2012	2013	2014	2015	2016[2]		2017	**2018[1]**
							Chairman	Chief Executive		
Total remuneration (£000)	1,020	2,559	2,468	4,114	3,212	2,811	1,262	1,461	1,043	**1,448**
Annual bonus (% of maximum)	98%	94%	88%	94%	97%	79%	74%	74%	46.3%	**86.5%**
LTIP (% of maximum)	0%	75%	93%	87%	63%	63%	47%	–	16.5%	**36.6%**

1 LTIP value estimated based on average share price of £9.29 in the last quarter of the financial year (1 April 2018 to 30 June 2018).

2 Peter Truscott was appointed Chief Executive on 1 October 2015. His predecessor, Greg Fitzgerald, was Chief Executive until 21 October 2014, and Executive Chairman until 31 December 2015.

Annual report on remuneration
continued

Directors' remuneration and single figure annual remuneration (audited)

The remuneration of the directors serving during the financial year under the 2017 Remuneration Policy, together with 2017 comparative figures, was as follows:

	Salary and fees £000		Annual bonus £000		Taxable benefits[1] £000		Pensions[2] £000		LTIP[3] £000		Sharesave £000		Total £000	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017[4]	**2018**	2017	**2018**	2017
Executive directors														
Peter Truscott	**530**	515	**689**	357	**23**	22	**106**	103	**100**	46	**–**	–	**1,448**	1,043
Graham Prothero	**398**	386	**344**	179	**17**	17	**80**	77	**82**	56	**–**	–	**921**	715
Non-executive directors														
Terry Miller	**53**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	50
Gavin Slark	**41**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**41**	40
Jeremy Townsend[5]														
Peter Ventress	**190**	146	**–**	–	**1**	–	**–**	–	**–**	–	**–**	–	**191**	146
Former directors														
Andrew Jenner[6]	**18**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18**	47
Ishbel Macpherson[7]	**18**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18**	47

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 Estimate based on average price of £9.29 for the last quarter of the financial year (1 April 2018 to 30 June 2018). Pursuant to the 2015 LTIP, 10,739 and 8,786 shares, respectively, will vest to Peter Truscott and Graham Prothero on 25 September 2018.
4 LTIP figures reported in 2017 and the corresponding single figure for that year were based on an estimated share price. These have now been updated with the actual share price as at the date of vesting of £12.17.
5 Jeremy Townsend joined the Board on 1 September 2017 and became Chair of the Audit Committee on 10 November 2017.
6 Andrew Jenner stepped down from the Board on 10 November 2017 and his remuneration has been pro-rated accordingly. Andrew received additional fees of £20,600 to reflect the fact that his normal time commitment had been significantly exceeded as a result of chairing a sub-committee of the Board to undertake a Group-wide review of policies and procedures.
7 Ishbel Macpherson stepped down from the Board on 10 November 2017 and her remuneration has been pro-rated accordingly. On stepping down Ishbel received a payment of £20,600 in lieu of the six-month notice period required to be served under her appointment.

2018 Annual bonus outcome (audited)

For the financial year to 30 June 2018, the annual bonus measures, targets and performance against those targets are set out in the table below. Senior management was subject to similar targets, which were applied to their respective business or business unit performance. The bonus outcome was subject to a scale-back if certain non-financial targets in relation to health and safety were not achieved.

	Performance target				
Measure	Threshold (% of maximum bonus)	On-target (% of maximum bonus)	Maximum (% of maximum bonus)	Actual performance	Payout % of bonus maximum
Group targets					
Pre-exceptional full year Group profit before tax	£161.5m (0%)	£170.0m (20%)	£178.5m (40%)	£175.37m[2]	32.6%
Pre-exceptional half year Group profit before tax	£64.8m (0%)	£68.2m (5%)	£71.6m (10%)	£81.3m[3]	10%
Group cash management[1]	(12.5%)	(12.5%)	(25%)	22.7%	22.7%
Landbank	10,500 units (12.5%)	10,500 units (12.5%)	10,500 units (12.5%)	11,400 units	12.5%
Construction order book	80% secured (0%)	85% secured (6.2%)	90% secured (12.5%)	87% secured	8.7%
Total payout (% of maximum bonus)	**25%**	**56.2%**	**100%**		**86.5%**

1 Cash management related to monthly month end cash/debt figures in accordance with a predetermined cash budget schedule. 2% is earned based on the month end cash figures in accordance with the budget, with a further 1% at each month end (except for June and December when 3% could be earned) for meeting the stretch target being 10% improvement on cash budget with a further increment in December 2017 and June 2018. The average monthly month end target was £307.8m net debt compared with an achieved average of £227.0m (excluding any benefit from proceeds raised from the rights issue in April 2018).
2 Actual performance refers to a notional profit before tax figure of £175.37m, being the sum of reported profits before tax of £143.7m and £31.67m, being the element of the exceptional charge arising from the compulsory liquidation of Carillion as announced in February and May 2018.
3 Actual performance refers to a notional profit before tax figure of £81.3m, being the sum of reported profits before tax of £56.3m and £25.0m, being the element of the exceptional charge arising from the compulsory liquidation of Carillion as announced in February 2018.

The Committee considered the performance against targets set at the start of the year for profit before tax and cash flow, and looked at a broader assessment of management, the key strategic decisions taken during the year and overall business performance.

While the full year pre-exceptional profit before tax targets were partially achieved during the year, the Committee considered the impact of the £25.0m exceptional charge reported in the first half and the further £6.67m resulting from the compulsory liquidation of Carillion as announced by the Company in February and May 2018 as well as the adjustments made last year. The half year profit target and actual profit performance were not impacted by the exceptional charge and will pay out in full. The month end cash balances were above target for each month and in most cases exceeded the stretch target of 10% improvement. As a result of this strong cash performance over the course of the entire year, the total bonus payable for the year was 86.5% of maximum.

A health and safety bonus deductor was also considered, based on a health and safety matrix in force across the entire Group that could reduce bonus by specified percentages relating to the number of accidents, incidents and other reportable events. In addition, as set out in last year's Annual Report, the Committee reserved the right to adjust the 2018 bonus outcomes depending on the outcome of the investigations into the two fatalities in the year ended June 2017. In reviewing the Group's health and safety performance against the matrix, the Committee took these factors into consideration and decided that the Group targets were met to the extent shown in the table above.

The Committee determined that, in respect of the year to 30 June 2018, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2017/18 (£000)	Cash (£000)	Shares (£000)
Peter Truscott	84	150	689	407	282
Graham Prothero	56	100	344	247	97

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 EST for a period of three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation.

LTIP awards vesting in September 2018

The LTIP awards granted to Peter Truscott and Graham Prothero on 25 September 2015 were based on TSR and EPS performance over the three years to 30 June 2018. 50% of the base award was based on EPS performance and vesting of up to 75% of the base award was based on TSR performance against each of a housebuilding group and construction group. In total, 36.6% of the base award (18.3% of the maximum possible award) will vest as a result of the performance achieved.

EPS performance

Measure	% of base award	Threshold condition[1] (15% vesting)	Stretch condition[1] (50% vesting)	Actual[1,2]	% of base award vesting	% of max award vesting
Cumulative notional EPS	50%	410p	500p	465.5p	36.6%	18.3%

1 Actual EPS is based on the sum of: reported basic EPS for the year ended 30 June 2016 of 132.5p; pre-exceptional EPS for the year ended 30 June 2017 of 145.8p; and adjusted pre-exceptional EPS for the year ended 30 June 2018 of 187.2p.

2 As disclosed last year, pre-exceptional EPS for the year ended 30 June 2017 was based on a notional profit before tax figure of £157.0m, being the sum of reported profit before tax of £58.7m and £98.3m, being the one-off charge relating to legacy contracts announced in May 2017.

As set out on page 70, adjusted basic EPS for the year ended 30 June 2018 is based on a restated notional profit before tax figures of £188.7m, being the sum of reported profit before tax of £143.7m plus the total £45m exceptional charge of the 2017/18 financial year; resulting in £154.7m of earnings divided by 82.7 million shares, being the average number of shares in issue less the additional number of shares resulting from the rights issue. The Committee believes that this approach ensures that the EPS targets applying to this award are no less stretching than when the targets were originally set, while ensuring that the determination of performance against this condition fairly reflects the underlying performance of the Company over the performance period.

TSR performance

(relevant to 2015 and 2016 LTIPS only)

Measure	% of base award	Threshold condition (10% vesting)	Stretch condition (33.3% vesting)	Maximum condition (100% vesting)	Actual	% of base award vesting[1]	% of award vesting
TSR v Construction	75%	Median	Median + 24%	Median + 75%	-21.5% (median 21.8%)	0%	0%
TSR v Housebuilders	75%	Median	Median + 24%	Median + 75%	-21.5% (median 60.1%)	0%	0%

1 Any vesting above 25% required the EPS target to be achieved in full.

The Committee has resolved that 36.6% of the base award will vest on 25 September 2018.

Annual report on remuneration
continued

Directors' share plan interests (audited)

Further detail regarding the proportion of LTIP awards subject to the three-year performance period ending 30 June 2018, and vesting in September 2018, is given in the preceding table on page 67. Outstanding awards held by directors are detailed in the table below.

Director	Plan	Date	Share price at grant (pre-rights issue prices)	Number of awards outstanding at 1 July 2017	Granted	Rights issue adjustment	Vested	Lapsed	Number of awards outstanding at 30 June 2018	Value of awards vested during financial year £000	Actual or anticipated vesting date
Peter Truscott	LTIP[1,3,4,5]	21.10.15	£16.43	22,884	–	–	3,776	19,108	–	51	30.09.17
	LTIP[1,3,5]	25.09.15	£17.36	26,400	–	2,942	–	–	29,342	–	25.09.18
	2016 LTIP[1,3,5]	16.11.16	£12.88	39,984	–	4,456	–	–	44,440	–	16.11.19
	2016 LTIP[2,3,5]	22.09.17	£13.56	–	58,678	6,540	–	–	65,218	–	22.09.20
	ABP	23.09.16	£12.516	11,655	–	3,885	–	–	15,540	–	23.09.19
	ABP	22.09.17	£13.59	–	4,901	1,633	–	–	6,534	–	22.09.20
Graham Prothero	LTIP[1,3,5]	30.09.14	£12.49	27,902	–	–	4,603	23,299	–	62	30.09.17
	LTIP[1,3,5]	25.09.15	£17.36	21,601	–	2,407	–	–	24,008	–	25.09.18
	2016 LTIP[1,3,5]	16.11.16	£12.88	29,988	–	3,342	–	–	33,330	–	16.11.19
	2016 LTIP[2,3,5]	22.09.17	£13.56	–	44,009	4,905	–	–	48,914	–	22.09.20
	ABP	30.09.14	£12.31	8,572	–	–	8,572	–	–	116	30.09.17
	ABP	25.09.15	£16.81	4,073	–	447	–	–	4,520	–	25.09.18
	ABP	23.09.16	£12.516	4,455	–	488	–	–	4,943	–	23.09.19
	Sharesave[6]	01.11.16	Exercise price (post-rights issue prices) £9.357	1,546	–	172	–	–	1,718	–	01.01.22
	Sharesave[6]	02.11.17	£9.276	–	395	44	–	–	439	–	01.01.23

1 For LTIP award granted prior to 2017, each award is a provisional allocation of a number of shares which is equal in value to 100% of the individual's basic salary as at the date of grant, with up to 200% of the number of the base award able to vest at the stretch performance level. The number of shares shown in the table above represents the base award.

2 For awards granted in 2017 and going forwards, awards are based on a maximum percentage of salary. The number of shares shown in the table represent the maximum number of shares ie 150% of salary.

3 Awards are subject to performance conditions over a three-year period as described on pages 67 and 69.

4 Two awards in respect of forfeited 2013 and 2014 Taylor Wimpey Performance Share Plan awards were made to Peter Truscott on appointment. The first award vested on 18 April 2016 details of which have been disclosed in the 2016 accounts. The second award vested on 30 September 2017, subject to the same performance conditions as awards made in 2014 under the Galliford Try plc LTIP.

5 The number of shares comprised in each award have been adjusted in accordance with IAS 33 to take account of the impact of the rights issue using a theoretical ex-price rights adjustment factor of 1.11147.

6 The exercise prices for the Sharesave Schemes were adjusted for the rights issue. The pre-rights issue adjusted exercise price for the 2016 grant was £10.40 and for the 2017 grant it was £10.31.

Awards granted during the year (audited)

On 22 September 2017, the following conditional LTIP awards were made to Peter Truscott and Graham Prothero.

Director	Date of grant	Number of shares awarded	Basis of award	Share price used to determine level of award[1] £	Face value £	Rights issue adjustment	Adjusted number of shares awarded
Peter Truscott	22 September 2017	58,678	150% of base salary	£13.56	795,674	6,540	65,218
Graham Prothero	22 September 2017	44,009	150% of base salary	£13.56	596,762	4,905	48,914

1 The share price used for awards made on 22 September was the closing mid-market price on the date prior to the award.

The performance conditions attached to these awards and awards made in November 2016 are as follows:

Date of grant	Performance conditions	Comparator group
November 2016	• Vesting based on TSR and underlying EPS performance over the three years to 30 June 2019. • Vesting of up to 50% of the base award will be based on underlying EPS performance. 15% will vest for aggregate EPS of 417p over the period, increasing to 50% vesting for aggregate underlying EPS of 484p.[1] • Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of construction companies. Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of housebuilding companies. • 7.5% vests for median performance against each comparator group, increasing to 25% vesting if the Company's TSR is 24% (8% per annum) higher than that of the median ranked comparator company. • Vesting can increase to a maximum of 75% of base award for achieving a TSR that is 75% (25% per annum) higher than the median ranked comparator company. Any vesting above 25% also requires the maximum EPS target 484p to have been achieved.	**Housebuilding** Barratt Developments plc; Bellway plc; Bovis Homes Group plc; Countryside Properties plc; Crest Nicholson Holdings plc; McCarthy & Stone plc; M J Gleeson plc; Persimmon plc; Redrow plc; Taylor Wimpey plc and The Berkeley Group Holdings plc. **Construction** Balfour Beatty plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.
September 2017	• Vesting based on underlying EPS and RoNA[2] performance over the three years to 30 June 2020. • Vesting of up to 2/3 of the award is based on underlying EPS. 25% will vest for 140p increasing to 100% vesting on a straight line basis if 163p[1] is achieved. • Vesting of up to 1/3 will be based on RoNA of which 32.6% is the target to be reached in the final year. Achieving 31.0% would generate 25% vesting while 34.3% would generate 50% vesting on a straight line basis. • Any shares which vest will be subject to a two-year post vesting holding period in accordance with Remuneration policy.	

1 Targets have been adjusted to take account of the impact of the increased number of shares resulting from the rights issue. The original cumulative underlying EPS targets for the 2016 awards were 489p (threshold) to 568p (stretch). The original underlying EPS targets for the 2017 awards were: 186.8p (threshold) to 218.4p (stretch).

2 Note that owing to an administrative error the RoNA targets set for the 2017 LTIP awards on grant were overstated due to forecast profit used to calculate the targets also being overstated. The Committee therefore approved corrected targets as set out below.

	Original	Corrected
Threshold	32.0%	31.0%
Target	33.7%	32.6%
Maximum	35.4%	34.3%

In addition, so as to ensure management is not penalised or advantaged as a consequence of the rights issue, the Committee has decided to apply appropriate adjustments to RoNA when performance is measured. The basis and impact of these adjustments will be disclosed at that time.

Annual report on remuneration
continued

In light of the collapse of Carillion and of the rights issue which took place in 2018, the Committee determined that the cumulative EPS target applying to the 2016 award and the EPS target applying to the 2017 award should be adjusted to take account of the increase in the number of issued shares in the Company. In doing so the Committee has sought to ensure that these targets remain no less challenging than they would have been but for the impact of the rights issue. The adjusted targets are therefore based on the three-year plan in place at the time the original targets were set, with the Company's forecast of EPS for the years following the rights issue restated to take account of the additional number of shares in issue.

As reported last year, the EPS measures attached to the 2015 and 2016 LTIP awards are based on cumulative targets and the Committee considered carefully how to treat these awards in light of the £98.3m one-off charge in 2016/17. After a thorough consultation with major shareholders and shareholder bodies in 2017, the Committee determined that performance should be measured on a pre-exceptional basis. In 2018, the Committee also considered how to treat the exceptional charge of £25m announced in February 2018 and a further exceptional charge of £20m announced in the full year results, of which £31.67m resulted from the collapse of Carillion, and having established the approach following the previous consultation, determined that these events should not be included in the calculation of underlying EPS for 2017/18. It therefore confirmed that underlying EPS for 2017/18 should also be measured on this pre-exceptional basis.

Directors' share interests (audited)

As at 30 June 2018, the directors held the following beneficial, legal and unvested ABP interests in the Company's ordinary share capital.

	Legally owned[1]					Total	
Director	30.6.18	30.6.17[4]	LTIP (unvested)	Deferred bonus awards (unvested)	Sharesave	30.6.18	% of salary held under share ownership guidelines[2]
Executive directors							
Peter Truscott	28,429	11,821	139,000	22,074	–	189,503	83%
Graham Prothero	63,237	44,558	106,252	9,463	2,157	181,109	160%
Non-executive directors							
Terry Miller	2,066	200	–	–	–	2,066	n/a
Gavin Slark	1,600	1,200	–	–	–	1,600	n/a
Jeremy Townsend	3,333	–	–	–	–	3,333	
Peter Ventress	14,098	4,250	–	–	–	14,098	n/a
Former directors							
Andrew Jenner[3]	1,000	1,000	–	–	–	1,000	n/a
Ishbel Macpherson[3]	2,125	2,125	–	–	–	2,125	n/a

1 Either held by the individual or connected persons.
2 Under the 2017 Remuneration Policy, the share ownership guideline for executive directors is 200% of base salary. The shareholding policy is set out on page 59 of the 2017 Annual Report and Financial Statements. Peter Truscott and Graham Prothero joined the Board on 1 October 2015 and 1 February 2013, respectively, and are still building up to the guideline level.
3 The shareholdings of Andrew Jenner and Ishbel Macpherson are based on the number of shares held at the time of leaving the Company.
4 The figures for 2017 are pre-rights issue. All other figures are as at 30 June 2018 and have been adjusted to take account of the one for three rights issue.

There were no changes in the directors' interests from 30 June 2018 to the date of this Annual Report.

External directorships

Graham Prothero was a Non-executive Director and Chair of the Audit Committee of Marshalls plc and retained an annual fee of £52,516.

Payments for loss of office (audited)

Andrew Jenner – Andrew Jenner stepped down from the Board on 10 November 2017. He did not receive any payment for loss of office.

Ishbel Macpherson – as disclosed in the notes to the single figure table on page 66, on stepping down Ishbel received a payment of £20,600 in lieu of the six-month notice period required to be served under her appointment.

Percentage change in remuneration of Chief Executive and across workforce for 2017/18

% change	Average across workforce	Chief Executive
Salary	2.6%	3.0%
Bonus	28%[1]	93.0%
Benefits	11.4%[2]	6.6%

1 Based on comparison of average aggregate bonus awards divided by average numbers of staff.
2 Based on comparison of cost to the Group of benefits for the tax years ended in April 2017 and April 2018.

Relative importance of spend on pay

	2016/17	2017/18	% change
Total overall spend on pay (£m)	294.8	**318.9**	8.0
Dividends (£m)	79.4	**77.7**	(2.1)
Share buyback (£m)	–	–	–
Pre-exceptional Group profit before tax (£m)	147.6	**188.7**	27.8
Pre-exceptional Group corporation tax expense (£m)	27.4	**34.0**	24.1
Pre-exceptional effective tax rate (%)	18.6	**18.0**	(3.2)

The equivalent total overall spend on pay in 2018 is disclosed in note 4 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £54,500 per annum as at 30 June 2018 (2017: £53,500).

Composition of Remuneration Committee and attendance

Membership of the Committee is detailed on pages 50 and 51. The Committee was chaired by Ishbel Macpherson until her resignation on 10 November 2017. Terry Miller is interim Chair of the Committee and it is intended that she will step down on publication of the Group's half year results in February 2019, wherein Marisa Cassoni will be appointed the new Chair of the Remuneration Committee. During the financial year the other members were Andrew Jenner (until his resignation on 10 November 2017), Gavin Slark, Jeremy Townsend (from his appointment on 1 September 2017) and Peter Ventress. The General Counsel and Company Secretary acts as secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the non-executive directors meeting without Executive management present. No director, or the General Counsel and Company Secretary, is present when his or her own remuneration is being considered.

Remuneration advice and advisers

The Committee is informed of key developments and best practice in the field of remuneration and regularly obtains advice from independent external consultants, when required, on individual remuneration packages and on executive remuneration practices in general.

New Bridge Street (NBS) is the Committee's sole remuneration consultant, having been appointed by the Committee in January 2011 following a competitive tender. Services provided to the Committee by NBS encompassed remuneration guidance, regulatory guidance, shareholder trends and share plan-related consultancy including adjustments to shares and share awards to reflect the rights issue. Fees paid to NBS for services provided to the Committee during the financial year were £65,632 (2017: £61,300).

NBS does not provide any other services to the Group, although NBS is part of Aon plc (Aon). Aon continues to provide advice to the Group specifically relating to private medical insurance policies. The Committee is satisfied that these services do not impinge on the independence of NBS. Furthermore, NBS is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial.

The General Counsel and Company Secretary also advises the Committee as necessary and, where appropriate, makes arrangements for the Committee to receive independent legal advice at the request of the Committee Chair.

Employee Share Trust and dilution

The Employee Share Trust (EST) is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year, the EST purchased 44,856 shares in the market at the rights issue exercise price of £5.68, which resulted in a balance held at 30 June 2018 of 379,536 shares.

On 27 March 2018, the Group announced a rights issue under which holders of ordinary shares were entitled to subscribe for one new share of 50p each for every three existing shares held at a subscription price of £5.68 per share. The Trust held 334,680 shares and took up their right to subscribe for 111,560 new nil paid ordinary shares of 50p. A number of participants in the ABP and LTIP informed the EST they would like to take up their rights in full and paid the EST for these shares. For those participants who did not take up their rights in full the EST sold sufficient nil paid rights to raise funds to enable the take-up of the optimum number of new shares in the Group at a nil cost to the Trust.

Including the purchase of shares, the Group provided net additional funds to the EST during the financial year of £58,180, by extending the existing EST loan facility. The number of new shares purchased during the year was nil shares.

In issuing only 402,239 new shares arising from share scheme-related activities during or since the financial year, the Company has complied with the dilution guidelines of the Investment Association.

Applying the guidelines, the Group has 7.28% headroom against 'the 10% in 10 years' rule and on the basis that the Company's practice is that all awards granted pursuant to discretionary plans are satisfied using shares purchased in the market, 5% headroom against the '5% in 10 years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration Report

The Committee takes account of annualised shareholder voting trends in connection with the Directors' Remuneration Report votes. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration Report during the last five AGMs are as follows: 97.85% (2017), 99.68% (2016), 99.26% (2015), 99.46% (2014) and 98.52% (2013). Votes withheld in each of those years represented: 0.03% (2017), 0.50% (2016), 2.21% (2015), 0.32% (2014) and 3.16% (2013). In 2017, 2.15% of the votes cast were against the Directors' Remuneration Report.

In 2017, shareholders voted in support of the 2017 Remuneration Policy by 99.84% in favour, with 0.28% of votes withheld. A further resolution in respect of the 2020 Remuneration Policy will be proposed at the 2020 AGM.

Forward-looking implementation of Policy

Base salaries

At the 2018 salary review completed in May, the directors carefully scrutinised pay and employment conditions across the Group. Against the backdrop of strong underlying financial performance, industry-wide salary increases and a need to continue to retain key operational staff to deliver the strategy to 2021, the overall pay budget increased by 2.75%.

With effect from 1 July 2018, Peter Truscott was awarded an annual salary increase of 2.75%, taking his salary from £530,450 to £545,037. Graham Prothero was awarded an annual salary increase of 2.75%, taking his salary from £397,850 to £408,791. These increases were in line with the average pay increase across the workforce.

Annual report on remuneration
continued

ABP

The Committee has decided that, for the financial year to 30 June 2019, the existing bonus structure remains appropriately aligned to corporate strategy with the current sustainability measures appropriate for the business. It will therefore remain in its current form, with an opportunity of 150% of salary for the Chief Executive and an opportunity of 100% of salary for the Group Finance Director. Up to 50% of opportunity will be based on underlying Group profit before tax (10% in respect of the half year), 25% on Group cash management, 12.5% on landbank and 12.5% on Construction order book.

Health and safety continues to be a top priority. Maintaining a strong health and safety record will continue to feature in the bonus plan as a downwards adjuster, enabling bonuses to be reduced by up to 10% in the event that the Group's record is not at the required standard.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year, as these include items which the Committee considers commercially sensitive. Information on the targets and the level of bonuses earned will be disclosed next year.

LTIP

The Committee has considered the 2018 LTIP metrics carefully and has decided to retain the existing performance measures of EPS and RoNA. Vesting of awards granted under the LTIP for the 2019 financial year will be based two-thirds on underlying EPS and one-third on RoNA performance over the three years to 30 June 2021 as follows:

- 25% of the EPS element will vest if underlying EPS is 151.1p for the 2021 financial year, increasing to full vesting for underlying EPS of 184.7p or more. Vesting will be determined on a straight-line basis between threshold and maximum.
- 25% of the RoNA element will vest if RoNA is 24.5% for the 2021 financial year, increasing to full vesting for RoNA of 27.1% or more. Vesting will be determined on a straight-line basis between threshold and maximum.

All-employee share schemes

The Group operates an HMRC-approved Sharesave Scheme for the benefit of all staff. During the year, eligible employees were invited to participate in a three- or five-year scheme which granted options to purchase shares at a 20% discount to the share price at the invitation date.

Chairman and non-executive fees

The fee level for Peter Ventress as Chairman for 2017/18 was £190,000 per annum. From 1 July 2018, the fee increased by 2.75% to £195,225. Peter Ventress received no benefits in connection with his position, other than membership of the Group's medical insurance plan.

The standard non-executive fee was £41,200 per annum throughout the financial year. From 1 July 2018, the fee increased by 2.75% to £42,335. The fee supplement for the Chairs of the Board Committees and for the Senior Independent Director also increased by 2.75% from £7,725 to £7,937 and from £4,120 to £4,233 respectively, also with effect from 1 July 2018.

Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules

The Directors' Remuneration Report has been prepared in accordance with the Directors' Remuneration Regulations 2013, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules. The auditor is required to report on the remuneration data disclosed in the Directors' Remuneration Report section and state whether, in their opinion, that part of the Report had been properly prepared in accordance with relevant provisions of the Companies Act 2006 (as amended).

The Committee is governed by formal Terms of Reference agreed by the Board and is composed solely of non-executive directors, each of whom the Board considers to be independent. The latest Terms of Reference are available on the Group's website (www.gallifordtry.co.uk).

For and on behalf of the Board

Terry Miller
Remuneration Committee Chair

12 September 2018

Directors' report

The directors present their Annual Report and audited financial statements for the Group for the year ended 30 June 2018.

Principal activities

Galliford Try is a leading housebuilding, regeneration and construction group, primarily operating in the UK. Galliford Try plc, registered in England and Wales with company number 00836539, is the Parent Company of the Group. More detailed information regarding the Group's activities during the year under review, and its future prospects, is provided on pages 1 to 49. The principal subsidiaries and joint ventures operating within the Group's businesses are shown in notes 13 and 37 to the financial statements.

Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. This can be found on pages 1 to 49.

The Strategic Report contains an indication of the directors' view on likely future developments in the business of the Group. In addition, following the introduction of the EU Non-Financial Reporting Directive, the Strategic Report also provides direction on where information on the impact of activities on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters can be found within the Annual Report and financial statements, as well as a description of the Group's policies and where these are located.

The Corporate Governance Report on pages 52 to 59 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

The Annual Report and Financial Statements use financial and non-financial KPIs wherever possible and appropriate.

Results, dividends and capital

The pre-exceptional profit for the year, net of tax, of £188.7m is shown in the consolidated income statement on page 82. The directors have recommended a final dividend of 49.0p per share, which, together with the interim dividend of 28.0p declared in February, results in a total dividend for the financial year of 77.0p. The total dividend for the financial year will distribute a sum of £77.7m. Subject to approval by shareholders at the AGM, the final dividend will be payable on 5 December 2018 to shareholders on the register at close of business on 9 November 2018.

Please refer to page 29 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50p. The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the Main Market of the London Stock Exchange. At 30 June 2018, the Company had 111,028,162 ordinary shares in issue (2017: 82,888,046). Votes may be exercised at general meetings of the Company by members in person, by proxy or by corporate representatives (in relation to corporate members). The Articles of Association of the Company (the Articles) provide a deadline for the submission of proxy forms (electronically or by paper) of not less than 48 hours before the time appointed for the holding of the general meeting or the adjourned meeting (as the case may be).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities are set out in the 2017 AGM notice. Resolutions to be proposed at the 2018 AGM will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of 2018 AGM sent separately to shareholders. During the year, the Company undertook a one for three rights issue of 27,741,204 new ordinary shares of 50p each. Other than the rights issue and usual activity in connection with the Group's share plans, no shares have been issued or purchased by the Company under the relevant authorities either during the financial year or to the date of this Annual Report.

There are no restrictions on the transfer of the Company's shares, with the exceptions that certain shares held by the EST are restricted for the duration of the applicable performance periods under relevant Group share plans, and directors and persons discharging managerial responsibilities are periodically restricted in dealing in the Company's shares under the Group's share dealing policy which reflects the requirements of the Market Abuse Regulation. In certain specific circumstances, the directors are permitted to decline to register a transfer in accordance with the Articles. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of shares in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or voting rights.

There are no shares carrying specific rights with regard to control of the Company, with the exception that the EST holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of any shares so held. The EST currently holds 0.34% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards (2017: 0.45%).

Articles of Association

The Articles, adopted in 2009 to reflect the Companies Act 2006, set out the internal regulations of the Company, and define various aspects of the Company's constitution including the rights of shareholders, procedures for the appointment and removal of directors, and the conduct of both directors and general meetings.

In accordance with the Articles, directors can be appointed or removed either by the Board or shareholders in general meeting. Amendments to the Articles require the approval of shareholders in general meeting expressly by way of special resolution. Copies of the Articles are available by contacting the General Counsel and Company Secretary at the registered office.

Directors' report
continued

Significant direct and indirect holdings

As at 12 September 2018, being the date of this Annual Report, the Company had been made aware, pursuant to the FCA's Disclosure Guidance and Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
BlackRock, Inc	13,445,812	12.11
Standard Life Aberdeen plc	7,692,836	6.93
Brewin Dolphin Limited	4,152,227	4.99

There were no material changes in any of the significant holdings from 30 June 2018 to the date of this Annual Report.

Change of control provisions

The only agreements likely to have a significant impact on the Group's operations in the event of any change of control of the Company continue to relate to the Group's revolving credit facility and surety arrangements, details of which are set out in the notes to the financial statements.

All of the Group's share plans contain provisions relating to a change of control. The respective plan rules permit outstanding awards to vest on a proportional basis and then become exercisable in the event of a change of control, subject to the satisfaction of any applicable performance conditions and the prior approval of the Remuneration Committee. Other than in relation to share schemes as described above, the Group has not entered 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 Company.

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.

Board and directors' interests and indemnities

Summary biographies of the Board directors as at 30 June 2018 are on pages 50 and 51. During the year, Jeremy Townsend joined the Board as a Non-executive Director on 1 September 2017. Andrew Jenner and Ishbel Macpherson stepped down from the Board on 10 November 2017. Marisa Cassoni joined the Board on 1 September 2018 as a Non-executive Director and it is intended she will become Chair of the Remuneration Committee on publication of the Group's half year results in February 2019. There have been no other changes to the Board, either during or since the financial year end.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 70, and details of executive directors' service contracts and non-executive directors' letters of appointment can be found on page 63.

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, conflicts of interest are reviewed and, as necessary, authorised by the Board on an annual basis. Details of Directors' and Officers' Liability Insurance and qualifying third-party indemnities are given on page 55 of the Corporate Governance Report.

Employees

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of sex, race, age, ethnicity, religion, disability or marital status. We value everyone as an individual, recognising that everyone is different and has different needs at work. We respect people's differences and treat everyone with dignity and respect. We aim to create a culture in which everyone feels valued as an individual and is motivated to give their best in their jobs.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We carry out regular workplace assessments and provide occupational health checks and advice to support both employees and line managers. Appropriate arrangements are made for the continued training and employment, career development and promotion of disabled persons. If existing members of staff become disabled, the Group endeavours to continue employment, either in the same or an alternative position with appropriate retraining and occupational assistance being given if necessary.

Employee engagement and consultation is encouraged through the use of regular informal discussions and feedback, formal annual appraisals, business unit staff forums and periodic employee surveys.

Details of where to find information regarding the Group's employees, remuneration policies, employment practices and employee involvement is provided in the Strategic Report on pages 1 to 49 and the Remuneration Policy and Report on pages 60 to 72. 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 and anti-bribery, related policies and their impact can also be found in the Strategic Report.

Significant agreements

Except for the agreements underpinning the Group's revolving credit facility and its debt private placement, there are no persons with which it has contractual or other arrangements which are essential to its business.

Charitable and political donations

For information regarding charitable donations made through employees volunteering or donation of materials, please refer to the Strategic Report on page 48.

It is Group policy to avoid making political donations of any nature and accordingly none were made during the financial year. The Group notes the wide application of Part 14 of the Companies Act 2006, but does not consider the housebuilding and construction industry bodies of which it is a member to be political organisations for the purposes of the Act.

Emissions

Details of the Group's carbon dioxide emissions for the financial year have been included on page 47 and are included by reference in this report.

Creditor payment policy

Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. In November 2013, the Group became a signatory to the Prompt Payment Code which contains, among other things, commitments to pay suppliers within agreed contract terms.

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 26, and in note 26 to the financial statements.

Important developments since year end

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2018.

Going concern

In accordance with the Financial Reporting Council's Guidance on Going Concern and Liquidity published in 2009, the requirements of the 2016 Code and Listing Rule 9.8.6(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. It is therefore justified in using the going concern basis in preparing these financial statements.

Independent auditor

Each of the directors at the date of approval of this Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

A resolution is to be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company, at a rate of remuneration to be determined by the Audit Committee.

AGM

The AGM will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF on 9 November 2018 at 10.30am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Fair, balanced and understandable

In accordance with the principles of the 2016 Code and as further described on pages 57 and 58, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, position, business model and strategy.

Approval of report

This Directors' report, the Strategic Report on pages 1 to 49 and the Corporate Governance and Directors' Remuneration Reports on pages 52 to 73, were approved by the Board of directors on 12 September 2018.

For and on behalf of the Board

Kevin Corbett
General Counsel and Company Secretary

12 September 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group and parent Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provide 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 50 and 51, confirms that to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the parent Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 1 to 49 includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

For and on behalf of the Board

Peter Truscott
Chief Executive

12 September 2018

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 plc

Report on the audit of the financial statements

Opinion

In our opinion, Galliford Try plc's Group financial statements and Parent Company financial statements (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 2018 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group and Parent Company balance sheets as at 30 June 2018; the consolidated income statement and consolidated statement of comprehensive income, the Group and Parent Company statements of cash flows, and the Group and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 July 2017 to 30 June 2018.

Our audit approach

Overview

Materiality

- Overall Group materiality: £9,435,000 (2017: £7,380,000), based on 5% of profit before tax and exceptional items.
- Overall Parent Company materiality: £11,453,000 (2017: £7,380,000), based on 1% of total assets.

Audit Scope

- The Group is structured in six principal segments, being Linden Homes, Partnerships & Regeneration, Building, Infrastructure, PPP Investments and Central Costs, all of which include multiple legal entities.
- Within the Group's six segments, we determined that the following legal entities required an audit of their complete financial information: Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc.
- In addition, we performed work over specific balances in other Group entities, which in our view, required an audit of such balances, either due to their size or their risk characteristics.

Key Audit Matters

- Fraud in revenue recognition.
- Linden Homes developments may not be appropriately valued.
- Construction contracts, work in progress and provisioning may not be appropriately valued.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, 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 or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules, Pensions legislation and UK tax legislation. Our tests included, but were not limited to, review of financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisers, enquiries of management and in-house legal counsel and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest affect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditor's report
continued

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition	
Revenue from construction contracts is recognised based upon management's assessment of the value of works carried out considering performance against the programme of works, calculation of work in progress, detailed evaluation of the costs incurred and comparison to external certification of the work performed. Profit is not recognised until the outcome of the contract is reasonably certain. Construction contract accounting is inherently complex and we focused on this area because there is estimation in respect of forecast revenue and costs to complete on projects and these estimates could be manipulated by management. Housebuilding revenue recognition is based on legal completion for private house sales and unconditional exchange of contracts for land sales. Additionally, there is a risk the revenue could be manipulated through manual journals. Refer to note 1 on pages 87-92 of the Annual Report.	• For construction revenue, we identified and assessed the appropriateness of key assumptions adopted in the estimation of significant construction contract projects, by validating stage-of-completion and costs to completion on significant projects using surveyors' latest valuations. • We agreed revenue recognised on a sample of major projects to supporting documentation such as customer contracts, certifications and signed variations. • We tested the timing of construction contract revenue recognition, taking into account contractual obligations, the percentage of the contract completed, third-party certifications and the timing of cash receipts. • For housebuilding revenue, we tested a sample of sales by examining legal completion documents as well as testing the cut-off of revenue around the year-end. • We performed data analysis to identify potentially unusual journal entries impacting revenue and performed testing on those items. • We found no material misstatements from our testing.
Linden Homes developments may not be appropriately valued	
The valuation of developments is dependent upon the correct estimation and allocation of costs on Linden Homes sites. Developments are carried at the lower of cost and net realisable value. A sign of impairment arises if the allocated costs of land and construction are likely to exceed the expected selling price of an individual unit. Older or slower-moving developments can also be an indication of potential impairment. Refer to note 1 on pages 87-92 of the Annual Report.	• We identified and tested the operating effectiveness of key controls around the purchase and payable cycle including review and approval of cost allocations to specific projects, and review of performance by projects including costs to date and variation of cost to complete. • We recalculated, for a sample of sites, the recognition of costs and remaining work in progress balance to ensure they had been appropriately updated for costs incurred and expected costs to complete. • We performed an analysis of site margins for all major sites to identify those with low or eroding margins, for example due to specific issues or underperformance. We discussed the identified sites with management, including the consideration of the level of provisions held against these sites and evaluated the explanations given against other external evidence to assess the carrying value of inventory. • We agreed a sample of costs incurred on sites, including common costs, to supporting documentation. • We evaluated the ageing of developments and assessed the impairment risk by considering overall site margins and fluctuations year on year, review of stock units that were significantly aged and reviewing post year end reservations for these sites. • We found no material misstatements from our testing.

Key audit matter	How our audit addressed the key audit matter
Construction contracts, work in progress and provisioning may not be appropriately valued	
The valuation of amounts recoverable on construction contracts is dependent on judgments around stage of completion and remaining costs to complete, as well as the associated provisions. In a number of the Group's projects there are assumptions within either revenue or cost of sales regarding recovery of amounts contractually due from clients, designers, subcontractors or insurers, and amounts recoverable on construction contracts can include variations and claims which are not yet certified or formally agreed, but where the outcome is capable of being reliably measured and there is a reasonable certainty of recovery. These assumptions impact revenue recognised on these contracts, as well as amounts recoverable on construction contracts, cost of sales and trade and other payables balances. Provisions are recorded by the Group where risk of recovery is considered significant. There is a risk these provisions are not sufficient. The Group's loss provisions in respect of a major joint venture road project, the Aberdeen Western Peripheral Road ('AWPR'), in corporate assumptions of recovery of claims against the client and other Parties which are yet to be concluded. Within the Group's Infrastructure business there is a material work in progress balance of circa £30m in respect of three projects for a single client. The costs associated with these projects have been significantly impacted by scope changes and the client is currently disputing the Group's valuation of the work in progress. Refer to note 1 on pages 87-92 of the Annual Report.	• We assessed the evidence provided by management regarding recovery of the un-agreed variations to contract price on projects. This included external expert and legal advice and correspondence from clients, subcontractors and insurers. We considered the adequacy of provisions held based on understanding of the contracts, meetings with in-house counsel and review of key project correspondence. • We identified and assessed a sample of key assumptions adopted in estimation of significant projects, particularly around stage of completion, costs to complete and provisions on loss-making contracts through our review of contract review meetings minutes, reading correspondence with the customer and subcontractors, and obtaining audit evidence on client/subcontractor disputes and insurance claims. • We assessed the reliability of management's estimates by reviewing the fluctuations in budgeted end of life margin between 30 June 2018 and 30 June 2017. • We tested whether valid contractual agreements, supplemental agreements and agreed variations were in place to support management's position on a sample of contracts. • In respect of management's assumptions regarding recovery of claims on AWPR we obtained evidence of adjudication decisions, reviewed the basis of the claim calculation and challenged the level or provisioning assumed based on discussions with Group's external quantum experts and legal counsel as to the assumed levels of recovery built into the loss provision calculation. • In respect of the disputed work in progress balance we obtained details of the unagreed variations and the adjudication results supporting the Group's entitlement to recovery. • We found no material misstatements from our testing.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured in six principal segments, being Linden Homes, Partnerships & Regeneration, Building, Infrastructure, PPP Investments and Central Costs all of which include multiple legal entities. The Group financial statements are a consolidation of these six segments in total. The segmental reporting also reflects the Group's management and internal reporting structure.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these reporting units. Within the Group's six reporting units, we identified the following legal entities which in our view, required an audit of their entire financial information, either due to their size or their risk characteristics: Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc. In addition, we performed work over specific balances in other Group entities, which in our view, required an audit of such balances, either due to their size or their risk characteristics. Taken together, the legal entities in scope accounted for 94% of Group revenue and 84% of Group profit before tax.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report
continued

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£9,435,000 (2017: £7,380,000).	£11,453,000 (2017: £7,380,000).
How we determined it	5% of profit before tax and exceptional items.	1% of total assets.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a trading group of companies. Exceptional items were excluded from the profit before tax amount used for the calculation of overall materiality as they relate to a small number of items which were tested separately.	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a non-trading holding entity.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2,000,000 and £6,800,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £360,000 (Group audit) (2017: £369,000) and £360,000 (Parent Company audit) (2017: £369,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 22 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

- The directors' explanation on page 23 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 76, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on page 58 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 76, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 27 October 2000 to audit the financial statements for the year ended 30 June 2001 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 30 June 2001 to 30 June 2018.

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 September 2018

Consolidated income statement

for the year ended 30 June 2018

	Notes	2018 Pre-exceptional items £m	2018 Exceptional items £m (note 3)	2018 Total £m	2017 Pre-exceptional items £m	2017 Exceptional items £m (note 3)	2017 Total £m
Group revenue	2	2,931.6	–	2,931.6	2,704.5	(42.4)	2,662.1
Cost of sales		(2,601.4)	(45.0)	(2,646.4)	(2,407.0)	(45.5)	(2,452.5)
Gross profit		330.2	(45.0)	285.2	297.5	(87.9)	209.6
Administrative expenses		(154.6)	–	(154.6)	(152.1)	(1.0)	(153.1)
Profit on disposal of property, plant and equipment	6	–	–	–	0.1	–	0.1
Share of post tax profits from joint ventures	14	20.6	–	20.6	14.0	–	14.0
Profit/(loss) before finance costs		196.2	(45.0)	151.2	159.5	(88.9)	70.6
Profit/(loss) from operations	2	213.1	(45.0)	168.1	171.2	(88.9)	82.3
Share of joint ventures' interest and tax		(13.4)	–	(13.4)	(8.5)	–	(8.5)
Amortisation of intangibles	10	(3.5)	–	(3.5)	(3.2)	–	(3.2)
Profit/(loss) before finance costs		196.2	(45.0)	151.2	159.5	(88.9)	70.6
Finance income	5	10.2	–	10.2	5.3	–	5.3
Finance costs	5	(17.7)	–	(17.7)	(17.2)	–	(17.2)
Profit/(loss) before income tax	6	188.7	(45.0)	143.7	147.6	(88.9)	58.7
Income tax expense	7	(34.0)	8.6	(25.4)	(27.4)	17.4	(10.0)
Profit/(loss) for the year	30	154.7	(36.4)	118.3	120.2	(71.5)	48.7
Earnings per share (2017 restated – note 9)							
– Basic	9	158.4p		121.1p	131.1p		53.1p
– Diluted	9	157.8p		120.6p	130.5p		52.9p

Consolidated statement of comprehensive income

for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Profit for the year		**118.3**	48.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) recognised on retirement benefit obligations	31	**4.0**	(5.0)
Deferred tax on items recognised in equity that will not be reclassified	7 & 25	**(1.9)**	(0.2)
Current tax through equity	7	**1.2**	2.8
Total items that will not be reclassified to profit or loss		**3.3**	(2.4)
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges:			
– Movement arising during the financial year	26	**1.9**	3.2
– Reclassification adjustments for amounts included in profit or loss	26	**(0.8)**	(0.7)
Deferred tax on items recognised in equity that may be reclassified	7 & 25	**(0.3)**	(0.4)
Total items that may be reclassified subsequently to profit or loss		**0.8**	2.1
Other comprehensive income/(expense) for the year net of tax		**4.1**	(0.3)
Total comprehensive income for the year		**122.4**	48.4

Balance sheets
at 30 June 2018

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Assets					
Non-current assets					
Intangible assets	10	**15.3**	18.8	**–**	–
Goodwill	11	**159.6**	160.3	**–**	–
Property, plant and equipment	12	**16.7**	16.2	**–**	–
Investments in subsidiaries	13	**–**	–	**176.4**	130.5
Investments in joint ventures	14	**49.9**	31.4	**–**	–
PPP and other investments	15	**26.8**	25.0	**–**	–
Trade and other receivables	19	**148.9**	111.7	**–**	–
Retirement benefit asset	31	**7.0**	–	**–**	–
Deferred income tax assets	25	**–**	2.0	**0.7**	1.3
Total non-current assets		**424.2**	365.4	**177.1**	131.8
Current assets					
Inventories	16	**0.2**	0.6	**–**	–
Developments	17	**724.9**	722.6	**–**	–
Trade and other receivables	19	**838.6**	809.5	**184.4**	193.9
Current income tax assets		**–**	–	**0.6**	0.8
Cash and cash equivalents	20	**912.4**	1,145.9	**783.2**	566.5
Total current assets		**2,476.1**	2,678.6	**968.2**	761.2
Total assets		**2,900.3**	3,044.0	**1,145.3**	893.0
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	23	**(617.1)**	(942.5)	**–**	–
Trade and other payables	21	**(1,174.6)**	(1,220.1)	**(374.0)**	(304.1)
Current income tax liabilities		**(10.0)**	(6.1)	**–**	–
Provisions for other liabilities and charges	22	**(0.3)**	(0.3)	**–**	–
Total current liabilities		**(1,802.0)**	(2,169.0)	**(374.0)**	(304.1)
Net current assets		**674.1**	509.6	**594.2**	457.1
Non-current liabilities					
Financial liabilities					
– Borrowings	23	**(197.1)**	(196.2)	**(197.1)**	(196.0)
–Derivative financial liabilities	26	**(0.9)**	(2.0)	**(0.9)**	(2.0)
Retirement benefit obligations	31	**–**	(3.2)	**–**	–
Deferred income tax liabilities	25	**(0.7)**	–	**–**	–
Other non-current liabilities	24	**(122.3)**	(96.9)	**–**	–
Provisions for other liabilities and charges	22	**(0.8)**	(1.2)	**–**	–
Total non-current liabilities		**(321.8)**	(299.5)	**(198.0)**	(198.0)
Total liabilities		**(2,123.8)**	(2,468.5)	**(572.0)**	(502.1)
Net assets		**776.5**	575.5	**573.3**	390.9
Equity					
Ordinary shares	27	**55.5**	41.4	**55.5**	41.4
Share premium	27	**197.6**	194.5	**197.6**	194.5
Other reserves	29	**4.8**	4.8	**3.0**	3.0
Retained earnings	30	**518.6**	334.8	**317.2**	152.0
Total shareholders' equity		**776.5**	575.5	**573.3**	390.9

The profit for the Parent Company for the year was £103.1m (2017: £82.4m).

The financial statements on pages 82 to 131 were approved and authorised for issue by the Board on 12 September 2018 and signed on its behalf by:

Peter Truscott
Chief Executive

Graham Prothero
Finance Director

Galliford Try plc
Registered number: 00836539

Consolidated and Company statements of changes in equity

for the year ended 30 June 2018

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 1 July 2016		41.4	194.4	4.8	359.4	600.0
Profit for the year		–	–	–	48.7	48.7
Other comprehensive (expense)		–	–	–	(0.3)	(0.3)
Total comprehensive income for the year		–	–	–	48.4	48.4
Transactions with owners:						
Dividends	8	–	–	–	(72.8)	(72.8)
Share-based payments	28	–	–	–	1.8	1.8
Purchase of own shares	30	–	–	–	(2.0)	(2.0)
Issue of shares	27	–	0.1	–	–	0.1
At 30 June 2017		41.4	194.5	4.8	334.8	575.5
Profit for the year		**–**	**–**	**–**	**118.3**	**118.3**
Other comprehensive income		**–**	**–**	**–**	**4.1**	**4.1**
Total comprehensive income for the year		**–**	**–**	**–**	**122.4**	**122.4**
Transactions with owners:						
Dividends	8	**–**	**–**	**–**	**(75.9)**	**(75.9)**
Share-based payments	28	**–**	**–**	**–**	**2.8**	**2.8**
Purchase of own shares	30	**–**	**–**	**–**	**(1.5)**	**(1.5)**
Issue of shares	27	**14.1**	**3.1**	**–**	**136.0**	**153.2**
At 30 June 2018		**55.5**	**197.6**	**4.8**	**518.6**	**776.5**
Company statement						
At 1 July 2016		41.4	194.4	3.0	140.6	379.4
Profit for the year		–	–	–	82.4	82.4
Other comprehensive income		–	–	–	2.0	2.0
Total comprehensive income		–	–	–	84.4	84.4
Transactions with owners:						
Dividends	8	–	–	–	(72.8)	(72.8)
Share-based payments	28	–	–	–	1.8	1.8
Purchase of own shares	30	–	–	–	(2.0)	(2.0)
Issue of shares	27	–	0.1	–	–	0.1
At 1 July 2017		41.4	194.5	3.0	152.0	390.9
Profit for the year		**–**	**–**	**–**	**103.1**	**103.1**
Other comprehensive income		**–**	**–**	**–**	**0.7**	**0.7**
Total comprehensive income		**–**	**–**	**–**	**103.8**	**103.8**
Transactions with owners:						
Dividends	8	**–**	**–**	**–**	**(75.9)**	**(75.9)**
Share-based payments	28	**–**	**–**	**–**	**2.8**	**2.8**
Purchase of own shares	30	**–**	**–**	**–**	**(1.5)**	**(1.5)**
Issue of shares	27	**14.1**	**3.1**	**–**	**136.0**	**153.2**
At 30 June 2018		**55.5**	**197.6**	**3.0**	**317.2**	**573.3**

Statements of cash flows

for the year ended 30 June 2018

	Notes	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Cash flows from operating activities					
Continuing operations					
Pre-exceptional profit before finance costs		**196.2**	159.5	**102.7**	81.3
Exceptional items	3	**(45.0)**	(88.9)	**–**	–
Profit before finance costs		**151.2**	70.6	**102.7**	81.3
Adjustments for:					
Depreciation and amortisation	12 & 10	**7.1**	6.6	**–**	–
Profit on sale of property, plant and equipment	6	**–**	(0.1)	**–**	–
Profit on sale of subsidiaries		**(2.1)**	(2.6)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(104.7)**	(81.9)
Share-based payments	28	**2.8**	1.8	**1.9**	0.8
Share of post-tax profits from joint ventures	14	**(20.6)**	(14.0)	**–**	–
Movement on provisions		**(0.4)**	(0.4)	**–**	–
Other non-cash movements		**0.6**	0.3	**–**	–
Net cash generated/(used in) from operations before pension deficit payments and changes in working capital		**138.6**	62.2	**(0.1)**	0.2
Deficit funding payments to pension schemes	31	**(6.8)**	(6.4)	**–**	–
Net cash generated/(used in) from operations before changes in working capital		**131.8**	55.8	**(0.1)**	0.2
Decrease/(increase) in inventories		**0.4**	(0.5)	**–**	–
(Increase)/decrease in developments		**(2.3)**	107.3	**–**	–
(Increase) in trade and other receivables		**(65.8)**	(127.0)	**–**	–
(Decrease)/increase in trade and other payables		**(12.1)**	85.5	**–**	(0.9)
Net cash generated from/(used in) operations		**52.0**	121.1	**(0.1)**	(0.7)
Interest received		**10.2**	5.3	**–**	–
Interest paid		**(16.2)**	(15.3)	**–**	–
Income tax (paid)/received		**(15.6)**	(12.9)	**0.8**	3.5
Net cash generated from operating activities		**30.4**	98.2	**0.7**	2.8
Cash flows from investing activities					
Dividends received from joint ventures	14	**2.1**	7.4	**–**	–
Proceeds from disposal of subsidiaries		**2.1**	2.6	**–**	–
Business combinations		**(13.7)**	(12.8)	**–**	–
(Debt) acquired with acquired subsidiary undertakings		**–**	(2.8)	**–**	–
Loan with subsidiary companies		**–**	–	**34.4**	33.7
Dividends received from subsidiary undertakings		**–**	–	**104.7**	81.9
Acquisition of property, plant and equipment	12	**(4.6)**	(5.1)	**–**	–
Proceeds from sale of property, plant and equipment	12	**0.5**	0.7	**–**	–
Net cash (used in)/generated from investing activities		**(13.6)**	(10.0)	**139.1**	115.6
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	27	**153.2**	0.1	**153.2**	0.1
Purchase of own shares	30	**(1.5)**	(2.0)	**(1.5)**	(2.0)
(Decrease)/increase in borrowings	23	**(0.9)**	23.9	**1.1**	24.4
Dividends paid to Company shareholders	8	**(75.9)**	(72.8)	**(75.9)**	(72.8)
Net cash generated from/(used in) financing activities		**74.9**	(50.8)	**76.9**	(50.3)
Net increase in cash and cash equivalents		**91.7**	37.4	**216.7**	68.1
Cash and cash equivalents at 1 July	20	**203.7**	166.3	**566.5**	498.4
Cash and cash equivalents at 30 June	20	**295.4**	203.7	**783.2**	566.5

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try plc (the 'Company') is a public limited company incorporated, listed and domiciled in England and Wales. The address of the registered office is Galliford Try plc, Cowley Business Park, Cowley, Uxbridge, UB8 2AL. Galliford Try is a housebuilding and construction group (the 'Group').

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The amounts stated are denominated in millions (£m).

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of PPP and other investments, retirement benefit obligations and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRS IC, and endorsed by the EU, relevant to its operations and effective on 1 July 2017, other than updating its policy on timing of recognition of conditional land acquisitions, as set out in the Inventories and developments policy below.

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. The profit for the Parent Company for the year was £103.1m (2017: profit £82.4m).

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2017 are listed below. The new amendments had no significant impact on the Group's results, other than certain revised disclosures.

- Amendments to IAS 12 'Income taxes' – clarification of requirements on recognition of deferred tax assets for unrealised losses on debt instrument financial assets measured at fair value;
- Amendments to IAS 7 'Cash flow statements' – disclosure initiative; and
- Amendments resulting from annual improvements to IFRSs 2014-2016 cycle.

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

- IFRS 9 'Financial instruments' and the amendment on general hedge accounting (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' and subsequent amendments/clarifications (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).
- Amendments to IFRS 2 'Share-based payments' clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018).
- Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (effective 1 January 2018).
- Amendment to IAS 40 'Investment property' relating to transfers of investment property (effective 1 January 2018).
- IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019).
- Amendments to IAS 28 'Long-term interests in associates and joint ventures'.
- Annual improvements to IFRSs 2015-2017 cycle.

IFRS 9 addresses the classification, measurement, impairment and derecognition of financial assets and liabilities, introducing new rules for hedge accounting and a new impairment model for financial assets. The standard requires the Group to make an election on whether gains and losses on equity instruments measured at fair value should be recognised in the income statement or other comprehensive income, with no recycling.

On adoption of the standard, the Group expects to account for its financial assets to be classified as at 'amortised cost', 'fair value through profit and loss', or 'fair value through other comprehensive income'. The Group has reviewed its existing classification and confirmed that most financial assets will continued to be recognised at amortised cost. Equity investments, previously classified as available for sale will be classified as financial assets at fair value through other comprehensive income, with no recycling of gains and losses. The new impairment model will be applied to trade receivables and other financial assets and the Group expects the impact to be immaterial.

IFRS15 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and sets out new revenue recognition criteria, using a five-step model to apportion revenue to individual performance obligations, within a contract. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group has completed its assessment of the effects of applying the new standard on its financial statements. Currently, the Group recognises revenue at the fair value of the consideration received or receivable on the legal completion of a residential property while Registered Providers sales are recognised over time; both of these policies are consistent with the new standard and are therefore not expected to change. Revenues associated with the sale of part exchange properties are currently included as a reduction in cost of sales. Applying IFRS15 will result in presentational changes with an increase to both revenue and cost of sales, and hence a decrease in the reported operating margin, although there will be no impact on the reported profit from operations or the Group's cashflows.

Additionally, there is a potential impact on adopting IFRS 15 from unbundling contracts due to the Group's assessment of its performance obligation to be delivered to its customers. However, the Group's assessment concluded that this impact was immaterial and therefore no overall transition adjustment to equity as at 1 July 2018 will be required.

Were IFRS 15 applied to the year ended 30 June 2018, both revenue and cost of sales would have increased by £83.5m and reported margin from operations of the Linden Homes segment would have decreased from 19.5% to 17.9%. There would have been no impact on the retained earnings as at 30 June 2018. The Group does not expect IFRS 15 to have any impact on current assets and current liabilities. The Group does not expect that IFRS 15 adoption would have a material impact on its Construction & Investments businesses.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. This new standard, will require the Group to recognise a long term depreciating right of use asset and corresponding lease liability for all leases with exceptions for short-term and low-value leases.

The Group has yet to assess the full impact of this standard although it is expected that the implementation of this standard will increase both the assets and liabilities of the Group.

The operating lease rental expense currently charged to operating profit in the income statement will be replaced by an amortisation charge for the 'right of use' assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs. The net impact on the income statement is not expected to be material.

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)
Basis of accounting (continued)
The Group has yet to assess the full impact of the remainder of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Group.

In 2016, the IFRS Interpretations Committee released an update in respect of IAS32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. As the Group maintains separate bank accounts with both cash and overdrawn balances, the Group's consolidated financial statements for both the current and prior year have been prepared without offsetting these balances with positive cash balances included within cash and cash equivalents (see note 20) and overdrawn balances included within financial liabilities – current borrowings (see note 23), where appropriate. In 2018, the Group reassessed its intention to settle some of the balances on a net basis. Consequently, all balances are presented on a gross basis as at 30 June 2018. Comparative information has been adjusted by £380.1m to reflect this change. The balances reported in the prior year were incorrectly calculated and have been restated to reflect the correction, which increased both cash and cash equivalents and bank overdrafts by £380.1m at 30 June 2017.

Critical accounting estimates and judgments
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(i) Impairment of goodwill and intangible assets
The determination of the value of any impairment of goodwill and intangible assets requires an estimation of the value in use of the Cash Generating Units (CGUs) to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these CGUs, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the goodwill impairment review calculations and sensitivity analysis performed are included in note 11.

(ii) Estimation of costs to complete and contract provisions
In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation, as does the assessment of a development's valuation. However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions. Amounts recoverable on construction contracts are disclosed in note 18.

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

(iii) Retirement benefit obligation valuations
In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The Group is exposed to risks through its defined benefit schemes if actual experience differs from the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 31.

Basis of consolidation
The Group financial statements incorporate the results of Galliford Try plc, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities over which the Group has control. The exposure or right to variable returns from its involvement with an investee, and the ability to influence those returns, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

In addition to total performance measures, the Group discloses additional information including profit from operations and, if applicable, performance before exceptional items and earnings per share before exceptional items. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under IFRS, and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

1 Accounting policies (continued)

Exceptional items

Exceptional items are material non-recurring items of income and expense which the Group believes should be disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group by virtue of their nature or size. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses and property, plant and equipment, material one-off losses on contracts, cost of restructuring and reorganisation of businesses, acquisition costs, asset impairments and pension fund settlements and curtailments. The Group also classifies certain inventory provision reversals as exceptional to the extent that they relate to provisions previously recognised as exceptional losses.

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 significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under jointly controlled operations and the disposal of equity investments by our PPP Investments division.

Revenue and profit are recognised as follows:

(i) Housebuilding and land sales

Revenue from private housing sales is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised on a site by site basis by reference to the expected result of each site. Contracting development sales for affordable housing are accounted for as construction contracts.

(ii) Facilities Management contracts

Revenue is recognised on an accruals basis once the service has been performed, with reference to value provided to the customer. Profit is recognised by reference to the specific costs incurred relating to the service provided.

(iii) Construction contracts

Revenue comprises the value of construction executed during the year and contracting development sales for affordable housing. The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

(a) Fixed price contracts – revenue is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Profit is not recognised in the income statement until the outcome of the contract is reasonably certain. The assessment of profit is based on an estimated final value for the contract. The estimated final value includes variations and compensation events where they are contractual entitlements, have been agreed in principle by the customer and can be reliably measured. It also includes claims against customers, insurers and third parties in respect of work carried out where the amounts due to be recovered can be reliably measured and are assessed as reasonably certain of recovery. Provision for claims against the Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group are not recognised in the income statement until the outcome is capable of being reliably measured. Provision will be made against any potential loss as soon as it is identified.

(b) Cost plus contracts – revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once the outcome is virtually certain. Profit is recognised on a constant margin throughout the life of the contract. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on construction contracts and payments on account on construction contracts are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate.

Housing grants and government funding

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

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

Grants and government funding received by the Group include direct capital grant funding awards under Homes England's Affordable Homes Programme; Infrastructure loan finance under the Large Sites Infrastructure Fund; and equity loans provided to house buyers under the Help to Buy home ownership initiative.

Bid costs for PFI/PPP contracts

Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Group has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain. Costs that are carried on the balance sheet are included within amounts recoverable on construction contracts, within trade and other receivables.

Rent receivable

Rental income represents income obtained from the rental of properties and is credited to revenue within the income statement on a straight-line basis over the period of the operating lease.

Interest income and expense

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)

Income tax
Current income tax is based on the taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the exception of the initial recognition of goodwill arising on an acquisition. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

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

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event, by considering the net present value of future cash flows. For purposes of testing for impairment, the carrying value of goodwill is compared to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is charged immediately to the income statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

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

Intangible assets are being amortised over the following periods:

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

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

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

(d) Computer software – once the software is fully operational, amortisation is on a straight-line basis over up to ten years.

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

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

Freehold buildings	2% on cost
On cost or reducing balance:	
Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

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

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

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

Joint ventures and joint operations
The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and these parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Unrealised gains on transactions with the Group's joint ventures are eliminated to the extent of the Group's interest in the joint venture. Accounting policies of joint ventures have been changed on consolidation where necessary, to ensure consistency with policies adopted by the Group. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

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.

1 Accounting policies (continued)

PPP and other investments

PPP and other investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at costs.

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

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

Leases

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

Inventories and developments

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

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

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

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 when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales.

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 cost of sales 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.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are included for purposes of cash flow movements and the cash flow statement.

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant. Cash held in escrow accounts is classified as a short-term deposit where the escrow agreement allows the balance to be converted to cash, if replaced by a bond repayable on demand.

Bank and other borrowings

Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value net of transaction costs incurred. Such borrowings are subsequently stated at amortised cost, with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement, using the effective interest rate method. Refinancing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land) and, in due course, to cost of sales in the income statement.

Provisions for liabilities and charges

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

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

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)

Derivative financial instruments

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

The Group uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments that are designated and effective as cash flow hedges, comprising interest rate swaps, are measured at fair value. The effective portion of changes in the fair value is recognised directly in reserves. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. Any gains or losses relating to an ineffective portion is recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

Derivative financial instruments that do not qualify for hedge accounting are initially accounted for and measured at fair value at the point the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the income statement.

Foreign currency

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

Retirement benefit obligations

For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

For defined benefit schemes, the cost of providing benefits is calculated annually by independent actuaries using the projected unit method. The retirement benefit asset/(obligation) recognised in the balance sheet represents the excess/(deficit) of the fair value of the schemes' assets over the present value of scheme liabilities, with a net asset recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Accounting for Employee Share Ownership Plan

Own shares held by the Galliford Try Employee Share Trust (the 'Trust') are shown, at cost less any permanent diminution in value, as a deduction from retained earnings. The charge made to the income statement for employee share awards and options is based on the fair value of the award at the date of grant, spread over the performance period. Where such shares subsequently vest to the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in equity.

Share-based payments

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

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

Equity instruments

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

Investments in subsidiaries

The Company's investments in subsidiaries are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment annually.

2 Segmental reporting

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

The chief operating decision-makers ('CODM') have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes; Partnerships & Regeneration; Construction, including Building and Infrastructure; and PPP Investments. The business of each segment is described in the Strategic Report.

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

2 Segmental reporting (continued)
Primary reporting format – business segments

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018								
Pre-exceptional Group revenue and share of joint ventures' revenue	**947.3**	**475.2**	**1,038.0**	**649.4**	**1,687.4**	**21.7**	**0.7**	**3,132.3**
Exceptional items (see note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Group revenue and share of joint ventures' revenue	**947.3**	**475.2**	**1,038.0**	**649.4**	**1,687.4**	**21.7**	**0.7**	**3,132.3**
Share of joint ventures' revenue	**(178.0)**	**(15.5)**	**(1.1)**	**–**	**(1.1)**	**(6.1)**	**–**	**(200.7)**
Group revenue	**769.3**	**459.7**	**1,036.9**	**649.4**	**1,686.3**	**15.6**	**0.7**	**2,931.6**
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	**152.1**	**22.3**	**11.4**	**4.3**	**15.7**	**6.6**	**(17.6)**	**179.1**
Share of joint ventures' profit	**32.3**	**1.3**	**0.2**	**–**	**0.2**	**0.2**	**–**	**34.0**
Pre-exceptional profit/(loss) from operations*	**184.4**	**23.6**	**11.6**	**4.3**	**15.9**	**6.8**	**(17.6)**	**213.1**
Exceptional items (see note 3)	**–**	**–**	**–**	**(45.0)**	**(45.0)**	**–**	**–**	**(45.0)**
Share of joint ventures' interest and tax	**(13.1)**	**(0.1)**	**–**	**–**	**–**	**(0.2)**	**–**	**(13.4)**
Profit/(loss) before finance costs, amortisation and taxation	**171.3**	**23.5**	**11.6**	**(40.7)**	**(29.1)**	**6.6**	**(17.6)**	**154.7**
Finance income	**7.4**	**1.8**	**–**	**–**	**–**	**2.1**	**(1.1)**	**10.2**
Finance (costs)	**(41.6)**	**(5.5)**	**–**	**(5.4)**	**(5.4)**	**(1.6)**	**36.4**	**(17.7)**
Profit/(loss) before amortisation and taxation	**137.1**	**19.8**	**11.6**	**(46.1)**	**(34.5)**	**7.1**	**17.7**	**147.2**
Amortisation of intangibles	**–**	**(1.4)**	**(1.0)**	**–**	**(1.0)**	**–**	**(1.1)**	**(3.5)**
Profit/(loss) before income tax	**137.1**	**18.4**	**10.6**	**(46.1)**	**(35.5)**	**7.1**	**16.6**	**143.7**
Income tax expense								**(25.4)**
Profit for the year								**118.3**
Year ended 30 June 2017								
Pre-exceptional Group revenue and share of joint ventures' revenue	937.4	330.2	1,014.1	555.2	1,569.3	25.0	0.7	2,862.6
Exceptional items (see note 3)	–	–	–	(42.4)	(42.4)	–	–	(42.4)
Group revenue and share of joint ventures' revenue	937.4	330.2	1,014.1	512.8	1,526.9	25.0	0.7	2,820.2
Share of joint ventures' revenue	(132.6)	(10.8)	(0.8)	–	(0.8)	(13.9)	–	(158.1)
Group revenue	804.8	319.4	1,013.3	512.8	1,526.1	11.1	0.7	2,662.1
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	148.9	14.0	(12.1)	11.1	(1.0)	2.3	(15.5)	148.7
Share of joint ventures' profit	21.4	0.9	0.1	–	0.1	0.1	–	22.5
Pre-exceptional profit/(loss) from operations*	170.3	14.9	(12.0)	11.1	(0.9)	2.4	(15.5)	171.2
Exceptional items	–	–	–	(87.9)	(87.9)	–	(1.0)	(88.9)
Share of joint ventures' interest and tax	(8.0)	(0.4)	–	–	–	(0.1)	–	(8.5)
Profit/(loss) before finance costs, amortisation and taxation	162.3	14.5	(12.0)	(76.8)	(88.8)	2.3	(16.5)	73.8
Finance income	4.2	0.7	–	0.2	0.2	–	0.2	5.3
Finance (costs)	(44.5)	(3.1)	(0.2)	(0.8)	(1.0)	(0.8)	32.2	(17.2)
Profit/(loss) before amortisation and taxation	122.0	12.1	(12.2)	(77.4)	(89.6)	1.5	15.9	61.9
Amortisation of intangibles	(0.9)	(0.2)	(1.0)	–	(1.0)	–	(1.1)	(3.2)
Profit/(loss) before income tax	121.1	11.9	(13.2)	(77.4)	(90.6)	1.5	14.8	58.7
Income tax expense								(10.0)
Profit for the year								48.7

* Pre-exceptional profit from operations is stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax and taxation.

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from Group revenue above. In the year to 30 June 2018 this amounted to £93.6m (2017: £84.7m) of which £17.8m (2017: £28.0m) was in Building, £35.5m (2017: £33.3m) was in Infrastructure, £17.9m (2017: £nil) was in Partnerships & Regeneration and £22.3m (2017: £23.4m) was in Central.

Notes to the consolidated financial statements
continued

2 Segmental reporting (continued)
Balance Sheet

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
30 June 2018									
Goodwill & intangible assets		**52.5**	**33.7**	**45.6**	**37.2**	**82.8**	**–**	**5.9**	**174.9**
Working capital employed		**623.1**	**64.7**	**(82.3)**	**119.0**	**36.7**	**26.0**	**(247.1)**	**503.4**
Net (debt)/cash	20	**(463.1)**	**(41.8)**	**101.0**	**(127.0)**	**(26.0)**	**(11.2)**	**640.3**	**98.2**
Net assets		**212.5**	**56.6**	**64.3**	**29.2**	**93.5**	**14.8**	**399.1**	**776.5**
Total Group liabilities									**(2,123.8)**
Total Group assets									**2,900.3**
30 June 2017									
Goodwill & intangible assets		52.5	35.8	46.6	37.2	83.8	–	7.0	179.1
Working capital employed		619.9	44.9	(122.9)	(20.6)	(143.5)	20.6	(152.7)	389.2
Net (debt)/cash	20	(500.8)	(39.3)	131.9	5.5	137.4	(11.8)	421.7	7.2
Net assets		171.6	41.4	55.6	22.1	77.7	8.8	276.0	575.5
Total Group liabilities									(2,468.5)
Total Group assets									3,044.0

Return on net assets for Linden Homes is calculated as Linden Homes EBITA divided by the average of the aggregate of Linden Homes and Central net assets.

Other segmental information

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018									
Investment in joint ventures	14	**48.3**	**1.0**	**–**	**–**	**–**	**0.6**	**–**	**49.9**
Contracting revenue		**–**	**447.4**	**1,027.8**	**649.1**	**1,676.9**	**2.5**	**–**	**2,126.8**
Capital expenditure – Property, plant and equipment	12	**0.5**	**1.2**	**0.2**	**0.1**	**0.3**	**–**	**2.6**	**4.6**
Depreciation	12	**0.5**	**0.1**	**0.2**	**0.2**	**0.4**	**–**	**2.6**	**3.6**
(Decrease) in provision for receivables	6	**–**	**–**	**(0.2)**	**–**	**(0.1)**	**–**	**–**	**(0.2)**
Share-based payments	4	**0.3**	**0.1**	**0.3**	**0.2**	**0.5**	**–**	**1.9**	**2.8**
Acquisition of intangible assets	10	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation of intangible assets	10	**–**	**1.4**	**1.0**	**–**	**1.0**	**–**	**1.1**	**3.5**
Year ended 30 June 2017									
Investment in joint ventures	14	30.2	0.8	–	–	–	0.4	–	31.4
Contracting revenue		–	305.5	985.6	479.1	1,464.7	2.1	–	1,772.2
Capital expenditure – Property, plant and equipment	12	–	0.1	0.2	0.2	0.4	–	4.6	5.1
Depreciation	12	0.3	0.2	0.2	0.2	0.4	–	2.5	3.4
(Decrease) in provision for receivables	6	(0.4)	–	(0.1)	–	(0.1)	–	–	(0.5)
Share-based payments	4	0.2	0.1	0.4	0.3	0.7	–	0.8	1.8
Acquisition of intangible assets	10	–	5.3	–	–	–	–	–	5.3
Amortisation of intangible assets	10	0.9	0.2	1.0	–	1.0	–	1.1	3.2

3 Exceptional items

	Charge on legacy contracts £m	Total £m
Year ended 30 June 2018		
Group revenue and share of joint ventures' revenue	–	–
Share of joint ventures' revenue	–	–
Group revenue	–	–
Cost of sales	(45.0)	(45.0)
Administrative expenses	–	–
Loss from operations	(45.0)	(45.0)

During the year we reported a further exceptional charge of £45.0m, which reflected the additional share of costs taken on following the insolvency of Carillion, one of our two joint venture partners, and further cost rises in the second half of the financial year, driven mainly by poor weather conditions. The charge increased both cash outflows in the year and the net debt balance in Construction at the year end. Our provisioning for the loss on this project reflects our current estimate of the final costs, and is reduced by an estimate of our share of significant claims against the client and others, which are yet to be agreed and concluded. This inherent uncertainty will be resolved only when the project is complete and the claims finally settled.

	Charge on legacy contracts £m	Abortive merger costs £m	Total £m
Year ended 30 June 2017			
Group revenue and share of joint ventures' revenue	(42.4)	–	(42.4)
Share of joint ventures' revenue	–	–	–
Group revenue	(42.4)	–	(42.4)
Cost of sales	(45.5)	–	(45.5)
Administrative expenses	–	(1.0)	(1.0)
Loss from operations	(87.9)	(1.0)	(88.9)

In the year ended 30 June 2017, the Group reported an exceptional charge of £87.9m, the majority of which was in respect of AWPR, and the balance arising from the Queensferry Crossing. During the year ended 30 June 2018, there were some modest additional costs in respect of the Queensferry Crossing which have this year been absorbed in normal trading.

In March 2017, the Group announced that it had approached the Board of Bovis Homes Group Plc (Bovis) and had proposed an all share merger between Galliford Try plc and Bovis. Subsequently, in April 2017, the Group announced that this proposal was no longer being considered. During the period, £1.0m of professional fees were incurred in respect of the proposal and these were treated as an exceptional item.

Notes to the consolidated financial statements
continued

4 Employees and directors
Employee benefit expense during the year

	Notes	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Wages and salaries		**268.6**	249.7	**–**	–
Social security costs		**31.0**	28.5	**–**	–
Other pension costs	31	**19.3**	16.6	**–**	–
Share-based payments	28	**2.8**	1.8	**1.9**	0.8
Total		**321.7**	296.6	**1.9**	0.8

Average monthly number of people (including executive directors) employed

	2018 Number	2017 Number	2018 Number	2017 Number
By business:				
Linden Homes	**1,002**	924	**–**	–
Partnerships & Regeneration	**779**	550	**–**	–
– Building	**1,899**	1,871	**–**	–
– Infrastructure	**1,421**	1,724	**–**	–
Construction	**3,320**	3,595	**–**	–
PPP Investments	**68**	64	**–**	–
Group	**316**	373	**6**	7
Total	**5,485**	5,506	**6**	7

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.

	2018 £m	2017 £m
Salaries and short-term employee benefits	**5.4**	5.4
Retirement benefit costs	**0.5**	0.5
Share-based payments	**1.0**	0.4
Total	**6.9**	6.3

5 Net finance costs

Group	2018 £m	2017 £m
Interest receivable on bank deposits	–	0.2
Interest receivable from joint ventures	**10.1**	4.9
Other	**0.1**	0.2
Finance income	**10.2**	5.3
Interest payable on borrowings	**(17.3)**	(16.4)
Unwind of discounted payables	**(0.4)**	(0.7)
Other	–	(0.1)
Finance costs	**(17.7)**	(17.2)
Net finance costs	**(7.5)**	(11.9)

6 Profit before income tax

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

	Notes	2018 £m	2017 £m
Employee benefit expense	4	**321.7**	296.6
Depreciation of property, plant and equipment	12	**3.6**	3.4
Amortisation of intangible assets	10	**3.5**	3.2
(Profit) on disposal of property, plant and equipment		–	(0.1)
Operating lease rentals payable		**36.4**	28.7
Developments recognised as an expense		**605.1**	611.6
Repairs and maintenance expenditure on property, plant and equipment		**1.1**	1.7
(Decrease) in provision for receivables	19	**(0.2)**	(0.5)
Exceptional cost	3	**(45.0)**	(88.9)

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

Notes to the consolidated financial statements
continued

6 Profit before income tax (continued)
Services provided by the Group's auditor and network firms
During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2018 £m	2017 £m
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor for other services:		
The audit of financial statements of the Company's subsidiaries	**0.4**	0.4
Audit-related assurance services	**0.1**	0.1
Other non-audit services	**0.5**	0.1
Total other services	**1.0**	0.6
Total	**1.2**	0.8

A description of the work of the Audit Committee in respect of the auditors' independence is set out in the Governance Report.

7 Income tax expense

Group	Note	2018 £m	2017 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**25.3**	12.6
Deferred tax	25	**(0.1)**	0.6
Adjustments in respect of prior years			
Current tax		**0.2**	(2.8)
Deferred tax	25	**–**	(0.4)
Income tax expense		**25.4**	10.0
Tax on items recognised in other comprehensive income			
Current tax (credit) for retirement benefit obligations		**(1.3)**	(1.2)
Current tax expense/(credit) for share-based payments		**0.1**	(0.5)
Current tax (credit) for share-based payments – prior year adjustment		**–**	(1.1)
Deferred tax expense/(credit) for share-based payments	25	**0.1**	(0.1)
Deferred tax expense on derivative financial instruments		**0.2**	0.5
Deferred tax expense on retirement benefit obligations	25	**1.9**	0.2
Tax recognised in other comprehensive income		**1.0**	(2.2)
Total taxation		**26.4**	7.8

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7 Income tax expense (continued)

The total income tax expense for the year of £25.4m (2017: £10.0m) is lower (2017: lower) than the blended standard rate of corporation tax in the UK of 19.0% (2017: 19.75%). The differences are explained below:

	2018 £m	2017 £m
Profit before income tax	**143.7**	58.7
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 19.0% (2017: 19.75%)	**27.3**	11.6
Effects of:		
Expenses not deductible for tax purposes	**0.2**	0.8
Non-taxable income	**(1.9)**	(0.2)
Joint ventures	**(1.1)**	(0.7)
Adjustments in respect of prior years	**0.3**	(3.2)
Other	**0.6**	1.7
Income tax expense	**25.4**	10.0

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Group's profits for the financial year to 30 June 2018 are taxed at a standard rate of 19.0%; and for the period to 30 June 2017 were taxed at a blended standard rate of 19.75%.

The UK corporation tax rate is due to be reduced to 17% in April 2020. We have recognised deferred tax at 19% as it is likely that most assets and liabilities will have reversed within two years. Had the 17% rate been applied to those balances that may reverse post April 2020 then the effect on the deferred tax balances would not have been significant.

8 Dividends

The dividends per ordinary share for 2017 in the tables below have been restated by adjusting those previously reported by an adjusting factor of 0.11147 to reflect the bonus element in the shares issued under the rights issue which completed on 16 April 2018.

	2018		2017 (restated)	
Group and Company	£m	pence per share	£m	pence per share
Previous year final	**52.6**	**64.0**	46.4	50.0
Current year interim	**23.3**	**28.0**	26.4	29.0
Dividend recognised in the year	**75.9**	**92.0**	72.8	79.0

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

	2018		2017 (restated)	
	£m	pence per share	£m	pence per share
Interim	**23.3**	**28.0**	26.4	29.0
Final	**54.4**	**49.0**	53.0	57.0
Dividend relating to the year	**77.7**	**77.0**	79.4	86.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2018 of 49.0 pence per share, bringing the total dividend in respect of 2018 to 77.0 pence per share (2017 restated: 86.0p). The final dividend will absorb approximately £54.4m of equity. Subject to shareholder approval at the AGM to be held on 9 November 2018, the dividend will be paid on 5 December 2018 to shareholders who are on the register of members on 9 November 2018.

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9 Earnings Per Share (EPS)
Basic and diluted 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.

The weighted average number of shares used for 2017 in the calculation of earnings per share information shown in the table below has been restated by adjusting those previously reported by an adjusting factor of 0.11147 to reflect the bonus element in the shares issued under the rights issue which completed on 16 April 2018.

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.

	2018			2017 (Restated)		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	**154.7**	**97,695,511**	**158.4**	120.2	91,656,795	131.1
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	**118.3**	**97,695,511**	**121.1**	48.7	91,656,795	53.1
Effect of dilutive securities:						
Options		**378,183**			430,141	
Diluted EPS – pre-exceptional	**154.7**	**98,073,694**	**157.8**	120.2	92,086,936	130.5
Diluted EPS	**118.3**	**98,073,694**	**120.6**	48.7	92,086,936	52.9

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10 Intangible assets

Group	Customer contracts and relationships £m	Computer software £m	Brand £m	Total £m
Cost				
At 1 July 2016	12.1	10.9	10.8	33.8
Additions	5.3	–	–	5.3
At 1 July 2017 and 30 June 2018	**17.4**	**10.9**	**10.8**	**39.1**
Accumulated amortisation				
At 1 July 2016	(4.4)	(2.8)	(9.9)	(17.1)
Amortisation in year	(1.2)	(1.1)	(0.9)	(3.2)
At 1 July 2017	(5.6)	(3.9)	(10.8)	(20.3)
Amortisation in year	**(2.3)**	**(1.2)**	**–**	**(3.5)**
At 30 June 2018	**(7.9)**	**(5.1)**	**(10.8)**	**(23.8)**
Net book amount				
At 30 June 2018	**9.5**	**5.8**	**–**	**15.3**
At 30 June 2017	11.8	7.0	–	18.8
At 30 June 2016	7.7	8.1	0.9	16.7

The increase in customer contracts and relationships in the year to 30 June 2017 arose from the acquisition of Drew Smith. The acquired intangible assets are being amortised over periods ranging from two to five years.

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

11 Goodwill

Group	£m
Cost	
At 1 July 2016	136.2
Additions in year to 30 June 2017	24.8
At 30 June 2017	161.0
Adjustment in respect of acquisition completed in 2017	**(0.7)**
At 30 June 2018	**160.3**
Aggregate impairment at 1 July 2016, 1 July 2017 and 30 June 2018	**(0.7)**
Net book amount	
At 30 June 2018	**159.6**
At 30 June 2017	160.3
At 30 June 2016	135.5

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

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

	2018 £m	2017 £m
Linden Homes	**52.5**	52.5
Partnerships & Regeneration	**29.9**	30.6
Building	**40.0**	40.0
Infrastructure	**37.2**	37.2
	159.6	160.3

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

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the Financial review in the Strategic Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit.

Cash flows beyond the budgeted three-year period are extrapolated using an estimated growth rate of 2% per annum within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 11.4% (2017: 11.5%) in Linden Homes, 8.6% (2017: 8.5%) in Partnerships & Regeneration, 9.0% (2017: 8.8%) in Building and 8.5% (2017: 8.8%) in Infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of each division.

Sensitivities
The recoverable value of all CGUs are substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. Taking into account current market conditions within the construction and housebuilding markets, none of these sensitivities, either individually or combined, resulted in the recoverable amount of the goodwill being reduced to below its current carrying value.

The detailed sensitivity analysis indicates that an increase of more than 200% (2017: 108%) in the pre-tax discount rate or a reduction of 24% (2017: 64%) in the forecast operating cash flows of the Infrastructure CGU could give rise to an impairment. The goodwill in the other segments is less sensitive to the detailed assumptions used and hence no additional disclosure is considered necessary.

12 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2016	8.2	10.8	17.6	36.6
Additions	–	0.3	4.8	5.1
Acquisitions	0.7	–	0.1	0.8
Disposals	(5.6)	(3.6)	(1.0)	(10.2)
At 1 July 2017	3.3	7.5	21.5	32.3
Additions	**0.3**	**0.4**	**3.9**	**4.6**
Disposals	**(0.4)**	**(0.3)**	**(0.1)**	**(0.8)**
At 30 June 2018	**3.2**	**7.6**	**25.3**	**36.1**
Accumulated depreciation				
At 1 July 2016	(1.6)	(3.9)	(12.0)	(17.5)
Charge for the year	(0.1)	(0.2)	(3.1)	(3.4)
Disposals	0.6	3.2	1.0	4.8
At 1 July 2017	(1.1)	(0.9)	(14.1)	(16.1)
Charge for the year	**(0.1)**	**(0.2)**	**(3.3)**	**(3.6)**
Disposals	**0.1**	**0.2**	**–**	**0.3**
At 30 June 2018	**(1.1)**	**(0.9)**	**(17.4)**	**(19.4)**
Net book amount				
At 30 June 2018	**2.1**	**6.7**	**7.9**	**16.7**
At 30 June 2017	2.2	6.6	7.4	16.2
At 30 June 2016	6.6	6.9	5.6	19.1

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

The Company has no property, plant or equipment.

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13 Investments in subsidiaries

Company	2018 £m	2017 £m
Cost		
At 1 July	**137.3**	76.2
Capital contributions	**45.9**	61.1
At 30 June	**183.2**	137.3
Aggregate impairment		
At 1 July	**(6.8)**	(6.8)
At 30 June	**(6.8)**	(6.8)
Net book value		
At 30 June	**176.4**	130.5

The capital contribution in 2018 of £45.9m (2017: £61.1m) consisted of a contribution of £45.0m from the Company to Galliford Try Construction & Investments Holdings Limited (2017: £60.0m) and £0.9m (2017: £1.1m) related to share based payments for share options granted by the Company to employees of subsidiary undertakings in the Group (note 28).

The carrying value of investments has been reviewed and the directors are satisfied that there is no further impairment required.

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Building Limited
Galliford Try Homes Limited[1]
Galliford Try Infrastructure Limited[2]
Galliford Try Investments Limited
Galliford Try Partnerships Limited
Galliford Try Services Limited[1]
Linden Limited

1 Shares of these subsidiary companies are owned directly by the Company.
2 Incorporated in Scotland.

Unless otherwise stated, each subsidiary has a 30 June year end, operates as a housebuilding or construction company, is incorporated in England & Wales and 100% of ordinary shares and voting rights are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of the Group's undertakings is set out in note 37.

14 Investments in joint ventures

Group	2018 £m	2017 £m
At 1 July	**31.4**	24.8
Dividends received from joint ventures	**(2.1)**	(7.4)
Share of post tax profit	**20.6**	14.0
At 30 June	**49.9**	31.4

Joint ventures

At 30 June 2018, the Group held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland, as set out in note 37.

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

	2018 £m	2017 £m
Current assets	**523.7**	402.7
Current liabilities	**(330.2)**	(214.6)
Non-current liabilities	**(143.6)**	(156.7)
	49.9	31.4
Amounts due from joint ventures	**311.2**	248.6
Amounts due to joint ventures	**(18.0)**	(11.7)
Revenue	**200.7**	158.1
Expenses	**(166.7)**	(135.6)
	34.0	22.5
Finance cost	**(12.3)**	(7.5)
Income tax	**(1.1)**	(1.0)
Share of post-tax profits from joint ventures	**20.6**	14.0

The Group's share of unrecognised losses of joint ventures is £36.3m (2017: £34.6m), of which a net £1.7m arose during the period.

As at 30 June 2018, amounts due from joint ventures of £311.2m (2017: £248.6m) were considered for impairment. The impairment reviews were based on future financial budgets based on past performance and expectations of market developments. The key assumptions used were consistent with those applied in the goodwill impairment reviews as described in note 11. No impairment has been provided for these balances in the year ended 30 June 2018 (2017: £nil).

The Group has no commitments (2017: £nil) to provide further of subordinated debt to its joint ventures.

The joint ventures had external bank funding of £55m at 30 June 2018 (2017: £26m). The joint ventures have no significant contingent liabilities to which the Group is exposed (2017: £nil). The joint ventures had no capital commitments as at 30 June 2018 (2017: £nil).

Details of related party transactions with joint ventures are given in note 34.

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15 PPP and other investments

Group	2018 £m	2017 £m
At 1 July	**25.0**	16.9
Additions	**10.9**	8.6
Disposals and subordinated loan repayments	**(9.1)**	(0.5)
At 30 June	**26.8**	25.0

These comprise PPP/PFI investments and shared equity receivables.

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

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

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

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

16 Inventories

Group	2018 £m	2017 £m
Materials and consumables	**0.2**	0.6

No inventories were written off during the year.

17 Developments

Group	2018 £m	2017 £m
Land	**465.8**	456.6
Work in progress	**259.1**	266.0
	724.9	722.6

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

Further information on Group developments, including sales in hand and landbank information, can be found in the Strategic Report.

18 Construction contracts

Group	2018 £m	2017 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**349.7**	274.0
Payments received on account on construction contracts included in trade and other payables	**(83.6)**	(109.4)
	266.1	164.6

Contracting revenue is disclosed in note 2. The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £5,703.5m (2017: £4,767.6m).

Retentions held by customers for contract work amounted to £79.3m (2017: £75.4m).

19 Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Amounts falling due within one year:				
Trade receivables	**198.7**	214.1	**–**	–
Less: Provision for impairment of receivables	**(0.1)**	(0.3)	**–**	–
Trade receivables – net	**198.6**	213.8	**–**	–
Amounts recoverable on construction contracts	**349.7**	274.0	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**184.4**	193.9
Amounts due from joint ventures	**166.3**	141.7	**–**	–
Other receivables	**13.7**	27.5	**–**	–
Prepayments and accrued income	**110.3**	152.5	**–**	–
	838.6	809.5	**184.4**	193.9

Prepayments and accrued income includes £4.5m (2017: £8.5m) of accrued income.

	2018 £m	2017 £m	**2018 £m**	2017 £m
Amounts falling due in more than one year:				
Amounts due from joint ventures	**144.9**	106.9	**–**	–
Other receivables	**4.0**	4.8	**–**	–
	148.9	111.7	**–**	–

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

	2018 £m	2017 £m
At 1 July	**(0.3)**	(0.8)
Decrease in provision for receivables impairment	**0.2**	0.5
At 30 June	**(0.1)**	(0.3)

Provisions for impaired receivables have been included in cost of sales in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

Provisions for amounts due from joint venture undertakings are set out in note 14. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's investment in shared equity receivables (note 15) and its cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 4% (2017: 4%) of Group revenue in the year. However, the customers involved comprise a variety of entities including those both in the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

The maturity of non-current receivables is as follows:

	2018 £m	2017 £m
In more than one year but not more than two years	**11.3**	1.1
In more than two years but not more than five years	**40.2**	3.7
In more than five years	**97.4**	106.9
	148.9	111.7

Of the amounts due in more than five years £10.4m is due within 20 years and £87.0m is due within seven years (2017: £16.7m within 22 years and £90.2m within seven years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

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19 Trade and other receivables (continued)

As of 30 June 2018, trade receivables of £61.1m (2017: £49.9m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2018 £m	2017 £m
Number of days past due date		
Less than 30 days	**33.2**	28.8
Between 30 and 60 days	**11.9**	6.5
Between 60 and 90 days	**4.3**	3.8
Between 90 and 120 days	**1.7**	1.5
Greater than 120 days	**10.0**	9.3
	61.1	49.9

As of 30 June 2018, trade receivables of £1.4m (2017: £1.4m) were considered for impairment based on management's judgment and review of the trade receivables listings. The amount provided for these balances was £0.1m (2017: £0.3m). The allocation of the provision is as follows:

	2018 £m	2017 £m
Number of days past due date:		
Greater than 120 days	**0.1**	0.3
	0.1	0.3

20 Cash and cash equivalents

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash at bank and in hand	**912.4**	1,145.9	**783.2**	566.5

Cash at bank above includes £nil (2017: £nil) of restricted cash. The effective interest rate received on cash balances is 0.3% (2017: 0.3%).

Group	2018 £m	2017 £m
Net cash/(debt)		
Cash and cash equivalents excluding bank overdrafts	**912.4**	1,145.9
Current borrowings – bank overdrafts (note 23)	**(617.0)**	(942.2)
Cash and cash equivalents per the statements of cash flows	**295.4**	203.7
Current borrowings – obligations under finance leases and hire purchase contracts (note 23)	**(0.1)**	(0.3)
Non-current borrowings (note 23)	**(197.1)**	(196.2)
Net cash	**98.2**	7.2

21 Trade and other payables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Payments received on account on construction contracts	**83.6**	109.4	**–**	–
Trade payables	**433.8**	375.0	**–**	–
Development land payables	**65.6**	98.2	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**373.8**	303.9
Amounts due to joint ventures	**18.0**	31.8	**–**	–
Other taxation and social security payable	**13.9**	18.3	**–**	–
Other payables	**25.4**	11.4	**–**	–
Accruals and deferred income	**534.3**	576.0	**0.2**	0.2
	1,174.6	1,220.1	**374.0**	304.1

Developments of £49.7m (2017: £71.9m) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £12.4m (2017: £10.2m) of deferred income.

22 Provisions for other liabilities and charges

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

Property related provisions

The property related provisions relate primarily to the excess profit generated when properties, which continue to be occupied by the Group, were previously sold and leased back. The provision for the excess profit deferred will be utilised over the remaining term of the leases, which expire between 2020 and 2021. The remaining property related provision is in relation to properties sublet by the Group at amounts below the level of rental being paid by the Group.

23 Financial liabilities – borrowings

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current				
Obligations under finance leases and hire purchase contracts	**0.1**	0.3	**–**	–
Bank overdrafts	**617.0**	942.2		
	617.1	942.5	**–**	–
Non-current				
Bank loans[1]	**97.1**	96.0	**97.1**	96.0
Debt private placement	**100.0**	100.0	**100.0**	100.0
Obligations under finance leases and hire purchase contracts	**–**	0.2	**–**	–
	197.1	196.2	**197.1**	196.0

1 The bank loans and overdrafts are unsecured. They currently incur interest at 2.0% – 2.3% (2017: 2.0% – 2.3%) over LIBOR. The Group has entered into interest rate swaps as set out in note 26. The bank loans are classified as non-current as the Group expects to, and has the discretion to, roll over the obligations under its existing bank facility.

In February 2017, the Group completed a debt private placement of £100m 10-year Sterling notes, at a fixed rate of 4.03%. The notes are issued in a bilateral deal with Pricoa in London.

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24 Other non-current liabilities

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Development land payables	**78.8**	46.3	**–**	–
Other payables	**–**	0.1	**–**	–
Accruals and deferred income	**43.5**	50.5	**–**	–
	122.3	96.9	**–**	–

Developments of £49.7m (2017: £71.9m) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £32.5m (2017: £37.3m) of deferred income.

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

	Financial liabilities at amortised cost			
	Development land payables £m	**Amounts due to joint venture undertakings £m**	**Other financial liabilities at amortised cost £m**	**Total £m**
Within one year	**65.6**	**42.4**	**956.6**	**1,064.6**
More than one year and less than two years	**71.3**	**–**	**11.0**	**82.3**
More than two years	**7.5**	**–**	**–**	**7.5**
30 June 2018	**144.4**	**42.4**	**967.6**	**1,154.4**

	Financial liabilities at amortised cost			
	Development land payables £m	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m
Within one year	98.2	31.8	952.2	1,082.2
More than one year and less than two years	45.9	–	13.3	59.2
More than two years	0.4	–	–	0.4
30 June 2017	144.5	31.8	965.5	1,141.8

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method, using a tax rate of 19% (2017: 19%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred income tax assets – non-current	**3.6**	4.9	**0.7**	1.3
Deferred income tax assets	**3.6**	4.9	**0.7**	1.3
Deferred income tax liabilities – non-current	**(4.3)**	(2.9)	**–**	–
Deferred income tax liabilities	**(4.3)**	(2.9)	**–**	–
Net deferred income tax	**(0.7)**	2.0	**0.7**	1.3

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25 Deferred income tax (continued)

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
At 1 July	**2.0**	2.2	**1.3**	1.4
Current year's deferred income tax	**0.1**	(0.6)	**(0.3)**	0.3
Adjustment in respect of prior years	**–**	0.4	**–**	–
(Expense) recognised in equity	**(2.2)**	(0.6)	**(0.3)**	(0.4)
On acquisition of subsidiaries	**(0.6)**	0.6	**–**	–
At 30 June	**(0.7)**	2.0	**0.7**	1.3

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

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Share-based payments £m	Interest provisions & intangible assets acquired £m	Total £m
At 1 July 2016	–	0.8	0.5	4.4	5.7
Income/(expense) taken to income statement	–	–	0.3	(0.5)	(0.2)
(Expense)/income recognised in equity	–	(0.2)	0.1	(0.5)	(0.6)
At 30 June 2017	–	0.6	0.9	3.4	4.9
Income/(expense) taken to income statement	**0.5**	**–**	**(0.3)**	**(0.2)**	**–**
Transfer from deferred income tax liabilities	**(0.4)**	**–**	**–**	**–**	**(0.4)**
Transfer to deferred income tax liabilities	**–**	**(0.6)**	**–**	**–**	**(0.6)**
(Expense) recognised in equity	**–**	**–**	**(0.1)**	**(0.2)**	**(0.3)**
At 30 June 2018	**0.1**	**–**	**0.5**	**3.0**	**3.6**

Deferred income tax liabilities

Group	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Total £m
At 1 July 2016	(3.2)	–	(0.3)	(3.5)
Income/(expense) taken to income statement	0.1	–	(0.1)	–
Acquisition of subsidiaries	0.6	–	–	0.6
At 30 June 2017	(2.5)	–	(0.4)	(2.9)
Income taken to income statement	**0.1**	**–**	**–**	**0.1**
On acquisition of subsidiaries	**(0.6)**	**–**	**–**	**(0.6)**
Income recognised in equity	**–**	**(1.9)**	**–**	**(1.9)**
Transfer to deferred income tax assets	**–**	**–**	**0.4**	**0.4**
Transfer from deferred income tax assets	**–**	**0.6**	**–**	**0.6**
At 30 June 2018	**(3.0)**	**(1.3)**	**–**	**(4.3)**

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25 Deferred income tax (continued)
Deferred income tax assets

Company	Share-based payments £m	Other £m	Total £m
At 1 July 2016	0.5	0.9	1.4
Income taken to income statement	0.3	–	0.3
Income/(expense) recognised in equity	0.1	(0.5)	(0.4)
At 30 June 2017	0.9	0.4	1.3
(Expense) taken to income statement	**(0.3)**	**–**	**(0.3)**
(Expense) recognised in equity	**(0.1)**	**(0.2)**	**(0.3)**
At 30 June 2018	**0.5**	**0.2**	**0.7**

26 Financial instruments
The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net cash at 30 June 2018 and 30 June 2017 and therefore had gearing of nil%. The Group also has capital requirements in the covenants in its bank facilities, as set out later in this note. The Group has complied with all bank covenants during the year.

Financial risk factors
(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

The Group is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. While it is not possible to fully mitigate such risks the Group continues to monitor its geographical spread within the UK concentrating its operations in areas that management believes minimise the effect of local microeconomic fluctuations. As at 30 June 2018, the Group's house price linked financial instruments consisted entirely of shared equity receivables held as available for sale financial assets and the sensitivity to house price inflation and discount rates was not significant. The concentration of the financial risk lies within price risk as a result of these financial instruments being linked to house prices.

The Group has no quoted investments that are exposed to equity securities price risk. The Group and Company are not exposed to commodity price risk.

26 Financial instruments (continued)
Financial risk factors (continued)
(a) Market risk (continued)
(iii) Interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

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

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £0.9m (2017: £0.9m) or decrease of £1.2m (2017: £1.2m), respectively.

(b) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, Santander UK plc, National Westminster Bank plc and Barclays Bank plc, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 19. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 20) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowings figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS 39 'Financial instruments: recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities
The fair value of interest rate swaps is detailed below:

Group and Company	**2018 £m**	2017 £m
At 30 June		
Non-current liabilities	**(0.9)**	(2.0)

During the year ended 30 June 2015 the Group entered into a five-year interest rate swap contract that expires in February 2020. The notional principal amount of the outstanding interest rate swap contract at 30 June 2018 was £100m (2017: £100m) and the fixed interest rate is 1.4% (2017: 1.4%). This swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A profit of £1.1m (2017: £2.5m) was recognised in other comprehensive income in the year. Gains and losses recognised in reserves will be released to the income statement within finance costs over the period to maturity of the contract, and a loss of £0.8m (2017: £0.7m) was recognised in the current year.

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26 Financial instruments (continued)
Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

		2018		2017	
Fair value of non-current borrowings	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Non-current borrowings	23	**197.1**	**202.8**	196.2	204.1

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

		2018		2017	
	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Financial liabilities:					
Current borrowings	23	**0.1**	**0.1**	0.3	0.3
Current financial liabilities measured at amortised cost	21	**1,064.6**	**1,064.6**	1,082.2	1,082.2
Non-current financial liabilities measured at amortised cost	24	**89.8**	**89.8**	59.6	59.6
Financial assets:					
PPP and other investments	15	**26.8**	**32.6**	25.0	31.3
Loans and receivables	19	**732.8**	**732.8**	665.5	665.5
Non-current loans and receivables	19	**148.9**	**148.9**	111.7	111.7
Cash and cash equivalents	20	**295.4**	**295.4**	203.7	203.7

Prepayments and accrued income are excluded from the loans and receivables balance; and statutory liabilities, deferred income and payments received on account on construction contracts are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilities is given in note 24.

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

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

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

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

In February 2017 the Group completed a debt private placement of £100m 10 year Sterling notes, maturing in February 2027.

26 Financial instruments (continued)

Fair value estimation

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

- Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves.
- Level 3 – Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of other investments is set out in note 15.

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

	30 June 2018			30 June 2017		
	Level 2 £m	**Level 3 £m**	**Total £m**	Level 2 £m	Level 3 £m	Total £m
Assets						
Other investments						
– Shared equity receivables	–	0.7	0.7	–	0.7	0.7
Total	–	0.7	0.7	–	0.7	0.7
Liabilities						
Liabilities at fair value through income statement						
– Derivatives used for hedging	(0.9)	–	(0.9)	(2.0)	–	(2.0)

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.

The Company's only liabilities that are measured at fair value are derivatives used for hedging. In the table above, the derivatives used for hedging are fully attributable to the Company.

Fair value measurements using significant unobservable inputs (Level 3)

	30 June 2018	30 June 2017
Opening balance	0.7	0.7
Closing balance	0.7	0.7

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

The total impact in the period of Level 3, taken to the income statements, is a net charge of £nil (30 June 2017: £nil) in cost of sales and £nil (30 June 2017: £nil) in finance income.

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27 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2016	82,872,012	41.4	194.4	235.8
Allotted under share option schemes	16,034	–	0.1	0.1
At 1 July 2017	82,888,046	41.4	194.5	235.9
Allotted under rights issue	**27,741,204**	**13.9**	**–**	**13.9**
Allotted under share option schemes	**398,912**	**0.2**	**3.1**	**3.3**
At 30 June 2018	**111,028,162**	**55.5**	**197.6**	**253.1**

Number of shares refers to 50p ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

On 14 February 2018, the Company announced that it was to undertake a rights issue. The basis of the rights issue was 1 new ordinary share of 50p each for every 3 ordinary shares of 50p each. The issue price per new ordinary share was £5.68. The rights issue was completed on 16 April 2018 with gross proceeds of £157.6m and associated costs of £7.6m. Ordinarily the excess of the net proceeds over the nominal value of the share capital would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

At 30 June 2018 the total number of shares outstanding under the SAYE share option scheme was 1,416,686 (2017: 1,368,887) and under the LTIPs was 994,630 (2017: 824,024) as detailed below.

28 Share-based payments

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The Company also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £2.8m (2017: £1.8m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £2.5m (2017: £1.8m).

Savings related share options

The Company operates an HMRC approved sharesave scheme under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in either three or five years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

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

Grant date	Shares under option[1]	Share price at grant date[1]	Exercise price[1]	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option[1]
14.11.12	0	639p	591p	01.01.13	46%	5	0.9%	4.2%	10%	199.9p
10.11.14	10,584	1057p	838p	01.01.15	23%	3	1.2%	4.5%	10%	192.9p
10.11.14	124,370	1057p	838p	01.01.15	28%	5	1.6%	4.5%	10%	229.0p
21.10.15	149,701	1405p	1234p	01.01.16	22%	3	0.8%	4.4%	10%	195.8p
21.10.15	54,796	1405p	1234p	01.01.16	25%	5	1.2%	4.4%	10%	233.2p
01.11.16	371,109	1120p	936p	01.01.17	27%	3	0.4%	6.6%	10%	158.5p
01.11.16	98,558	1120p	936p	01.01.17	26%	5	0.7%	6.6%	10%	137.6p
02.11.17	484,345	1090p	928p	01.01.18	27%	3	0.5%	7.9%	10%	113.7p
02.11.17	123,223	1090p	928p	01.01.18	25%	5	0.8%	7.9%	10%	89.8p

1 Adjusted for impact of rights issue completed in April 2018.

28 Share-based payments (continued)

Savings-related share options (continued)

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of savings-related share awards over the year to 30 June 2018 is shown below:

	2018		2017	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**1,368,887**	**1035p**	1,230,395	1101p
Awards[1]	**738,421**	**928p**	588,846	1040p
Forfeited	**(79,310)**	**985p**	(74,504)	1096p
Cancelled	**(213,205)**	**1008p**	(327,541)	1278p
Expired	**–**	**–**	(31,470)	1180p
Exercised	**(398,107)**	**760p**	(16,839)	808p
Outstanding at 30 June	**1,416,686**	**966p**	1,368,887	1035p
Exercisable at 30 June	**–**	**–**	–	–

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

The weighted average fair value of awards granted during the year was 109p (2017: 171p). There were 398,107 share options exercised during the year ended 30 June 2018 (2017: 16,839) and the weighted average share price at the date of exercise was 1,070p (2017: 1,245p). The weighted average remaining contractual life is three years and seven months (2017: two years and six months).

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

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

Grant date	Shares under option[1]	Share price at grant date[1]	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option[1]
26.09.15	241,788	1476p	36	0.8%	4.1%	757p
16.11.16	300,426	1155p	36	0.4%	6.4%	525p
22.09.17	143,157	1192p	36	0.5%	7.2%	337p
22.09.17	309,259	1192p	36	0.5%	7.2%	366p

1 Adjusted for impact of rights issue completed in April 2018.

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2018 Number	2017 Number
Outstanding at 1 July	**824,024**	885,819
Granted[1]	**506,777**	299,737
Expired	**(255,620)**	(20,967)
Forfeited	**(30,047)**	(43,953)
Exercised	**(50,504)**	(296,612)
Outstanding at 30 June	**994,630**	824,024

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

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

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29 Other reserves

	Group £m	Company £m
At 30 June 2017 and 30 June 2018	**4.8**	**3.0**

The Group's other reserves relates to a merger reserve amounting to £4.7m (2017: £4.7m) and the movement on PPP and other investments amounting to £0.1m (2017: £0.1m).

30 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2016		359.4	140.6
Profit for the year		48.7	82.4
Actuarial gains recognised related to retirement benefit obligations	31	(5.0)	–
Deferred and current tax on movements in equity	25	2.2	(0.5)
Dividends paid	8	(72.8)	(72.8)
Share-based payments	28	1.8	1.8
Purchase of own shares		(2.0)	(2.0)
Movement in fair value of derivative financial instruments		2.5	2.5
At 30 June 2017		334.8	152.0
Profit for the year		**118.3**	**103.1**
Actuarial gains recognised related to retirement benefit obligations	31	**4.0**	**–**
Deferred and current tax on movements in equity	25	**(1.0)**	**(0.4)**
Dividends paid	8	**(75.9)**	**(75.9)**
Share-based payments	28	**2.8**	**2.8**
Purchase of own shares		**(1.5)**	**(1.5)**
Movement in fair value of derivative financial instruments		**1.1**	**1.1**
Issue of shares	27	**136.0**	**136.0**
At 30 June 2018		**518.6**	**317.2**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5m (2017: £9.5m).

At 30 June 2018, the Galliford Try Employee Share Trust (the Trust) held 379,536 (2017: 369,240) shares. The nominal value of the shares held is £0.2m (2017: £0.2m). Nil shares were acquired during the year (2017: nil) at a cost of £nil (2017: £nil) and a further £1.5m (2017: £2.1m) was paid in relation to other share related transactions. 10,296 (2017: 171,240) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2018 was £3.3m (2017: £4.3m). No shareholders (2017: none) have waived their rights to dividends.

31 Retirement benefit obligations

All employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a company contribution based on a scale dependent on the employee's age and the amount they choose to contribute. Since 1 July 2013 all non-participating and newly employed staff have been auto-enrolled into the separate stakeholder plan and are entitled to increase their contribution rates in line with existing members. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf.

The Group also operates three defined benefit pension schemes, as detailed below.

Pension costs for the schemes were as follows:

	2018 £m	2017 £m
Defined benefit schemes – expense recognised in the income statement	**0.6**	0.3
Defined contribution schemes	**18.7**	16.3
Total included within employee benefit expenses (note 4)	**19.3**	16.6

Of the total charge for all schemes £8.5m (2017: £7.4m) and £10.8m (2017: £9.2m) were included, respectively, within cost of sales and administrative expenses. £nil (2017: nil) was included within net finance costs.

31 Retirement benefit obligations (continued)

Defined benefit schemes

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

The Trustees of each scheme are required to act in the best interests of the plans' beneficiaries and are responsible for the investment strategy of the Scheme. For the Galliford Try Final Salary Pension Scheme the Trustee is Galliford Try Pension Trustee Limited. The appointment of the directors to the Board is determined by the plan's Trust documentation. Currently the Trustee Board includes member-nominated, Company-nominated and independent directors. The Group is ultimately responsible for making up any shortfall in the Scheme over a period agreed with the Trustees. To the extent that actual experience is different to that assumed, the contributions required by the Group could vary in the future. The two key risks face by pension schemes are longevity (ie members living longer than expected) and investment risk (ie the Scheme's assets perform poorly relative to the liabilities).

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent completed formal actuarial valuation for the Galliford Try Final Salary Pension Scheme was as at 30 June 2015 and was prepared by LCP the scheme actuary. In June 2016 the Galliford Try Final Salary Pension Scheme completed a £95m insurance buy-in transaction. The IAS 19 accounting result for the Galliford Try Final Salary Pension Scheme has been calculated using a roll forward approach based on the liabilities calculated for the 30 June 2015 actuarial valuation, and incorporates the insurance buy-in referred to above.

The deficit recovery funding plan agreed with the Trustees in 2016 requires the Company to pay contributions of £389,583 per calendar month until January 2021, with potential additional payments being linked to dividend payments of the Company.

The most recent actuarial valuation of the Galliford Group Special Scheme was prepared using the defined accrued benefit method as at 1 April 2016. No further contributions are expected to be required for this Scheme and options for an insurance buy-in or buy-out transactions are currently being evaluated.

The Kendall Cross (Holdings) Limited Scheme is funded and provides benefits based on final pensionable salaries. The Scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try plc in November 2007. The most recent actuarial valuation of the Scheme was prepared as at 13 November 2014. A deficit recovery funding plan was agreed with the Trustees which requires the Company to pay contributions of £15,300 per month.

Principal assumptions

The valuations of the Group's pension schemes have been updated to 30 June 2018 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

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

The life expectancies as at 30 June 2018 are based on S2NA tables (90% scaling factor applied for males with a future improvement in mortality assumptions in line with CMI 2017 tables with a long-term rate of improvement of 1.25%). For 2017 they are based on S2NA tables (90% scaling factor applied for males with a future improvement in mortality assumptions in line with CMI 2016 tables with a long-term rate of improvement of 1.25%).

	2018	2017
Male member age 65 (current life expectancy)	**23.0**	23.1
Male member age 45 (life expectancy at age 65)	**24.3**	24.5
Female member age 65 (current life expectancy)	**24.9**	25.0
Female member age 45 (life expectancy at age 65)	**26.4**	26.5

At 1 July 2015, the date of the last valuation, the scheme had 1,317 deferred members and 849 pensioners.

Notes to the consolidated financial statements
continued

31 Retirement benefit obligations (continued)
Assets in the Scheme
The fair value of the assets and present value of the obligations at 30 June of the Group's defined benefit arrangements are as follows:

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

1 Equities, gilts, bonds and the diversified growth funds are quoted assets. The asset classes are intended to minimise the volatility of the funding position.
2 Unquoted insured annuities include £80.5m in respect of the pensioner buy-in transaction completed by the Galliford Try Final Salary Pension Scheme in June 2016, and other annuities held by the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme.

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

Sensitivity analysis of scheme liabilities
The weighted average duration of the defined benefit obligations at 30 June 2018 was 18 years. The sensitivity of the present value of scheme liabilities at 30 June 2018 to changes in the principal assumptions is set out below.

	Change in assumption[1]	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £4.0m
Rate of inflation	Increase by 0.1%	Increase by £3.2m
Growth rate in pension payments	Increase by 0.1%	Increase by £1.7m
Life expectancy	Increase by one year	Increase by £6.7m

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

Accounting results
The amounts recognised in the income statement are as follows:

	2018 £m	2017 £m
Expenses	0.6	0.3
Expense recognised in the income statement	0.6	0.3

The actual return on scheme assets was £3.8m (2017: £15.8m).

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

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

31 Retirement benefit obligations (continued)
Accounting results (continued)

Movement in present value of defined benefit obligations	2018 £m	2017 £m
At 1 July	**246.1**	235.7
Interest cost	**6.3**	6.9
Experience losses	**–**	(3.9)
Actuarial (gain)/loss arising from changes in financial assumptions	**(5.3)**	22.8
Actuarial (gain) arising from changes in demographic assumptions	**(1.2)**	(5.0)
Benefit payments	**(17.3)**	(10.4)
At 30 June	**228.6**	246.1

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

Movement in fair value of net asset/(liability)	2018 £m	2017 £m
At 1 July	**(3.2)**	(4.3)
Return on plan assets, excluding interest income	**(2.5)**	8.9
Experience gains	**–**	3.9
Actuarial gains/(losses)	**6.5**	(17.8)
Employer contributions	**6.8**	6.4
Expenses	**(0.6)**	(0.3)
At 30 June	**7.0**	(3.2)

The contributions expected to be paid to the defined benefit schemes during the year ending 30 June 2019 are £7.2m.

Notes to the consolidated financial statements
continued

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

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

	2018 £m	2017 £m
Amounts due:		
Within one year	**15.4**	15.5
Later than one year and less than five years	**24.9**	26.2
After five years	**9.4**	5.8
	49.7	47.5

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

33 Guarantees and contingent liabilities
Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements and joint ventures, amounting to £381.3m (2017: £353.3m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors record the appropriate liability in the financial statements when they believe a liability exists. While the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

34 Related party transactions
Group
Transactions between the Group and its joint ventures and jointly controlled operations are disclosed as follows:

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Trading transactions								
Joint ventures	**48.5**	61.7	**–**	0.4	**39.9**	33.4	**18.0**	11.7
Jointly controlled operations	**37.3**	50.6	**0.1**	0.1	**7.5**	7.7	**24.4**	20.1

	Interest and dividend income from related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Non-trading transactions								
Joint ventures	**12.2**	12.3	**271.3**	215.2	**–**	–	**–**	–

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

Company
Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest and dividend income from related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Non-trading transactions								
Subsidiary undertakings	**104.7**	81.9	**374.3**	303.9	**184.9**	193.9	**45.0**	61.1

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

35 Post balance sheet events

No matters have arisen since the year end that require disclosure in the financial statements.

36 Alternative performance measures

Throughout the Annual Report, the Group has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as they provide relevant information on the Group's performance. They are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided below. Exceptional items are the causes of the differences between the pre-exceptional and statutory profitability. Additionally, Revenue includes the Group's share of revenue in joint ventures and associates.

Providing clarity on the Group's alternative performance measures

The Group has included this note and the enclosed explanations and reconciliations with the aim of providing transparency and clarity on the measures adopted internally to assess performance following the issuance of the Guidelines on Alternative Performance Measures (APMs) by the European Securities and Markets Authorities (ESMA) in June 2015. Throughout this report the Group has presented financial performance measures which are considered most relevant to the Group and are used to manage the Group's performance. These measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's performance. The APMs adopted by the Group are also commonly used in the sectors it operates in. The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers. These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Measuring the Group's performance

The following measures are referred to in this report:

Statutory measures

Statutory measures are derived from the Group's reported financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as issued by the International Accounting Standards Board (IASB) and in line with the Group's accounting policies, which can be found on pages 87 to 92.

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. These items include:

- gains and losses on the disposal of businesses and investments, unless this is part of a programme of releasing value from the disposal of similar businesses or investments such as PPP and other investments;
- costs of restructuring and reorganisation of businesses;
- acquisition costs related to business combinations;
- material one-off losses on contracts; and
- impairment and amortisation charges on intangible assets arising on business combinations (amortisation of acquired intangible assets).

Notes to the consolidated financial statements
continued

36 Alternative performance measures (continued)

b) Revenue (including the share of joint ventures' revenue)

The Group uses a revenue measure which includes its share of revenue generated from its joint ventures to ensure it reflects the total level of activity performed by the Group during the year, regardless of the form of legal entity that undertakes that activity. This measure better reflects the size of the business and the volume of work carried out and more appropriately compares to profit from operations. This differs from the statutory measure of revenue which presents Group revenue from its subsidiaries only.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018								
Statutory Group revenue	**769.3**	**459.7**	**1,036.9**	**649.4**	**1,686.3**	**15.6**	**0.7**	**2,931.6**
add: exceptional items (note 3)	–	–	–	–	–	–	–	–
add: share of joint ventures' revenue (note 13)	**178.0**	**15.5**	**1.1**	–	**1.1**	**6.1**	–	**200.7**
Pre-exceptional revenue	**947.3**	**475.2**	**1,038.0**	**649.4**	**1,687.4**	**21.7**	**0.7**	**3,132.3**
Year ended 30 June 2017								
Statutory Group revenue	804.8	319.4	1,013.3	512.8	1,526.1	11.1	0.7	2,662.1
add: exceptional items (note 3)	–	–	–	42.4	42.4	–	–	42.4
add: share of joint ventures' revenue (note 13)	132.6	10.8	0.8	–	0.8	13.9	–	158.1
Pre-exceptional revenue	937.4	330.2	1,014.1	555.2	1,569.3	25.0	0.7	2,862.6

c) Profit from operations and operating margin

The Group uses an operating profit measure which is inclusive of its share of operating profit generated from its joint ventures as this is equivalent to the operating profit generated by its subsidiaries and reflects the profitability of the total activity performed by the Group during the year. Additionally, this APM excludes exceptional items, the share of joint ventures' interest and tax and amortisation of intangible assets. Operating margin reflects the ratio of profit from operations and (pre-exceptional) revenue. This differs from the statutory measure of profit before finance costs which includes the share of joint ventures' interest and tax and amortisation of intangible assets.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018								
Statutory profit before finance costs	**171.3**	**22.1**	**10.6**	**(40.7)**	**(30.1)**	**6.6**	**(18.7)**	**151.2**
add: amortisation of intangibles (note 10)	–	**1.4**	**1.0**	–	**1.0**	–	**1.1**	**3.5**
add: share of joint ventures' interest and tax (note 13)	**13.1**	**0.1**	–	–	–	**0.2**	–	**13.4**
add: exceptional items (note 3)	–	–	–	**45.0**	**45.0**	–	–	**45.0**
Pre-exceptional profit from operations	**184.4**	**23.6**	**11.6**	**4.3**	**15.9**	**6.8**	**(17.6)**	**213.1**
Operating margin	**19.5%**	**5.0%**	**1.1%**	**0.7%**	**0.9%**	**n/a**	**n/a**	**6.8%**
Year ended 30 June 2017								
Statutory profit before finance costs	161.4	14.3	(13.0)	(76.8)	(89.8)	2.3	(17.6)	70.6
add: amortisation of intangibles (note 10)	0.9	0.2	1.0	–	1.0	–	1.1	3.2
add: share of joint ventures' interest and tax (note 13)	8.0	0.4	–	–	–	0.1	–	8.5
add: exceptional items (note 3)	–	–	–	87.9	87.9	–	1.0	88.9
Pre-exceptional profit from operations	170.3	14.9	(12.0)	11.1	(0.9)	2.4	(15.5)	171.2
Operating margin	18.2%	4.5%	(1.2)%	2.0%	0.0%	n/a	n/a	6.0%

36 Alternative performance measures (continued)

d) Pre-exceptional profit before tax

The Group uses a profit before tax measure which excludes exceptional items as noted above. This differs from the statutory measure of profit before income tax which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	2018 £m	2017 £m
Statutory profit before tax	143.7	58.7
Exceptional items (note 3)	45.0	88.9
Pre-exceptional profit before tax	**188.7**	147.6

e) Pre-exceptional earnings per share

In line with the Group's measurement of pre-exceptional performance, the Group also presents its earnings per share on a pre-exceptional basis. This differs from the statutory measure of earnings per share which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	2018			2017		
	Earnings £m	Ave number of shares	EPS pence	Earnings £m	Ave number of shares	EPS pence
Statutory results	118.3	97,695,511	121.1	48.7	91,656,795	53.1
add: exceptional earnings (note 3)	36.4	–	n/a	71.5	–	n/a
Pre-exceptional earnings per share	**154.7**	**97,695,511**	**158.4**	120.2	91,656,795	131.1

f) Pre-exceptional Group return on net assets

In line with the Group's measurement of pre-exceptional performance, the Group also presents its return on net assets (RoNA) ratio on a pre-exceptional basis. RoNA is calculated as pre-exceptional earnings before interest, tax and amortisation of intangible assets (EBITA) divided by the average pre-exceptional net assets (including goodwill). Linden Homes' segmental RoNA is calculated as Linden Homes EBITA divided by the average of Linden Homes and Central net assets.

A reconciliation of the Group's performance measure is shown below:

	2018				2017			
	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m	Linden Homes £m	Partnerships & Regeneration £m	Central[1] £m	Total £m
Statutory net assets (note 2)	212.5	56.6	399.1	776.5	171.6	41.4	426.6	575.5
add: exceptional profit for the year	–	–	–	36.4	–	–	1.0	71.5
reallocate: Central to Linden Homes (to calculate Linden Homes RoNA)	399.1		(399.1)	–	427.6		(427.6)	–
Pre-exceptional net assets	611.6	56.6	–	812.9	599.2	41.4	–	647.0
Average pre-exceptional net assets	605.4	49.0		730.0	609.4	36.7		623.5
Pre-exceptional profit from operations	184.4	23.6		213.1	170.3	14.9		171.2
Pre-exceptional RoNA	**30.5%**	**48.2%**		**29.2%**	28.0%	40.7%		27.5%

1 Restated due to rights issue.

Notes to the consolidated financial statements
continued

37 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 2018.

(i) Subsidiary undertakings

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Alumno GT Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Alumno GT Management Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Birch Construction Division Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Chancery Court Business Centre Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Charles Gregory (Civil Engineering) Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Charles Grip Surfacing Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Chartdale Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 1 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 2 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Enhance Interiors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Fairfield Redevelopments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Brick Factors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Affordable Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction & Investments Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction (UK) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Corporate Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Employment Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try HPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Infrastructure Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try International Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Pension Trustee Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Plant Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Properties Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Qatar Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Secretariat Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Supplies Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Graylingwell Energy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Barking and Havering) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Leicester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Scotland) Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Asset 24 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%

37 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
GT Camberwell (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Camberwell Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Emblem Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Integrated Services Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Inverness Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT PPP Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT TMGL Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Investments Consultancy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hill Place Farm Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kendall Cross Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Kingseat Development 3 Limited	13 Queen's Road, Aberdeen, AB15 4YL	100%
Linden (Ashlar Court) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (St Bernard's) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Barnet LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Cornwall Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Devon Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden First Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Guildford Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Chiltern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Eastern LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes South-East Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Southern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London (Hammersmith) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Midlands Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Beverley) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Properties Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden South West Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden St Albans LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Summerstown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Morrison (Falklands) Limited	56 John Street, Stanley, Falkland Islands FIQQ 1ZZ (incorporated in Falkland Islands)	100%
Morrison Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Morrison Highway Maintenance Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

Notes to the consolidated financial statements
continued

37 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Oak Dry Lining Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Fire Protection Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Primaria Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rasen Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Redplay Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco (Services) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rock & Alluvium Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rosemullion Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Schools for the Community Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
The Ricardo Community Foundation	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Accord Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Construction Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Group Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Central Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GTIR NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships (Wolverhampton) Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Blythe Park LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Pembers LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hall Green JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Mountsorrel JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Highfields Caldecote) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Glen Parva JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Vista Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Binfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Homes (Blackberry Hill) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Homes (Marksbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Manse Farm) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Partnerships JV No11 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Partnerships JV No12 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Westcountry Land (Perranporth) Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden St Albans LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Cawston) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Olive Farm LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Greyhound Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Homes Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group as a majority of voting rights are held in each case.

No company is dormant and exempt from preparing individual accounts by virtue of s394A of Companies Act 2006 and/or from filing individual accounts with the registrar by virtue of s448A of Companies Act 2006.

37 Group undertakings (continued)
(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
ACP: North Hub Limited	Miller House, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Dec
Cedar House Securities Limited	8 Gleneagles Court, Brighton Road, Crawley, West Sussex, RH10 6AD	50%	31 Dec
Community Ventures (Management) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Community Ventures Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Community Ventures Partnerships Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Crest/Galliford Try (Epsom) LLP	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	50%	31 Oct
Evolution Gateshead Developments LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	50%	31 Mar
Evolution Morpeth LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution Newhall LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution (Shinfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Gateshead Regeneration LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	25%	31 Mar
GBV JV Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Grange Walk LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
Kent EHFA Holdco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Kent EHFA Projectco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30 Jun
Leicester GT Education Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	80%	31 Mar
Linden (Battersea Bridge Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden (Biddenham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Boorley Green LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Vencourt) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden and Dorchester Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden and Dorchester Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden (Hartfield Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden Homes (Sherford) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden Homes Westinghouse LLP	99 Bartholomew Street, Newbury, Berkshire RG14 5EE	50%	31 Mar
Linden Wates (Cranleigh) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Dorking) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Horsham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Kempshott) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ravenscourt Park) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ridgewood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (The Frythe) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (West Hampstead) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates Developments (Chichester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates Developments (Folders Meadow) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ringwood) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Royston)	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Westbury) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Salisbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec

Notes to the consolidated financial statements
continued

37 Group undertakings (continued)
(ii) Joint venture undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Linden Wates (Barrow Gurney) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden (Basingstoke) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Walberton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Bricket Wood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Lovedean) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden (York Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden/Downland Graylingwell LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Northstowe) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Enfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Brampton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Avery Hill) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution (Saffron Walden) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
DR4 Developments LLP (BU4226)	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
West Bridgford JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Heath Farm Lane LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Gallions 2A Developments LLP	Bruce Kenrick House, 2 Kellick Street, London, United Kingdom, N1 9FL	50%	31 Mar
Linden (Mowbray View 2) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Jul
Beverley South Developments Ltd	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Morrison Robertson JV Company Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
Opal (Earlsfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal (Silvertown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal (St Bernards) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Ramsden Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Shoo 22 Limited	Duncan House, Clipston Road, Sibbertoft, Market Harborough, Leicestershire LE16 9UB	38%	30 Jun
Solutions 4 North Tyneside (Finance) Plc	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Solutions 4 North Tyneside (Holdings) Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Solutions 4 North Tyneside Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Space Scotland Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	31 Mar
The Piper Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Urban Vision Partnership Limited	Civic Centre, Chorley Road, Swinton, United Kingdom, M27 5AS	30%	31 Dec
White Rock Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Kilnwood Vale LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Wilmington Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar

The above entities are all incorporated in the UK and considered to be joint ventures based on the shareholding agreements in place.

37 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%
Aberdeen Roads (Finance) PLC	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
Aberdeen Roads Holdings Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
Aberdeen Roads Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
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%
GT NEPS (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%
GT NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%
Hub North Scotland (Alford) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Anderson) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Anderson) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Elgin High School) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Elgin High School) Holdings 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 (New Academy – SOTC) Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (New Academy – SOTC) Holdings Ltd	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 (Wick) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Wick) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub South East Scotland Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Hub South West Scotland Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	6%
HUB SW Greenfaulds Holdco Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	6%
HUB SW Greenfaulds Sub Hub Co Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	6%
James Gillespie's Campus Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
James Gillespie's Campus Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
KHS DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
KHS DBFMco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
LBP DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
LBP DBFMco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
ELCH DBFMco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
ELCH DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Newbattle DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Newbattle DBFMco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
REH Phase 1 Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
REH Phase 1 Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Rissington Management Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%
S4B (Holdings) Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B (Issuer) plc	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%

The above entities are all incorporated in the UK except Galliford try Qatar LLC which is incorporated in Qatar.

Five-year record

	2014 £m	2015 £m	2016 £m	2017 £m	**2018 £m**
Group revenue	1,767.8	2,348.4	2,494.9	2,662.1	**2,931.6**
Profit before exceptional items	94.9	117.7	135.0	147.6	**188.7**
Exceptional items	0.3	(3.7)	–	(88.9)	**(45.0)**
Profit before taxation	95.2	114.0	135.0	58.7	**143.7**
Tax	(18.0)	(21.7)	(26.1)	(10.0)	**(25.4)**
Profit after taxation attributable to shareholders	77.2	92.3	108.9	48.7	**118.3**
Fixed assets, investments in joint ventures, PPP and other investments	40.2	41.0	60.8	72.6	**93.4**
Intangible assets and goodwill	128.1	156.4	152.2	179.1	**174.9**
Net current assets	586.5	690.6	633.2	509.6	**674.1**
Long-term receivables	61.2	32.5	78.0	113.7	**155.9**
Long-term payables and provisions	(281.8)	(351.3)	(324.2)	(299.5)	**(321.8)**
Net assets	534.2	569.2	600.0	575.5	**776.5**
Share capital	41.1	41.1	41.4	41.4	**55.5**
Reserves	493.1	528.1	558.6	534.1	**721.0**
Shareholders' funds	534.2	569.2	600.0	575.5	**776.5**
Dividends per share (pence) (2017 restated – note 8)	53.0	68.0	82.0	86.0	**77.0**
Basic earnings per share (pence) (2017 restated – note 9)	94.6	112.8	132.5	53.1	**121.1**
Diluted earnings per share (pence) (2017 restated – note 9)	93.0	110.9	131.3	52.9	**120.6**

Shareholder information

Financial calendar 2018

Half year results announced	14 February
Interim dividend paid	6 April
Full year results announced	12 September
Ex dividend date	8 November
Final dividend record date	9 November
Annual General Meeting	9 November
Final dividend payment	5 December

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday; overseas shareholders should call +44 121 415 7593 or, alternatively, write to them at:

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti, which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5%, with a minimum charge of £60 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number, as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group on our website, www.gallifordtry.co.uk, which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel and Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2018

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.41	4,348	4.24	4,708,239
10,001 – 50,000	3.74	176	3.50	3,882,093
50,001 – 500,000	2.87	135	20.85	23,153,618
500,001 – highest	0.98	46	71.41	79,284,212
Total	100.00	4,705	100.00	111,028,162

Registered office

Galliford Try plc
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

HSBC Bank plc
Barclays Bank plc
National Westminster Bank plc
Santander UK plc

Registration

England and Wales 00836539

Independent auditor

PricewaterhouseCoopers LLP

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