14 FEBRUARY 2018

GALLIFORD TRY PLC - HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

STRONG FIRST HALF PERFORMANCE

Financial	H1 2018	H1 2017	Change
Revenue £m [1]	**1,495**	**1,308**	+ 14%
Group revenue £m [1]	**1,403**	**1,235**	+ 14%
Profit before tax £m	**56.3**	**63.0**	- 11%
Pre-exceptional profit before tax £m [2, 3]	**81.3**	**63.0**	+ 29%
Earnings per share	**56.3p**	**61.9p**	- 9%
Pre-exceptional earnings per share [2, 3]	**80.8p**	**61.9p**	+ 31%
Dividend per share	**28p**	**32p**	- 13%
Net debt £m	**84.9**	**113.8**	- £28.9m
Group return on net assets [4]	**24.4%**	**24.9%**	- 0.5% pts
Pre-exceptional Group return on net assets [5]	**30.7%**	**24.9%**	+ 5.8% pts

Linden Homes

- Continued progress on operating margin, rising to 18.5%, with no land sales in the period (H1 2017: 18.2% and 16.3% excluding profits from land sales).
- Revenue up 7% to £436.8m (H1 2017: £407.6m) from 1,587 unit completions, 1,346 units net of joint venture partner share (H1 2017: 1,491 and 1,319 respectively). Total sales currently reserved, contracted and completed at £879m (H1 2017: £857m).
- Good first half sales rate at 0.53 (H1 2017: 0.56); sales rate of 0.65 since 1 January 2018[6] (H1 2017: 0.70 since 1 January 2017).

Partnerships and Regeneration

- Significant increase in revenue, both organic and from the Drew Smith acquisition, up 55% in total to £223.5m (H1 2017: £144.3m).
- Excellent progress on operating margin rising to 4.8% (H1 2017: 3.4%).
- Total sales currently reserved, contracted and completed up 40% at £129m[6] (H1 2017: £92m) with continuing strengthening of the contract order book, up 41%, at £1.3bn (H1 2017: £925m).

Construction

- Revenue of £823.6m (H1 2017: £742.0m) and pre-exceptional operating margin improved to 0.9% (H1 2017: 0.4%).
- Additional joint venture contributions arising from Carillion plc (Carillion) failure prompt exceptional charge of £25m.
- Cash balance of £44.5m (H1 2017: £110.8m) reflecting the anticipated cash flow constraints on legacy projects. Estimate of additional cash contribution to the joint venture in respect of Carillion unchanged at £30m - £40m.
- High quality order book maintained at £3.5bn (H1 2017: £3.4bn).

Balance Sheet

- Net debt of £85m (H1 2017: £114m), with average net debt of £203m (H1 2017: £231m), and committed facilities of £550m.
- The Group continues to operate well within its banking covenants, and maintains a minimal pension deficit of £2.7m (H1 2017: £10.6m).
- Underwritten standby equity capital raise of £150m announced separately.
- Planned increase in dividend cover to 2.0x pre-exceptional earnings brought forward and effective immediately. Interim dividend of 28.0p declared.

Peter Truscott, Chief Executive, commented:

“We have delivered a strong financial and operational performance in the first half, with revenue growth across all three businesses and excellent progress against our 2021 strategy.

Linden Homes had a very strong first half, with both volume growth and improving margins. Our strategy of focusing on standardisation is proving to be effective and we continue to benefit from further operating efficiencies. The market continues to be positive, underpinned by good mortgage availability, the Government’s ongoing commitment to Help-to-Buy, and the recent stamp duty cut for first-time buyers. Within Partnerships & Regeneration, we have delivered an excellent first half performance and continue to be very encouraged by the opportunities in the market, which give us confidence that this growing business will continue to deliver sustained returns over the strategy period and beyond. Our underlying Construction business is performing well with the margin drag of legacy contracts reducing.

We have reviewed the impact on our business from the compulsory liquidation of Carillion, which has resulted in a further reassessment of the likely out-turn from our participation in the Aberdeen Western Peripheral Route (AWPR) joint venture, leading to an exceptional charge of £25m. Reflecting the additional financial obligations arising from this contract, we have today announced our plans for a capital raise of £150m. We have also brought forward our plans to increase dividend cover to 2.0x pre-exceptional earnings, with the result that we are today declaring an interim dividend of 28.0p.

We continue to maintain strict control over net debt, which is consequently better than our guided level. We enter the second half of the year with a solid foundation to build on and strong fundamentals for the housing market. While we remain cautious of the impact of the current political uncertainty and the medium-term outlook for the macro economy, we believe our focused strategy, strong order book and disciplined approach will deliver further growth and shareholder value.”

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

For further enquiries:

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Notes to editors:
Galliford Try will hold its half year results presentation for analysts and institutional investors at 09:30 am on Wednesday 14 February 2018 at the London Stock Exchange, 10 Paternoster Row, London, EC4M 7LS. An audio webcast will be available at http://webcast.openbriefing.com/gallifordtry_hyr_14022018/ with a recording available later.

[1] 'Revenue' includes share of joint ventures' revenue of £92.5m (H1 2017: £72.3m). 'Group revenue', where stated, excludes share of joint ventures.
[2] Pre-exceptional measures exclude exceptional costs as described in note 4. All future references to pre-exceptional data or ratios are consistent within this definition.
[3] Exceptional costs in H1 2018 were £25.0m. There were no exceptional costs in H1 2017.
[4] Group return on net assets represents annualised profit before tax, exceptional items, finance costs and amortisation divided by average net assets.
[5] Pre-exceptional Group return on net assets represents pre-exceptional profit before tax, finance costs and amortisation divided by average pre-exceptional net assets.
[6] Current as at 12 February 2018.

CURRENT TRADING AND OUTLOOK

The Government's stated commitment to the housing market, including Help-to-Buy and the relaxation of stamp duty for first time buyers, is welcome and, along with good mortgage availability and low interest rates, benefits both our private and affordable homes businesses. Our Construction business, operating predominantly in the public and regulated sectors, continues to benefit from a strong order book, with an encouraging pipeline of opportunities from the current and planned investment in the nation's infrastructure.

Linden Homes enters the second half of the financial year with a solid forward order book and total sales currently reserved, contracted and completed of £879 m (H1 2017: £857m). Further improvement in the operating margin is expected in the second half of the financial year in line with our 2021 strategic targets. Our sales rate is broadly in line with the prior year, and the business continues to see opportunities in the availability of prime sites in popular locations and at good hurdle rates.

Partnerships & Regeneration continues to benefit from strong demand nationally for affordable housing and its prominence and focus across all political parties. The business had a strong first half including a number of wins in both contracting and mixed tenure. We expect to see further improvement in the second half of the financial year driven by strong demand and the business's continuing geographical expansion.

Construction's underlying performance continues to improve through its focus on risk management and careful contract selection. The business benefits from its participation on multiple frameworks and its high quality contract order book. With 99% of revenue secured for the current financial year and 61% secured for FY2018/19 (H1 2017: 94% and 62% respectively) our revenue guidance remains unchanged. We are encouraged by the performance of its newer won projects which support the business's 2021 strategic objectives.

INTERIM DIVIDEND

The Group has brought forward plans to increase dividend cover to 2.0x pre-exceptional earnings. Reflecting this, and the Group's strong underlying performance during the half year to 31 December 2017, the directors have declared an interim dividend of 28.0p per share (H1 2017: 32.0p) which will be paid on 6 April 2018 to shareholders on the register at close of business on 16 March 2018.

STRATEGY TO 2021

All three businesses are making excellent progress against the strategic objectives to 2021, which were set out in February 2017[†].

FINANCIAL REVIEW

Group revenue for the half year to 31 December 2017 was £1,403m (H1 2017: £1,235m). Revenue (including share of joint ventures) was £1,495m (H1 2017: £1,308m).

The Group's pre-exceptional profit from operations (stated before finance costs, amortisation, tax and share of joint ventures' interest and tax), was up 27% against the same period last year, at £94.7m. Pre-exceptional profit before tax was £81.3m, up 29% (H1 2017: £63.0m). Pre-exceptional earnings per share for the period was 80.8p (H1 2017: 61.9p).

In light of the compulsory liquidation of Carillion and the impact on our funding obligations in respect of the AWPR joint venture, we have reassessed the out-turn position on the contract. The withdrawal of Carillion increases our participation in both costs and estimated recovery claims, and we have increased our provision accordingly, which we have shown as an exceptional item (see note 4).

The Group continues to maintain its strong focus on cash management. Net debt at 31 December 2017 was £84.9m (H1 2017: £113.8m), representing gearing of 15.0%, in line with the Group's current gearing policy of year end net debt to tangible net assets of no greater than 30%. Average debt over the six months to 31 December 2017 was lower than expectations at £203m (H1 2017: £231m), with deferred outflows on land acquisitions in Linden Homes and Partnerships outweighing some delayed inflows in Construction.

The Group benefits from bank facilities of £450m, secured until 2022, together with a 10-year debt private placement of £100m, maturing in 2027. The Group continues to operate well within its banking covenants.

The Group's defined benefit pension obligations are well provided, with a fair value of plan assets as at 31 December 2017 of £248.0m and the present value of obligations at £250.7m, giving a balance sheet liability of £2.7m.

Construction's cash balance of £44.5m was lower than the prior year figure of £110.8m as a result of the legacy contract issues.

The pre-exceptional taxation expense of £14.6m reflects an estimated effective rate of 17.9% (H1 2017: 19.0%) for the full financial year to 30 June 2018. We anticipate a similar effective tax rate will be maintained for the foreseeable future.

† *The Group's strategic targets to 2021 are not forecasts of expected financial performance.*

LINDEN HOMES

	H1 2018	H1 2017	Change
Revenue £m	**436.8**	**407.6**	+ 7%
Profit from operations £m	**80.9**	**74.3**	+ 9%
Operating profit margin %	**18.5**	**18.2**	+ 0.3% pts
Completions	**1,587**	**1,491**	+6%
Sales reserved, exchanged or completed £m	**879**	**857**	+ 3%

Revenue during the six months to 31 December 2017 increased to £436.8m (H1 2017: £407.6m). Within this total, affordable sales were £47m (H1 2017: £34m). Unit completions were 1,587, 1,346 net of joint venture partners' share (H1 2017: 1,491 and 1,319 respectively). The total includes 1,170 private and 417 affordable sales (H1 2017: 1,155 and 336 respectively).

The average selling price on private sales increased to £370,000 (H1 2017: £338,000). The average selling price for affordable sales was £133,000 (H1 2017: £114,000) leading to a combined average selling price of £309,000 (H1 2017: £287,000). Cancellation levels are around 19% (H1 2017: 19%).

The average number of outlets during the period was 81, an increase on the 75 outlets in the six months to 31 December 2016. During the six months to 31 December 2017 we achieved a rate of sale of 0.53 unit sales per outlet per week (H1 2017: 0.56). Since 1 January 2018 we have achieved a rate of sale of 0.65 unit sales per outlet per week compared to 0.70 in the same period last year.

Profit from operations was up 9% to £80.9m over the same period last year. The business continues to deliver efficiencies through standardisation and increased productivity with an operating margin of 18.5% (H1 2017: 18.2%). No new joint ventures were anticipated or undertaken during the period, and hence there were no profits from land sales. The reported operating margin of 18.5% represents an increase of 2.2% over the comparable H1 2017 operating margin excluding land sales of 16.3%.

Sales reserved, exchanged or completed are currently at £879m (H1 2017: £857m) of which £740m relates to the current financial year, representing 75% of projected sales for the year (H1 2017: £699m, 72%).

Strategic use of Joint Ventures

Working together with select partners remains a core part of the strategy for Linden Homes. Our joint ventures enable the business to secure larger sites for investment and provide additional points of sale, while at the same time enabling us to share location risk and invest less capital upfront. Reflecting this, we include our share of joint ventures in our key reporting metrics, however for clarity, we separate out the gross and net values in the table below:

	HY 18			
	Completions (Units)		**Revenue (Linden Homes only)**	**Average selling price**
	Gross	**Net of JV partner**	**£m**	**£000**
Direct – private	821	821	297	362
Direct - affordable	283	283	35	123
Other income, including land sales			21	-
JOs[1] – private	36	18	4	175
JOs[2]- affordable	-	-	-	-
	1,140	**1,122**	**357**	
JVs[1] – private	313	157	68	436
JVs[2]- affordable	134	67	12	174
TOTAL	**1,587**	**1,346**	**437**	**309**

[1] *Joint operations (JOs) proportionally consolidated within Linden Homes under IFRS11.*
[2] *JVs equity accounted under IFRS11.*

Landbank

Linden Homes' landbank is 11,540 plots (H1 2017: 11,500). Linden Homes has 97% of land secured for the financial year to 30 June 2019 and 68% secured for 2020 (H1 2017: 97% and 74% respectively). As planned we have increased our strategic land assets and the business expects to generate around 13,015 plots from its strategic land of 2,624 acres.

PARTNERSHIPS & REGENERATION

	H1 2018	H1 2017	Change
Revenue £m	**223.5**	**144.3**	+ 55%
Profit from operations £m	**10.8**	**4.9**	+ 120%
Operating profit margin %	**4.8**	**3.4**	+ 1.4% pts
Completions	**331**	**257**	+ 29%
Equivalent contracting units	**1,343**	**730**	+ 84%
Order book £m	**1,300**	**925**	+ 41%
Sales reserved, exchanged or completed £m	**129**	**92**	+ 40%

Revenue during the six months to 31 December 2017 increased by 55% to £223.5m (H1 2017: £144.3m). Revenue from mixed tenure development increased by 61% to £55.6m (H1 2017: £34.6m) and contracting revenue increased by 53% to £167.9m (H1 2017: £109.7m).

The business experienced strong growth in line with its plan, benefitting from increased client investment in affordable, private rented and mixed tenure developments, our established market presence and further geographic expansion. The contracting order book increased by 41% to £1.3bn (H1 2017: £925m) and mixed tenure sales currently reserved, exchanged or completed improved by 40% to £129m (H1 2017: £92m). The business also has over £1.5bn of further work either at preferred bidder or land acquired stage. The landbank grew to 2,850 plots (H1 2017: 2,750) during the period.

During the first half of the financial year Partnerships secured a number of major projects including a new joint venture with Registered Provider Trafford Housing Trust to deliver a £100m 600 home regeneration scheme in Partington, Greater Manchester, a further extension of three sites to its existing joint venture with Gateshead council and has been selected as a development partner by Ealing Council for an estimated £275m regeneration scheme to create 471 new homes and new council headquarters. On a contracting basis, Partnerships will deliver a £120m 440-home Buy-to-Rent scheme in Walthamstow for Legal & General and has been 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.

The business maintains its disciplined approach to project selection which has assisted its geographic growth. To meet national demand the geographical expansion of the business is progressing to plan with new operating platforms in Bristol, Leicester and, following the acquisition of Drew Smith in 2017, Southampton, all contributing during the period. We benefit from existing client relationships in these new areas with clients increasing investment in line with the Government's commitment to increase the supply of new homes.

CONSTRUCTION

	Pre-exceptional H1 2018	H1 2018	H1 2017	Change
Revenue £m	**823.6**	**823.6**	**742.0**	+ 11%
Profit from operations £m	**7.2**	**(17.8)**	**2.7**	+ 167%
Operating profit margin %	**0.9**	**(2.2)**	**0.4**	+ 0.5% pts
Order book £bn	**3.5**	**3.5**	**3.4**	+ 3%

In line with expectations Construction delivered revenue of £823.6m and a pre-exceptional margin of 0.9% (H1 2017: £742m and 0.4% respectively). Following the compulsory liquidation of Carillion we have taken a further exceptional charge of £25.0m, increasing our provision in respect of that project. We continue to make good progress in resolving legacy projects, most of which are now complete on site with continuing uncertainties relating to final settlements and claim recoveries. We have reasonable confidence around the cost position on these projects but inevitable intrinsic uncertainty around amounts to be recovered from some significant claims. The cash balance as at 31 December 2017 was lower than the prior year at £44.5m (H1 2017: £110.8m), reflecting legacy contract issues.

The business continues to maintain a high quality order book of £3.5bn (H1 2017: £3.4bn) comprising 12% in the regulated sector, 73% in the public sector and 15% in the private sector. The business has secured 99% of projected revenue for the current financial year and 61% for the next financial year (H1 2017: 94% and 62% respectively). Construction also has over £225m of future work at preferred bidder stage.

The business has implemented rigorous processes around project selection as well as stricter risk management so as to ensure that projects that are pursued have reasonable contract terms and an acceptable risk profile.

Building

Building serves a range of clients across the UK including a substantial operation in Scotland. Profit from operations was up by 100% to £3.0m from a revenue of £504.1m, representing a margin of 0.6% (H1 2017: £1.5m, £492.2m and 0.3% respectively). Progress is being made on completing historical contracts and closing remaining final accounts. Margins on newer won projects are robust and more appropriately reflect the risk profile of the committed work.

In the first six months of the financial year Building won contracts and positions on frameworks worth over £400m including being appointed onto all six lots the business bid for on the new Education and Skills Funding Agency's new school building framework, worth up to £3.1bn in total, and the £750m North Eastern Universities Purchasing Consortium major capital projects framework. Building's order book is currently £2,481m (H1 2017: £2,418m).

Infrastructure

Infrastructure carries out civil engineering projects across the UK with strong positions in the transport sector (including road, rail and airports), defence, the water and wastewater sector as well as flood alleviation. Pre-exceptional profit from operations was £4.2m on revenue of £319.5m, representing a pre-exceptional margin of 1.3% (H1 2017: £1.2m on £249.8m, representing a margin of 0.5%).

During the first six months of the financial year Infrastructure won contracts and positions on frameworks worth over £290m, including a place on four lots of the £1bn YORCivil2 framework and the new Highways & Infrastructure Construction Works framework being led by Manchester City Council, worth a potential £200m in total. Infrastructure's order book currently stands at £978m (H1 2017: £992m).

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 managing construction through to operations.

Revenue was £10.7m on which the profit from operations was £2.1m (H1 2017: revenue £12.8m and loss from operations £0.2m). These figures include our disposal of our 50% interest in Kent Extra Care Housing.

The environment for PPP and PF2 projects is currently a challenging one however PPP Investments continues to be particularly active in Scotland on a wide variety of Hub projects and we are monitoring a number of potential future projects.

HEATH, SAFETY AND ENVIRONMENT

Health and safety is our number one priority and the Group is committed to achieving industry leading health, safety and environmental standards. Our systems are fully accredited to both BS 18001 and ISO 14001 and are subject to regular third party independent audits. Our bespoke and award-winning behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' continues to be developed across the Group and its supply chain, with over 1,800 behavioural 'coaches' now trained. We continue to look at further ways to address the challenge of improving health and safety performance, and have this year focused on occupational health and employee wellbeing, with the implementation of a bespoke occupational health screening process, the launch of our "Be Well" wellbeing platform, and through our partnership agreement with the industry-led 'Mates in Mind' mental health programme.

OPERATING SUSTAINABLY

Sustainability continues to underpin the Group's approach and the Group is one of the higher performing constituents of the FTSE4Good index. Each business is committed to achieving stakeholder-aligned targets in relation to six fundamental areas – Health & Safety, Environment & Climate Change, Our People, Communities, Customers and Supply Chain. In the last six months the Group has been externally evaluated as 4th out of the top 25 housebuilders in the NextGeneration Sustainability Benchmark and achieved Gold status in the Supply Chain Sustainability School.

Environmental impacts are identified, managed and mitigated from project to business level through our ISO 14001 certified management system. The Group continues to take positive steps to reducing waste and carbon emissions and we expect to report our sixth year in a row of improved carbon efficiency.

Our employees are the core asset of our business and we have taken great strides in recruiting and retaining the very best talent. For the first time this year the Group's employee survey was independently conducted by Best Companies and we are proud to have been accredited as "One to Watch". The Group has implemented a number of initiatives, including the development of a new inclusion and diversity strategy and a focus on agile working and flexible arrangements.

Through the Considerate Constructors Scheme (CCS) our sites are externally validated by the CCS as positively engaging and communicating with local communities. Over the last six months we have heavily focused on increasing uptake of our volunteering policy supporting local projects and communities. The Group has also launched its pioneering Office Sustainability Scheme which rewards and recognises charitable and sustainability behaviours taking place in our offices.

Delivering high quality homes, buildings and infrastructure coupled with good customer service is fundamental to how we operate in each of our businesses, achieved through the application of robust management and quality assurance systems.

The Group maintains strong supply chain relationships across all of its three businesses - from our centralised network of national preferred suppliers to our locally selected and managed subcontractor supply chain. Strategic subcontractors are invited to collaborate with us in our structured Advantage through Alignment programme and we continue to offer and advocate the free sustainability-related training provided by the Supply Chain Sustainability School to all of our supply chain.

We promote strong ethical practices through the Group's Code of Conduct ('Doing the Right Thing') reinforcing values and expectations that all employees have a role to play in being a sustainable business.

BOARD

As previously announced, Terry Miller, non-executive director and senior independent director, was appointed interim chair of the Remuneration Committee and Jeremy Townsend, non-executive director, was appointed chair of the Audit Committee at the Annual General Meeting on 10 November 2017.

Condensed consolidated income statement
for the half year ended 31 December 2017 (unaudited)

	Notes	**Half year to 31 December 2017 Pre-exceptional items**	**Half year to 31 December 2017 Exceptional items**	**Half year to 31 December 2017 Total**	Half year to 31 December 2016	Year to 30 June 2017 (audited) Pre-exceptional items	Year to 30 June 2017 (audited) Exceptional items	Year to 30 June 2017 (audited) Total
		Total	**Total**	**Total**	Total	Total	Total	Total
		£m	**£m**	**£m**	£m	£m	£m	£m
Group revenue	3	**1,402.5**	**-**	**1,402.5**	1,235.3	2,704.5	(42.4)	2,662.1
Cost of sales		**(1,250.1)**	**(25.0)**	**(1,275.1)**	(1,101.1)	(2,407.0)	(45.5)	(2,452.5)
Gross profit		**152.4**	**(25.0)**	**127.4**	134.2	297.5	(87.9)	209.6
Administrative expenses		**(74.9)**	**-**	**(74.9)**	(70.6)	(152.1)	(1.0)	(153.1)
Profit on disposal of property, plant and equipment		**-**	**-**	**-**	-	0.1	-	0.1
Share of post tax profits from joint ventures		**8.2**	**-**	**8.2**	5.9	14.0	-	14.0
Profit before finance costs		**85.7**	**(25.0)**	**60.7**	69.5	159.5	(88.9)	70.6
Profit from operations	3	**94.7**	**(25.0)**	**69.7**	74.7	171.2	(88.9)	82.3
Share of joint ventures' interest and tax		**(7.3)**	**-**	**(7.3)**	(3.7)	(8.5)	-	(8.5)
Amortisation of intangibles		**(1.7)**	**-**	**(1.7)**	(1.5)	(3.2)	-	(3.2)
Profit before finance costs		**85.7**	**(25.0)**	**60.7**	69.5	159.5	(88.9)	70.6
Finance income	5	**4.8**	**-**	**4.8**	1.8	5.3	-	5.3
Finance costs	5	**(9.2)**	**-**	**(9.2)**	(8.3)	(17.2)	-	(17.2)
Profit before income tax		**81.3**	**(25.0)**	**56.3**	63.0	147.6	(88.9)	58.7
Income tax expense	6	**(14.6)**	**4.8**	**(9.8)**	(12.0)	(27.4)	17.4	(10.0)
Profit for the period		**66.7**	**(20.2)**	**46.5**	51.0	120.2	(71.5)	48.7
Earnings per share								
- Basic	7	**80.8p**		**56.3p**	61.9p	145.8p		59.1p
- Diluted	7	**80.3p**		**56.0p**	61.3p	145.0p		58.7p

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated statement of comprehensive income
for the half year ended 31 December 2017 (unaudited)

	Notes	**Half year to 31 December 2017**	Half year to 31 December 2016	Year to 30 June 2017 (audited)
		£m	£m	£m
Profit for the period		**46.5**	51.0	48.7
Other comprehensive (expense)/income/:				
Items that will not be reclassified to profit or loss				
Actuarial losses recognised on retirement benefit obligations	15	**(3.3)**	(9.7)	(5.0)
Deferred tax on items recognised in equity that will not be reclassified		**(0.1)**	1.7	(0.2)
Current tax through equity		**-**	-	2.8
Total items that will not be reclassified to profit or loss		**(3.4)**	(8.0)	(2.4)
Items that may be reclassified subsequently to profit or loss				
Movement in fair value of derivative financial instruments:				
- Movement arising during the financial year		**0.9**	1.8	3.2
- Reclassification adjustments for amounts included in profit or loss		**(0.3)**	(0.3)	(0.7)
Deferred tax on items recognised in equity that may be reclassified		**(0.1)**	(0.3)	(0.4)
Total items that may be reclassified subsequently to profit or loss		**0.5**	1.2	2.1
Other comprehensive expense for the period net of tax		**(2.9)**	(6.8)	(0.3)
Total comprehensive income for the period		**43.6**	44.2	48.4

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated balance sheet
at 31 December 2017 (unaudited)

	Notes	**31 December 2017**	31 December 2016 (Restated – note 2)	30 June 2017 (audited)
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets		**17.1**	15.1	18.8
Goodwill	9	**160.3**	135.5	160.3
Property, plant and equipment		**15.5**	22.1	16.2
Investments in joint ventures		**37.5**	23.7	31.4
PPP and other investments	16	**26.1**	24.2	25.0
Trade and other receivables	11	**139.9**	73.7	111.7
Deferred income tax assets		**1.6**	3.1	2.0
Total non-current assets		**398.0**	297.4	365.4
Current assets				
Inventories		**0.4**	0.7	0.6
Developments	10	**797.8**	847.3	722.6
Trade and other receivables	11	**762.0**	796.1	809.5
Cash and cash equivalents	12	**1,350.7**	1,127.0	1,145.9
Total current assets		**2,910.9**	2,771.1	2,678.6
Total assets		**3,308.9**	3,068.5	3,044.0
Liabilities				
Current liabilities				
Financial liabilities				
- Borrowings	12	**(1,238.8)**	(1,084.5)	(942.5)
Trade and other payables	13	**(1,142.8)**	(1,095.6)	(1,220.1)
Current income tax liabilities		**(11.2)**	(17.0)	(6.1)
Provisions		**(0.4)**	(0.2)	(0.3)
Total current liabilities		**(2,393.2)**	(2,197.3)	(2,169.0)
Net current assets		**517.7**	573.8	509.6
Non-current liabilities				
Financial liabilities				
- Borrowings	12	**(196.8)**	(156.3)	(196.2)
- Derivatives financial liabilities	16	**(1.4)**	(3.0)	(2.0)
Retirement benefit obligations	15	**(2.7)**	(10.6)	(3.2)
Other non-current liabilities	14	**(146.8)**	(101.8)	(96.9)
Provisions		**(1.0)**	(1.4)	(1.2)
Total non-current liabilities		**(348.7)**	(273.1)	(299.5)
Total liabilities		**(2,741.9)**	(2,470.4)	(2,468.5)
Net assets		**567.0**	598.1	575.5
Equity				
Ordinary shares		**41.4**	41.4	41.4
Share premium		**194.5**	194.4	194.5
Other reserves		**4.8**	4.8	4.8
Retained earnings		**326.3**	357.5	334.8
Total shareholders' equity		**567.0**	598.1	575.5

The notes are an integral part of the condensed consolidated half year financial statements

Condensed consolidated statement of changes in equity
for the half year ended 31 December 2017 (unaudited)

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Half year ended 31 December 2017		**41.4**	**194.5**	**4.8**	**334.8**	**575.5**
At 1 July 2017						
Profit for the period		**-**	**-**	**-**	**46.5**	**46.5**
Other comprehensive expense		**-**	**-**	**-**	**(2.9)**	**(2.9)**
Total comprehensive income for the period		**-**	**-**	**-**	**43.6**	**43.6**
Transactions with owners:						
Net dividends	8	**-**	**-**	**-**	**(52.6)**	**(52.6)**
Share-based payments		**-**	**-**	**-**	**1.4**	**1.4**
Purchase of own shares		**-**	**-**	**-**	**(0.9)**	**(0.9)**
At 31 December 2017		**41.4**	**194.5**	**4.8**	**326.3**	**567.0**
Half year ended 31 December 2016						
At 1 July 2016		41.4	194.4	4.8	359.4	600.0
Profit for the period		-	-	-	51.0	51.0
Other comprehensive expense		-	-	-	(6.8)	(6.8)
Total comprehensive income for the period		-	-	-	44.2	44.2
Transactions with owners:						
Dividends	8	-	-	-	(46.4)	(46.4)
Share-based payments		-	-	-	2.0	2.0
Purchase of own shares		-	-	-	(1.7)	(1.7)
At 31 December 2016		41.4	194.4	4.8	357.5	598.1
Year ended 30 June 2017 (audited)						
At 1 July 2016		41.4	194.4	4.8	359.4	600.0
Profit for the period		-	-	-	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		-	-	-	1.8	1.8
Purchase of own shares		-	-	-	(2.0)	(2.0)
Issue of shares		-	0.1	-	-	0.1
At 30 June 2017		41.4	194.5	4.8	334.8	575.5

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated statement of cash flows
for the half year ended 31 December 2017 (unaudited)

	Notes	**Half Year to 31 December 2017**	Half Year to 31 December 2016	Year to 30 June 2017 (audited)
		£m	£m	£m
Cash flows from operating activities				
Continuing operations				
Pre-exceptional profit before finance costs		**85.7**	69.5	159.5
Exceptional items		**(25.0)**	-	(88.9)
Profit before finance costs		**60.7**	69.5	70.6
Adjustments for:				
Depreciation and amortisation		**3.1**	3.7	6.6
Profit on sale of property, plant and equipment		**-**	-	(0.1)
Profit on sale of subsidiaries		**-**	-	(2.6)
(Profit) on sale of PPP and other investments		**(2.0)**	-	-
Share-based payments		**1.4**	2.0	1.8
Share of post tax profits from joint ventures		**(8.2)**	(5.9)	(14.0)
Movement on provisions		**(0.1)**	(0.3)	(0.4)
Other non-cash movements		**0.2**	0.2	0.3
Net cash generated from operations before pension deficit payments and changes in working capital		**55.1**	69.2	62.2
Deficit funding payments to pension schemes		**(4.0)**	(3.6)	(6.4)
Net cash generated from operations before changes in working capital		**51.1**	65.6	55.8
Decrease /(increase) in inventories		**0.2**	(0.6)	(0.5)
(Increase)/decrease in developments		**(75.5)**	(26.4)	107.3
Decrease/(increase) in trade and other receivables		**19.3**	(74.8)	(118.9)
(Decrease)/increase in trade and other payables		**(15.2)**	(2.3)	85.5
Net cash (used in)/generated from operations		**(20.1)**	(38.5)	129.2
Interest received	5	**4.8**	1.8	5.3
Interest paid	5	**(8.4)**	(7.2)	(15.3)
Income tax paid		**(3.7)**	(7.2)	(12.9)
Net cash (used in)/generated from operating activities		**(27.4)**	(51.1)	106.3
Cash flows from investing activities				
Dividends received from joint ventures		**2.1**	7.0	7.4
Acquisition of PPP and other investments		**(4.1)**	(7.2)	(8.6)
Proceeds from PPP and other investments		**5.1**	-	0.5
Proceeds from disposal of subsidiary		**-**	-	2.6
Acquisition of property, plant and equipment		**(1.4)**	(5.1)	(5.1)
Business combinations		**(12.7)**	-	(12.8)
(Debt) acquired with acquired subsidiary undertakings		**-**	-	(2.8)
Proceeds from sale of property, plant and equipment		**0.3**	-	0.7
Net cash used in investing activities		**(10.7)**	(5.3)	(18.1)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**-**	-	0.1
Purchase of own shares		**(0.9)**	(1.7)	(2.0)
Increase/(decrease) in borrowings		**0.1**	(19.1)	23.9
Net dividends paid to Company shareholders		**(52.6)**	(46.4)	(72.8)
Net cash used in financing activities		**(53.4)**	(67.2)	(50.8)
Net (decrease)/increase in cash and cash equivalents		**(91.5)**	(123.6)	37.4
Cash and cash equivalents at beginning of period		**203.7**	166.3	166.3
Cash and cash equivalents at end of period	12	**112.2**	42.7	203.7

Notes to the condensed consolidated half year financial statements
for the half year ended 31 December 2017 (unaudited)

1 Basis of preparation

The Company is a public limited company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL. The Company has its primary listing on the London Stock Exchange. This condensed consolidated half year financial information was approved for issue on 14 February 2018.

This condensed consolidated half year financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 30 June 2017 were approved by the board of directors on 13 September 2017 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half year financial information has been reviewed, not audited. The auditors' review opinion is included in this report.

This condensed consolidated half year financial information for the half year ended 31 December 2017 has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated half year financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group's activities, together with the factors likely to affect the future development, performance and position of the business are set out in this half year report. The annual financial statements for the year ended 30 June 2017 included the Group's objectives, policies and processes for managing capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through its bank and other debt facilities. The Group's forecasts, taking into account the board's future expectations of the Group's performance, indicate that there is substantial headroom within the bank facilities and the Group will continue to operate within the covenants of those facilities.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half year financial information.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2017.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2017.

(i) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

As announced in the annual financial statements for the year ended 30 June 2017, 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 have been prepared without offsetting these balances with positive cash balances included within cash and cash equivalents (see note 12) and overdrawn balances included within financial liabilities – current borrowings. On a consistent basis with this presentation at 31 December 2017, we have increased both cash and cash equivalents and bank overdrafts by £942.2m at 30 June 2017. The Group has restated its 31 December 2016 financial statements with the cash and cash equivalent and bank overdrafts balances increasing by £1,084.3m.

3 Segmental reporting

Segmental reporting is presented in the condensed consolidated half year 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; Galliford Try Partnerships and Regeneration; Construction, including Building and Infrastructure; and PPP Investments.

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

Notes to the condensed consolidated half year financial statements
for the half year ended 31 December 2017 (unaudited)

3 Segmental reporting (continued)

Primary reporting format - business segments

Half year ended 31 December 2017

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Group revenue and share of joint ventures' revenue	**436.8**	**223.5**	**504.1**	**319.5**	**823.6**	**10.7**	**0.4**	**1,495.0**
Share of joint ventures' revenue	**(80.9)**	**(7.6)**	**-**	**-**	**-**	**(4.0)**	**-**	**(92.5)**
Group revenue	**355.9**	**215.9**	**504.1**	**319.5**	**823.6**	**6.7**	**0.4**	**1,402.5**
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	**66.1**	**10.2**	**3.0**	**4.2**	**7.2**	**2.0**	**(6.3)**	**79.2**
Share of joint ventures' profit	**14.8**	**0.6**	**-**	**-**	**-**	**0.1**	**-**	**15.5**
Pre-exceptional profit/(loss) from operations *	**80.9**	**10.8**	**3.0**	**4.2**	**7.2**	**2.1**	**(6.3)**	**94.7**
Exceptional items (see note 4)	**-**	**-**	**-**	**(25.0)**	**(25.0)**	**-**	**-**	**(25.0)**
Share of joint ventures' interest and tax	**(7.0)**	**(0.2)**	**-**	**-**	**-**	**(0.1)**	**-**	**(7.3)**
Profit/(loss) before finance costs, amortisation and taxation	**73.9**	**10.6**	**3.0**	**(20.8)**	**(17.8)**	**2.0**	**(6.3)**	**62.4**
Finance income	**4.2**	**0.6**	**-**	**-**	**-**	**-**	**-**	**4.8**
Finance costs	**(20.6)**	**(2.7)**	**-**	**(1.6)**	**(1.6)**	**(0.5)**	**16.2**	**(9.2)**
Profit/(loss) before amortisation and taxation	**57.5**	**8.5**	**3.0**	**(22.4)**	**(19.4)**	**1.5**	**9.9**	**58.0**
Amortisation of intangibles	**-**	**(0.7)**	**(0.5)**	**-**	**(0.5)**	**-**	**(0.5)**	**(1.7)**
Profit before taxation	**57.5**	**7.8**	**2.5**	**(22.4)**	**(19.9)**	**1.5**	**9.4**	**56.3**
Income tax expense								**(9.8)**
Profit for the period								**46.5**

Half year ended 31 December 2016

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Group revenue and share of joint ventures' revenue	407.6	144.3	492.2	249.8	742.0	12.8	0.9	1,307.6
Share of joint ventures' revenue	(53.0)	(9.4)	(0.5)	-	(0.5)	(9.4)	-	(72.3)
Group revenue	354.6	134.9	491.7	249.8	741.5	3.4	0.9	1,235.3
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	66.1	3.6	1.4	1.2	2.6	(0.2)	(7.0)	65.1
Share of joint ventures' profit	8.2	1.3	0.1	-	0.1	-	-	9.6
Profit/(loss) from operations *	74.3	4.9	1.5	1.2	2.7	(0.2)	(7.0)	74.7
Share of joint ventures' interest and tax	(3.2)	(0.4)	-	-	-	(0.1)	-	(3.7)
Profit/(loss) before finance costs, amortisation and taxation	71.1	4.5	1.5	1.2	2.7	(0.3)	(7.0)	71.0
Finance income	1.2	0.3	-	0.2	0.2	-	0.1	1.8
Finance costs	(22.4)	(1.2)	(0.2)	(0.1)	(0.3)	(0.4)	16.0	(8.3)
Profit/(loss) before amortisation and taxation	49.9	3.6	1.3	1.3	2.6	(0.7)	9.1	64.5
Amortisation of intangibles	(0.5)	-	(0.5)	-	(0.5)	-	(0.5)	(1.5)
Profit before taxation	49.4	3.6	0.8	1.3	2.1	(0.7)	8.6	63.0
Income tax expense								(12.0)
Profit for the period								51.0

Notes to the condensed consolidated half year financial statements
for the half year ended 31 December 2017 (unaudited)

3 Segmental reporting (continued)

Year ended 30 June 2017 (audited)

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
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 (note 4)	-	-	-	(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 (note 4)	-	-	-	(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 before taxation	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 half year to 31 December 2017 this amounted to £38.6m (31 December 2016: £46.9m; 30 June 2017: £84.7m) of which £9.6m (31 December 2016: £18.4m; 30 June 2017: £28.0m) was in Building, £17.9m (31 December 2016: £16.9m; 30 June 2017: £33.3m) was in Infrastructure, and £11.1m (31 December 2016: £11.6m; 30 June 2017: £1.3m) was in central costs.

Half year ended 31 December 2017

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and intangible assets	**52.5**	**35.1**	**46.1**	**37.2**	**83.3**	**-**	**6.5**	**177.4**
Working capital employed	**660.2**	**70.0**	**(98.7)**	**32.5**	**(66.2)**	**23.7**	**(213.2)**	**474.5**
Net (debt)/cash	**(560.6)**	**(57.2)**	**110.2**	**(65.7)**	**44.5**	**(13.7)**	**502.1**	**(84.9)**
Net assets	**152.1**	**47.9**	**57.6**	**4.0**	**61.6**	**10.0**	**295.4**	**567.0**
Total Group liabilities								**(2,741.9)**
Total Group assets								**3,308.9**

Notes to the condensed consolidated half year financial statements
for the half year ended 31 December 2017 (unaudited)

3 Segmental Reporting (continued)

Half year ended 31 December 2016 (Restated – note 2)	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and intangible assets	52.9	5.9	47.2	37.2	84.4	-	7.4	150.6
Working capital employed	681.9	55.8	(92.7)	(10.4)	(103.1)	21.6	(94.9)	561.3
Net (debt)/cash	(620.4)	(26.9)	102.3	8.5	110.8	(14.5)	437.2	(113.8)
Net assets	114.4	34.8	56.8	35.3	92.1	7.1	349.7	598.1
Total Group liabilities								(2,470.4)
Total Group assets								3,068.5

Year ended 30 June 2017 (audited)	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and 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 cash/(debt)	(500.8)	(39.3)	131.9	5.5	137.4	(11.8)	421.7	7.2
Net assets	171.6	41.1	55.6	22.1	77.7	8.8	276.0	575.5
Total Group liabilities								(2,468.5)
Total Group assets								3,044.0

4 Exceptional items

Group	**Half year to 31 December 2017 £m**	Half year to 31 December 2016 £m	Year to 30 June 2017 (audited) £m
Group revenue – charge on legacy contracts	**-**	-	(42.4)
Cost of sales – charge on legacy contracts	**25.0**	-	(45.5)
Administrative expenses – abortive merger costs	**-**	-	(1.0)
Loss from operations	**25.0**	-	(88.9)

In light of the compulsory liquidation of Carillion and the impact on our funding obligations in respect of the AWPR joint venture, we have reassessed the out-turn position on the contract. The withdrawal of Carillion increases our participation in both costs and estimated recovery claims, and we have increased our provision accordingly, which we have shown as an exceptional item.

	Half year to 31 December 2017 £m
Profit before income tax	**56.3**
Charge on legacy contracts	**25.0**
Pre-exceptional profit before income tax	**81.3**

In May 2017, the Group released an update in respect of Group trading and legacy contracts in Construction. This indicated that following a thorough reappraisal of the costs to complete and recoveries from these contracts, it was established that there was an increased anticipated liability to conclude these contracts and consequently, a one-off charge of £98.3m had been incurred, of which approximately 80% was related to two major infrastructure joint venture projects (contracted in 2014 and earlier). One of these projects is largely practically complete, while the other, which represents the larger proportion of the estimated charge, is scheduled to complete in mid-2018. A charge of £87.9m in respect of these two projects was classified as an exceptional item, comprising all costs and provisions for those projects in the year.

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 this period, £1.0m of professional fees were incurred in respect of the proposal and these have been treated as an exceptional item.

Notes to the condensed consolidated half year financial statements
for the half year ended 31 December 2017 (unaudited)

5 Net finance costs

Group	**Half year to 31 December 2017 £m**	Half year to 31 December 2016 £m	Year to 30 June 2017 (audited) £m
Interest receivable on bank deposits	**-**	-	0.2
Interest receivable from joint ventures	**4.7**	1.7	4.9
Other	**0.1**	0.1	0.2
Finance income	**4.8**	1.8	5.3
Interest payable on borrowings	**(8.9)**	(7.8)	(16.4)
Unwind of discounted payables	**(0.3)**	(0.5)	(0.7)
Other	**-**	-	(0.1)
Finance costs	**(9.2)**	(8.3)	(17.2)
Net finance costs	**(4.4)**	(6.5)	(11.9)

6 Income tax expenses

The taxation expense on pre-exceptional profit for the period of 17.9% (31 December 2016: 19.0%) reflects the estimated effective tax rate for the full financial year to 30 June 2018.

7 Earnings per share

Basic and diluted earnings per share
Basic earnings per share 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 Employee Share Trust, which are treated as cancelled.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the period. The dilutive effects 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.

	Half year to 31 December 2017			Half year to 31 December 2016			Year to 30 June 2017 (audited)		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	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 Pre-exceptional earnings attributable to ordinary shareholders	**66.7**	**82,538,548**	**80.8**	51.0	82,416,735	61.9	120.2	82,464,513	145.8
Basic EPS Earnings attributable to ordinary shareholders post exceptional items	**46.5**	**82,538,548**	**56.3**	51.0	82,416,735	61.9	48.7	82,464,513	59.1
Effect of dilutive securities:									
Options		**528,264**			787,900			430,141	
Diluted EPS – pre-exceptional	**66.7**	**83,066,812**	**80.3**	51.0	83,204,635	61.3	120.2	82,894,654	145.0
Diluted EPS	**46.5**	**83,066,812**	**56.0**	51.0	83,204,635	61.3	48.7	82,894,654	58.7

8 Dividends

The following dividends were paid and recognised by the Company in each accounting period presented:

	Half year to 31 December 2017		Half year to 31 December 2016		Year to 30 June 2017 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Previous year net final	**52.6**	**64.0**	46.4	56.0	46.4	56.0
Current period interim	**-**	**-**	-	-	26.4	32.0
Dividend recognised in the year	**52.6**	**64.0**	46.4	56.0	72.8	88.0

The net dividends paid in the period consists of the previous years' final dividends of £53.1m less previous years' dividends refunded by the Employee Share Trust of £0.5m.

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

	Half year to 31 December 2017		Half year to 31 December 2016		Year to 30 June 2017 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Interim	**23.2**	**28.0**	26.4	32.0	26.4	32.0
Final	**-**	**-**	-	-	53.0	64.0
Dividend relating to the year	**23.2**	**28.0**	26.4	32.0	79.4	96.0

The interim dividend for 2018 of 28.0p per share was approved by the board on 14 February 2018 and has not been included as a liability as at 31 December 2017. This interim dividend will be paid on 6 April 2018 to shareholders who are on the register at the close of business on 16 March 2018.

9 Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

The goodwill is attributable to the following business segments:

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Linden Homes	**52.5**	52.5	52.5
Partnerships & Regeneration	**30.6**	5.8	30.6
Building	**40.0**	40.0	40.0
Infrastructure	**37.2**	37.2	37.2
	160.3	135.5	160.3

As stated in the annual financial statements for the year ended 30 June 2017, detailed impairment reviews were carried out for all business segments. Consideration has been given as to whether any events have occurred since the year ended 30 June 2017 which would give rise to an impairment and none have been identified.

10 Developments

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Land	**510.6**	553.6	456.6
Work in progress	**287.2**	293.7	266.0
	797.8	847.3	722.6

11 Trade and other receivables

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Amounts falling due within one year:			
Trade receivables	**159.4**	165.3	214.1
Less: Provision for impairment of receivables	**(0.2)**	(0.9)	(0.3)
Trade receivables - net	**159.2**	164.4	213.8
Amounts recoverable on construction contracts	**304.1**	302.0	274.0
Amounts due from joint venture undertakings	**138.9**	163.0	141.7
Other receivables	**11.3**	42.5	27.5
Prepayments and accrued income	**148.5**	124.3	152.5
	762.0	796.2	809.5
Amounts falling due after more than one year:			
Amounts due from joint venture undertakings	**120.0**	73.3	106.9
Other receivables	**19.9**	0.4	4.8
	139.9	73.7	111.7

12 Cash and cash equivalents

	31 December 2017	31 December 2016 (Restated – note 2)	30 June 2017 (audited)
	£m	£m	£m
Cash and cash equivalents excluding bank overdrafts	**1,350.7**	1,127.0	1,145.9
Current borrowings – bank overdrafts	**(1,238.5)**	(1,084.3)	(942.2)
Cash and cash equivalents per the statements of cash flows	**112.2**	42.7	203.7
Current borrowings – obligations under finance leases and hire purchase contracts	**(0.3)**	(0.2)	(0.3)
Non-current borrowings	**(196.8)**	(156.3)	(196.2)
Net (debt)/cash	**(84.9)**	(113.8)	7.2

The restatement in 2016 is explained in note 2.

In February 2014 the Group agreed a five-year £400m unsecured revolving credit facility with HSBC Bank plc, Barclays Bank plc, The Royal Bank of Scotland plc and Abbey National Treasury Services plc (Santander). In February 2015, the Group agreed a one-year extension on the facility, to 2020. In March 2016 the Group agreed an increase in the facility to £450m and 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 issued £100m ten year unsecured notes purchased at a fixed rate of interest of 4.03% to investors advised by Pricoa Capital Group, expiring in February 2027. The agreement provides long-term finance at a fixed rate of interest and is subject to the same covenants as the revolving credit facility above.

13 Trade and other payables

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Payments received on account on construction contracts	**111.8**	85.2	109.4
Trade payables	**367.7**	343.5	375.0
Development land payables	**89.0**	137.8	98.2
Amounts due to joint venture undertakings	**13.1**	24.0	31.8
Other taxation and social security payable	**15.1**	20.3	18.3
Other payables	**19.0**	19.8	11.4
Accruals and deferred income	**527.1**	465.0	576.0
	1,142.8	1,095.6	1,220.1

14 Other non-current liabilities

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Development land payables	**99.8**	55.5	46.3
Other payables	**-**	0.5	0.1
Accruals and deferred income	**47.0**	45.8	50.5
	146.8	101.8	96.9

15 Retirement benefit obligations

The amounts recognised in the balance sheet are as follows:

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Fair value of plan assets	**248.0**	246.0	242.9
Present value of defined benefit obligations	**(250.7)**	(256.6)	(246.1)
(Deficit)/surplus in scheme recognised as non-current (liability)/asset	**(2.7)**	(10.6)	(3.2)

The principal actuarial assumptions used to calculate the liabilities as at 31 December 2017 have been set in a consistent manner to those adopted at 30 June 2017. These assumptions will change as market conditions change over time.

An actuarial loss of £3.3m (31 December 2016: £9.7m; 30 June 2017: £5.0m) has been taken to the condensed consolidated statement of comprehensive income.

16 Financial instruments

The Group's activities expose it to a variety of financial risks. The condensed consolidated half year financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements for the year ended 30 June 2017.

There have been no significant changes in the risk management policies since the year end.

Financial liabilities - derivative financial liabilities

The fair value of interest rate swaps is detailed below:

	31 December 2017	31 December 2016	30 June 2017 (audited)
	£m	£m	£m
Non-current liabilities	**1.4**	3.0	2.0

16 Financial instruments (continued)

Fair value estimation

Specific valuation techniques used to value financial instruments are defined as:

i. Level 1 - Quoted market prices or dealer quotes in active markets for similar instruments.
ii. Level 2 - The fair value of equity securities and interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
iii. Level 3 - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value:

	31 December 2017			31 December 2016			30 June 2017 (audited)		
	Level 2 £m	**Level 3 £m**	**Total £m**	Level 2 £m	Level 3 £m	Total £m	Level 2 £m	Level 3 £m	Total £m
Assets									
Other investments									
- Shared equity receivables	**-**	**0.6**	**0.6**	-	0.7	0.7	-	0.7	0.7
Total	**-**	**0.6**	**0.6**	-	0.7	0.7	-	0.7	0.7
Liabilities									
Derivatives used for hedging	**(1.4)**	**-**	**(1.4)**	(3.0)	-	(3.0)	(2.0)	-	(2.0)
Total	**(1.4)**	**-**	**(1.4)**	(3.0)	-	(3.0)	(2.0)	-	(2.0)

The director's valuation of our PPP portfolio at 30 June 2017 was £31.3m. This valuation is performed on an annual basis.

There were no transfers between levels during the period. The valuation techniques used to derive Level 2 fair values are consistent with those set out in the 30 June 2017 financial statements. Level 3 fair values are determined using valuation techniques that include inputs not based on observable market data.

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2017 (£m)	31 December 2016 (£m)	30 June 2017 (audited) (£m)
Opening balance	**0.7**	0.7	0.7
Unwind of discount on shared equity receivables	**-**	-	-
Impairment	**-**	-	-
Disposals	**(0.1)**	-	-
Closing balance	**0.6**	0.7	0.7

The valuation process for Level 3 is consistent with that disclosed in the 30 June 2017 audited report.

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. 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 statement, is £Nil (31 December 2016: £Nil; 30 June 2017: £Nil) in cost of sales and £Nil (31 December 2016: £Nil; 30 June 2017: £Nil) in finance income.

17 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 £361.8m (31 December 2016: £353.6m; 30 June 2017 £353.3m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the financial statements when they believe a liability exists. While the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

18 Related party transactions

Transactions between the Group and its joint ventures and jointly controlled operations are disclosed as follows:

Group

	Sales to related parties			Purchases from related parties			Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2017 £m	31 Dec 2016 £m	30 Jun 2017 (audited) £m	**31 Dec 2017 £m**	31 Dec 2016 £m	30 Jun 2017 (audited) £m	**31 Dec 2017 £m**	31 Dec 2016 £m	30 Jun 2017 (audited) £m	**31 Dec 2017 £m**	31 Dec 2016 £m	30 Jun 2017 (audited) £m
Trading transactions												
Joint ventures	**5.4**	21.7	61.7	**-**	0.1	0.4	**24.1**	21.2	33.4	**13.1**	12.3	11.7
Jointly controlled operations	**20.9**	21.1	50.6	**-**	0.1	0.1	**7.9**	3.9	7.7	**19.2**	11.7	20.1

	Interest and dividend income from related parties			Loans to related parties		
	31 Dec 2017 £m	31 Dec 2016 £m	30 Jun 2017 (audited) £m	**31 Dec 2017 £m**	31 Dec 2016 £m	30 Jun 2017 (audited) £m
Non-trading transactions						
Joint ventures	**6.8**	8.8	12.3	**234.8**	207.7	215.2

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which may have a material impact on the Group's performance in the second half of the financial year remain the same as those outlined on pages 20 and 21 of the Group's annual report and financial statements for the year ended 30 June 2017. These can be summarised as health, safety, environmental and community; people; supply chain; macro environment; markets; and corporate.

Forward looking statements

Certain statements in this half year report are forward looking. Such statements should be treated with caution as they are based on current information and expectations and are subject to a number of risks and uncertainties that could cause actual events of outcomes to differ materially from expectations.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

The directors confirm that these condensed consolidated half year financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and that the interim management report herein gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4 and includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Galliford Try plc are:

Peter Ventress	Non-Executive Chairman
Peter Truscott	Chief Executive
Graham Prothero	Finance Director
Terry Miller	Senior Independent Director
Gavin Slark	Non executive director
Jeremy Townsend	Non executive director

Signed on behalf of the Board

Peter Truscott
Chief Executive

Graham Prothero
Finance Director

14 February 2018

Independent review report to Galliford Try plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed Galliford Try plc's condensed consolidated half year financial statements (the "interim financial statements") in the half year report of Galliford Try plc for the 6 month period ended 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 December 2017;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

14 February 2018

a) The maintenance and integrity of the Galliford Try plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.