12 MARCH 2020

GALLIFORD TRY HOLDINGS PLC

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019[1]

Well-capitalised and strongly positioned for the future

- Successful strategic disposal of Linden Homes and Partnerships divisions, completed 3 January 2020, with strategy in place to deliver long-term value.
- Well-capitalised balance sheet, with pro forma net cash[2] at 31 December 2019 of £225m and anticipated average month end cash over £100m.
- Aberdeen Western Peripheral Route (AWPR) final account settled.
- High quality and focused order book of £3.2bn (H1 2019: £3.2bn).
- Interim dividend of 1.0p declared.

	PRE-EXCEPTIONAL – CONTINUING[3, 5]		**STATUTORY**	
	H1 2020	H1 2019	**H1 2020**	H1 2019
Revenue	**£636m**	£728m	**£668m**	£728m
(Loss)/profit from operations[4]	**£(6.7)m**	£2.9m	**£15.5m**	£(24.0)m
(Loss)/profit before tax	**£(5.6)m**	£2.2m	**£16.6m**	£(24.7)m
(Loss)/profit after tax	**£(4.6)m**	£2.0m	**£60.5m**	£43.6m
EPS	**(4.1)p**	1.7p	**54.6p**	39.4p
DPS	**1.0p**	n/a	**1.0p**	n/a
Order book	**£3.2bn**	£3.2bn	**£3.2bn**	£3.2bn

Bill Hocking, Chief Executive, commented:

"This has been a period of significant change with the successful strategic disposal of the Group's housebuilding divisions transforming Galliford Try into a well-capitalised, UK construction-focused business.

The restructured Group is performing well with a number of recent significant project wins, and I'm pleased to report the results for the first half of the year.

Galliford Try has continued to maintain a strong pipeline of work in its chosen sectors, with excellent positions on several key frameworks in the public and regulated sectors. We are encouraged by the demand in our sectors and look to further enhance this position through the continued disciplined approach to project selection and rigorous risk management.

The Group's focus remains on safe and efficient project delivery and disciplined bottom line growth. We have a strong executive board and management team who are focused on a values-driven, people-orientated, progressive company, working together to deliver for our clients and stakeholders. I am confident that our clear strategy will deliver sustainable results."

Enquiries to:

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

Analyst presentation:
Galliford Try will hold its half year results presentation at 09:30am on Thursday 12 March at Tulchan Communications Group, 85 Fleet St, London EC4Y 1AE, UK. A live audio webcast will be available at https://webcast.openbriefing.com/galliford-hy2020/ with a recording available on the website later today.

Galliford Try's next Trading Update is scheduled for 15 July 2020.

1. *These results are in respect of Galliford Try Limited (formerly Galliford Try plc) for the period ended 31 December 2019.*
2. *Pro forma cash balance of £225m is stated after adjusting for the disposal of the housebuilding divisions, Linden Homes and Partnerships & Regeneration, from Galliford Try plc which completed on 3 January 2020; with average month end cash balances for the second half of the financial year expected to be in excess of £100m.*
3. *The condensed set of financial statements in this half year report includes the financial performance of the Linden Homes and Partnerships & Regeneration divisions presented as discontinued operations for the six months ended 31 December 2019, prior to their disposal on 3 January 2020. The "continuing basis" shown above excludes these businesses unless stated otherwise.*
4. *Loss/profit from operations stated before finance income and costs, amortisation of intangible assets and joint ventures' interest and tax. All future references to loss/profit from operations data or ratios are consistent within this definition.*
5. *Net exceptional items in H1 2020 were £22.2m (pre-tax). H1 2019 were £(30.4)m, of which £(26.9)m related to the continuing Group and £(3.5)m to discontinued operations.*

UPDATE ON STRATEGY

The strategic disposal of the housebuilding divisions, alongside the well-timed operational review of the construction business, completed in early 2019, has transformed Galliford Try into a well-capitalised UK construction-focused company. The strategy we have in place will deliver long-term sustainable value for all of our stakeholders. Our strategy is based on the following objectives:

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

The Group operates nationwide, primarily under the Galliford Try and Morrison Construction brands, delivering projects through a network of regionally-focused offices. The Group is organised into three businesses: Building, Infrastructure and PPP Investments and more detail on these businesses can be found later in this statement. Our operations also include facilities management, specialist piling and interior drylining businesses. All of our businesses benefit from developed risk management processes and established client and stakeholder relationships.

Our 2019 strategic review simplified the business and management structure to enable the Group to focus on sectors with the appropriate profit, cash and growth potential in the Group's core strengths in Building, Infrastructure and Investments. The strategy is aligned to margin improvement rather than top-line growth, with the opportunity to increase our investment and co-development activities in support of the core business. This will enable the Group to deliver disciplined performance in the key areas we have selected, where we have expertise, geographical presence and anticipate ongoing strong demand, while continuing to develop a diverse workforce and further enhance our systems. Operating sustainably and safely is fundamental to the Group's strategy and further details of our commitment are set out below.

The revenue target of c£1.3bn set out in 2019 remains in place. The business had previously indicated a divisional 2% margin target by 2021. The Group's strategy now targets a minimum divisional 2% margin across Building and Infrastructure by 2022, with the objective of achieving a Group-wide 2% margin, in the medium term, after allowing for PPP and Central Costs.

The Group has a strong order book and future pipeline and is driven by an experienced management team with a strong strategic plan in place for value creation. The team has a clear path to delivering on its financial targets, which are supported by the improved risk management processes and systems embedded in the business.

OUTLOOK

The Group continues to maintain a high-quality order book of £3.2bn (H1 2019: £3.2bn) spread across 12% in the regulated sector, 71% in the public sector and 17% in the private sector. In the current financial year, 96% of projected revenue is secured and 72% secured for the next financial year (H1 2019: 96% and 66% respectively).

The Group is mindful of the potential risks around COVID-19 and is taking appropriate preparatory steps to mitigate harm and/or disruption.

The Group is confident that it is in a strong position to capitalise on the current market opportunities and is operating in sectors with a solid pipeline supported by strong demand.

INTERIM DIVIDEND

The directors have reviewed the Group's results and outlook for the current financial year and have declared an interim dividend of 1.0p per share which will be paid on 17 April 2020 to shareholders on the register at close of business on 20 March 2020.

RISKS

Following the disposal of the housebuilding divisions, the Group has reconsidered its principal risks and uncertainties. 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 primarily the same as those outlined on pages 28 to 31 of the Group's annual report and financial statements for the year ended 30 June 2019, other than risks related to growth in the Partnerships & Regeneration business and exposure to the residential housing market are no longer relevant.

FINANCIAL REVIEW – CONTINUING GROUP

The continuing Group is well-capitalised to support its future plans, and benefits from a significant cash balance on both an average and period end basis.

The Group's pre-exceptional revenue for the half year to 31 December 2019 was £636.2m (H1 2019: £728.0), reduced in line with expectations set during the 2019 strategic review.

The Group's loss from operations (stated before exceptional items, finance costs, amortisation, tax and share of joint ventures' interest and tax), was £6.7m (H1 2019: £2.9m profit). This includes a £1.0m profit from Building and Infrastructure, which were adversely impacted by some project delays, contract settlements and legal costs. There was a £7.7m net loss in Central Costs and PPP Investments.

Net interest income of £2.1m was greater than the comparable income of £0.5m due to greater interest receivable from joint ventures and PPP sub-debt.

Pre-exceptional loss before tax was £5.6m (H1 2019: £2.2m profit), with pre-exceptional loss per share for the period of 4.1p (H1 2019: earnings per share 1.7p).

Following the successful settlement of the AWPR final account, as previously announced, the Group has received a cash payment of £32m in 2020. The settlement brings to a conclusion a complex and challenging project and avoids a lengthy, distracting, uncertain and expensive litigation process.

The Group previously announced a total £61m write-down on the settlement of AWPR, together with an adverse adjudication award of £9m on an unrelated historical project. After discussion with the Corporate Reporting Review Team (CRRT) of the Financial Reporting Council, the Group has treated the write-down of the previously recorded AWPR recoverable asset as an opening balance sheet adjustment at 30 June 2018 on the basis that the value to be recovered could not previously be measured reliably and therefore the asset should not have been recognised; this results in the settlement payment being recognised as exceptional income in the period to 31 December 2019. The other adverse adjudication award of £9m has also been treated as an opening balance sheet adjustment at 30 June 2018 as the Group considers that the loss should have been previously accrued under IAS 11. As well as the AWPR settlement, net of final costs, exceptional items also include transaction costs on the demerger incurred prior to 31 December 2019 of £5.8m. Further details are set out in notes 2 and 5 to the financial information.

The pre-exceptional taxation credit of £1.0m reflects an estimated effective tax rate of 19.1% (H1 2019: 17.9%) for the period. We anticipate a similar effective tax rate for the foreseeable future.

Adjusting for the receipt of consideration on the disposal of the Linden Homes and Partnerships & Regeneration divisions the Group's pro forma cash balance was £225m at 31 December 2019. Since 3 January 2020 the Group has been operating with daily net cash, no debt facilities and no defined benefit pension liabilities with average month end cash balances for the second half of the financial year expected to be in excess of £100m.

The Group's bank facilities of £450m were repaid and cancelled on 3 January 2020 following the completion of the disposal of the Group's housebuilding divisions and the Group's £100m private placement debt was transferred to Vistry Group plc on 3 January 2020. The Group's defined benefit pension obligations were transferred to Vistry Group plc on 3 January 2020.

The adoption of IFRS16 'Leases' has reduced retained earnings by £1.0m at 1 July 2019. In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated its comparative information. Further details are set out in notes 2 and 25 to the financial information.

The Group is well capitalised to support its future plans, and benefits from a net cash profile with no balance sheet debt.

OPERATIONAL REVIEW - CONTINUING GROUP

BUILDING

	H1 2020	H1 2019	Change
Revenue (£m)	**423.5**	431.5	(2)%
Profit from operations (£m)	**2.4**	4.8	(50)%
Profit from operations margin (%)	**0.6**	1.1	(0.5)bps
Order book (£bn)	**2.1**	2.4	(12)%

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

During the first six months of the year, Building won contracts and positions on frameworks worth £450m. This included the Crown Commercial Services Construction Works and Associated Services major framework, plus a further framework with the University of Glasgow. Contracts were also secured for Castlebrae High School in Scotland and the mixed use 1-4 Marble Arch development in central London.

Building generated revenue of £423.5m (H1 2019: £431.5m), which equates to 67% of the Group's pre-exceptional revenue. Profit from operations was £2.4m (H1 2019: £4.8m), resulting in a 0.6% margin (H1 2019: 1.1%). The margin reduction reflects the settlement of final accounts on legacy contracts, with current projects delivering an encouraging performance.

Building currently has an order book of £2.1bn, with 24% in Education, 19% in Defence and Custodial, 19% in Facilities Management and 14% in Health, being the four largest sectors.

INFRASTRUCTURE

	H1 2020	H1 2019	Change
Revenue* (£m)	**208.7**	286.9	(27)%
(Loss)/profit from operations* (£m)	**(1.4)**	1.5	n/a
(Loss)/profit from operations margin* (%)	**(0.7)**	0.5	(1.2)bps
Order book (£bn)	**1.1**	0.8	+38%

* pre-exceptional.

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

During the first six months of the year, Infrastructure won contracts and positions on frameworks worth £540m, this included the Highways business appointment to the new YORcivil major works framework and contracts for upgrading the A47 and the A303, while the Environment business won positions on the AMP7 frameworks for both Southern Water and Yorkshire Water.

Infrastructure pre-exceptional revenue for the first half of 2020 was £208.7m (H1 2019: £286.9m), which equates to 33% of the Group's revenue. Loss from operations was £1.4m (H1 2019: £1.5m profit), resulting in a (0.7)% margin (H1 2019: 0.5%). The reduction in margin includes the effect of legal costs and final account settlements.

Infrastructure currently has an order book of £1.1bn with £657m being Highways and £409m being Environment.

Our Infrastructure business is built on long-term relationships with customers with whom we have a strong track record, focusing on lower risk public and regulated sector work and early contractual involvement bids.

PPP INVESTMENTS

	H1 2020	H1 2019	Change
Revenue (£m)	**3.8**	**9.3**	(59)%
Operating (loss)/profit (£m)	**(0.9)**	**2.6**	n/a

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. This activity supports our Building and Infrastructure businesses, and the Group is reviewing opportunities to increase its co-development and investment activities, particularly in PRS, student accommodation and modular construction.

For the first half of 2020, revenue was £3.8m, including share of joint ventures, on which the loss from operations was £0.9m (H1 2019: £9.3m and £2.6m profit respectively). The profit in H1 2019 included the benefit of £3.7m profit on disposal.

At 31 December 2019 the Group held a PPP portfolio of £38.7m on its balance sheet.

DISPOSAL OF HOUSEBUILDING DIVISIONS

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

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

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

LINDEN HOMES

	H1 2020	H1 2019	Change
Adjusted Revenue* (£m)	**333.8**	392.1	(15)%
Profit from operations (£m)	**49.2**	76.8	(36)%

Profit from operations was £49.2m (H1 2019: £76.8m) with an operating profit margin of 14.7% (H1 2019: 19.6%). Adjusted revenue* of £333.8m (H1 2019: £392.1m) was generated from 1,293 (H1 2019: 1,505) completions. The average number of outlets during the period was 82 (H1 2019: 80).

PARTNERSHIPS & REGENERATION

	H1 2020	H1 2019	Change
Adjusted Revenue* (£m)	**370.0**	284.9	+30%
Profit from operations (£m)	**18.0**	14.5	+24%

Partnerships & Regeneration's adjusted revenue* during the six months to 31 December 2019 was £370.0m (H1 2019: £284.9m), with an operating margin of 4.9% (H1 2019: 5.1%).

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

** Adjusted revenue, including share of JV revenue and excluding part-exchange revenue.*

HEATH AND SAFETY

Health and safety is the Group's number one priority and we are committed to effectively managing all aspects of health, safety and wellbeing. Our overall approach to safety is based on a concept of care and delivered through our award-winning Challenging Beliefs, Affecting Behaviour programme. The objective of this programme is to create and maintain an environment where care for our people and those who work with us is our top priority, as well as the belief that all accidents are preventable. During the period we launched an online app providing access to the principles of the programme, useful tools and resources plus access to training.

OPERATING SUSTAINABLY

Fundamental to the Group's strategy is our belief that for long-term value creation, we must balance our financial performance with our obligations to all our stakeholders. We assess and address sustainability impacts in relation to six fundamental areas: health and safety, environment and climate change, our people, communities, clients and supply chain. These cover the manufactured, intellectual, human, social and relationship, and natural capitals. Our approach is mandated in our Sustainability and Social Value Policy which is led by the Executive Board.

Our performance as a responsible business is reflected by our membership of the FTSE4Good Index, an investor index consisting only of companies that effectively manage their environmental, social and governance risks. We achieved a score of 3.2 out of 5 (2018: 3.5), which is firmly above the sector average of 2.4. We ranked particularly well across environmental, supply chain, labour standards, anti-corruption, climate change, health and safety, and corporate governance. This reflects the further work on embedding our Code of Conduct 'Doing the right thing', which outlines our responsibilities to stakeholders and the environment, in addition to training and awareness on key areas.

We know that environmental protection and climate change are among the greatest challenges we face, both as a society and as a business and we identify, manage and mitigate our environmental impacts from project to business level through our ISO 14001 certified management system. A key focus is to incorporate sustainable environmental considerations into our design standards and construction practices having regard to energy and water consumption, use of low environmental impact materials, designing out waste and reusing materials, wherever possible, as set out in our Environmental Policy Statement.

As a values-driven, people-orientated, progressive organisation, we recognise that our employees are our most important asset. We were once again named a ‘Top Graduate Employer’ and ‘Top Apprentice Employer’ in TheJobCrowd’s league table – a UK employer ranking system based on employee feedback. In addition, graduates and apprentices in our early careers population make up a significant 8.5% of workforce and are our future talent.

Our award-winning 'Be Well' initiative, our work as a partner of Mates in Mind – a charitable programme to improve and promote positive mental health in the workplace, and our agile working practices continue to contribute to making Galliford Try a great, inclusive place to work.

We remain Partners of the Considerate Constructors Scheme and in 2019 we received 19 awards for the positive impact we make on neighbourhoods, the public, staff and the environment.

We were proud to be honoured by CRASH, a charity that assists homelessness and hospice charities with construction-related projects, for 20 years of support to frontline homelessness agencies throughout the UK.

Our approach to our supply chain establishes and maintains long-term trading relationships with key suppliers and manufacturers and we were pleased to be re-admitted to the Government's Prompt Payment Code. We continue to use our Advantage through Alignment programme to work with selected suppliers to provide better visibility of our pipeline of work, greater insight into our operations, access to our training and ongoing dialogue for a better understanding of supply chain requirements and key drivers.

AUDITOR

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

BOARD

On 3 January 2020, as previously announced, Graham Prothero resigned from the Board and Bill Hocking was appointed Chief Executive.

Condensed consolidated income statement
for the half year ended 31 December 2019 (unaudited)

	Notes	**Half year to 31 December 2019 Pre–exceptional items**	**Half year to 31 December 2019 Exceptional items (note 5)**	**Half year to 31 December 2019 Total**	Half year to 31 December 2018 Pre–exceptional items	Half year to 31 December 2018 Exceptional items (note 5)	Half year to 31 December 2018 Total	Year to 30 June 2019 (audited) Pre–exceptional items	Year to 30 June 2019 (audited) Exceptional items (note 5)	Year to 30 June 2019 (audited) Total
		£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	3	**636.2**	**32.0**	**668.2**	728.0	–	728.0	1,402.9	(2.8)	1,400.1
Cost of sales[1]		**(608.9)**	**(4.0)**	**(612.9)**	(687.4)	(26.0)	(713.4)	(1,348.4)	(42.0)	(1,390.4)
Gross profit		**27.3**	**28.0**	**55.3**	40.6	(26.0)	14.6	54.5	(44.8)	9.7
Administrative expenses[1]		**(35.0)**	**(5.8)**	**(40.8)**	(39.0)	(0.9)	(39.9)	(74.1)	(2.5)	(76.6)
Share of post tax profits from joint ventures		**–**	**–**	**–**	0.1	–	0.1	0.4	–	0.4
(Loss)/profit before finance costs		**(7.7)**	**22.2**	**14.5**	1.7	(26.9)	(25.2)	(19.2)	(47.3)	(66.5)
Finance income	6	**2.6**	**–**	**2.6**	1.2	–	1.2	3.6	–	3.6
Finance costs[1]	6	**(0.5)**	**–**	**(0.5)**	(0.7)	–	(0.7)	(1.6)	–	(1.6)
(Loss)/profit before income tax		**(5.6)**	**22.2**	**16.6**	2.2	(26.9)	(24.7)	(17.2)	(47.3)	(64.5)
Income tax expense[1]	7	**1.0**	**(5.2)**	**(4.2)**	(0.2)	4.9	4.7	3.4	9.6	13.0
(Loss)/profit from continuing operations for the period		**(4.6)**	**17.0**	**12.4**	2.0	(22.0)	(20.0)	(13.8)	(37.7)	(51.5)
Profit/(loss) on discontinued operations, net of income tax for the period	8	**48.1**	**–**	**48.1**	67.1	(3.5)	63.6	141.9	(3.5)	138.4
Profit/(loss) for the period		**43.5**	**17.0**	**60.5**	69.1	(25.5)	43.6	128.1	(41.2)	86.9
Earnings per share										
Basic										
– Profit from continuing operations attributable to ordinary shareholders	9	**(4.1)**		**11.2**	1.7		(18.2)	(12.5)		(46.5)
– Profit attributable to ordinary shareholders	9	**39.3**		**54.6**	62.4		39.4	115.7		78.5
Diluted										
– Profit from continuing operations attributable to ordinary shareholders	9	**(4.1)**		**11.2**	1.7		(18.1)	(12.5)		(46.5)
– Profit attributable to ordinary shareholders	9	**39.3**		**54.6**	62.3		39.3	115.6		78.4

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).

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 2019 (unaudited)

	Notes	**Half year to 31 December 2019 £m**	Half year to 31 December 2018 £m	Year to 30 June 2019 (audited) £m
Profit for the period		**60.5**	43.6	86.9
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) recognised on retirement benefit obligations – discontinued operations	18	**2.0**	(5.2)	(2.4)
Deferred tax on items recognised in equity that will not be reclassified – discontinued operations		**(1.2)**	0.9	–
Current tax through equity – continuing operations		**–**	–	0.7
Total items that will not be reclassified to profit or loss		**0.8**	(4.3)	(1.7)
Items that may be reclassified subsequently to profit or loss				
Movement relating to cashflow hedging:				
– Movement arising during the financial year – discontinued operations		**0.6**	0.8	0.9
– Reclassification adjustments for amounts included in profit or loss – discontinued operations		**(0.3)**	(0.4)	(0.4)
Net movement in fair value of PPP and other investments – continuing operations		**(2.1)**	–	0.8
Deferred tax on items recognised in equity that may be reclassified – continuing operations		**(0.1)**	(0.1)	(0.1)
Total items that may be reclassified subsequently to profit or loss		**(1.9)**	0.3	1.2
Other comprehensive expense for the period net of tax		**(1.1)**	(4.0)	(0.5)
Total comprehensive income for the period		**59.4**	39.6	86.4

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

Condensed consolidated balance sheet
at 31 December 2019 (unaudited)

	Notes	**31 December 2019** £m	31 December 2018 (Restated – note 2) £m	30 June 2019 (Restated – note 2) (audited) £m
Assets				
Non–current assets				
Intangible assets		**8.3**	13.5	11.8
Goodwill	11	**77.2**	159.6	159.6
Property, plant and equipment		**10.6**	17.8	16.2
Right of use assets[1]		**23.0**	–	–
Investments in joint ventures		**0.3**	59.5	67.0
PPP and other investments	19	**38.7**	50.2	41.6
Trade and other receivables	13	**–**	248.9	238.4
Retirement benefit asset	18	**0.9**	1.7	7.0
Deferred income tax assets[1]		**–**	8.9	1.3
Total non–current assets		**159.0**	560.1	542.9
Current assets				
Developments	12	**–**	771.7	876.7
Trade and other receivables[1]	13	**358.0**	652.9	674.3
Current income tax assets		**13.5**	2.2	8.7
Cash and cash equivalents[2]	14	**273.2**	1,176.4	591.2
Total current assets		**644.7**	2,603.2	2,150.9
Assets classified as held for sale	15	**2,483.3**	–	–
Total assets		**3,287.0**	3,163.3	2,693.8
Liabilities				
Current liabilities				
Borrowings[2]	14	**(378.4)**	(1,018.8)	(547.8)
Trade and other payables[1]	16	**(582.5)**	(1,227.8)	(1,262.5)
Lease liability[1]		**(10.4)**	–	–
Provisions for other liabilities and charges		**(0.3)**	(0.3)	(0.4)
Total current liabilities		**(971.6)**	(2,246.9)	(1,810.7)
Net current (liabilities)/assets[3]		**(326.9)**	356.3	340.2
Non–current liabilities				
Financial liabilities				
- Borrowings[2]	14	**(120.0)**	(197.7)	(100.0)
- Derivatives financial liabilities	19	**(0.1)**	(0.5)	(0.4)
Deferred income tax liabilities		**(0.1)**	–	–
Other non–current liabilities	17	**–**	(59.9)	(103.0)
Lease liability[1]		**(12.4)**	–	–
Provisions		**(0.2)**	(0.6)	(0.4)
Total non–current liabilities		**(132.8)**	(258.7)	(203.8)
Liabilities directly associated with assets held for sale	15	**(1,483.7)**	–	–
Total liabilities		**(2,588.1)**	(2,505.6)	(2,014.5)
Net assets		**698.9**	657.7	679.3
Equity				
Ordinary shares		**55.5**	55.5	55.5
Share premium		**197.7**	197.6	197.7
Other reserves		**4.8**	4.8	4.8
Retained earnings		**440.9**	399.8	421.3
Total shareholders' equity		**698.9**	657.7	679.3

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).
[2] Net debt of £225.2m as at 31 December 2019 represents the total net debt of the Group at that date as reported under IFRS 5, as the Linden and Partnerships & Regeneration businesses were sold to Vistry plc (notes 1, 8, 15 & 22) on a cash-free debt-free basis. On completion of the disposal on 3 January 2020, the Company received £300m of cash, transferred the £100m debt private placement 10-year sterling notes to Vistry plc and received a further working capital cash adjustment.
[3] Excluding the impact of the assets classified as held for sale.

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 2019 (unaudited)

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
As at 31 December 2019						
At 30 June 2019 (as originally reported)		**55.5**	**197.7**	**4.8**	**493.7**	**751.7**
Restatement	2	**–**	**–**	**–**	**(72.4)**	**(72.4)**
At 30 June 2019		**55.5**	**197.7**	**4.8**	**421.3**	**679.3**
Adjustment as a result of transitioning to IFRS 16 on 1 July 2019[1]		**–**	**–**	**–**	**(1.0)**	**(1.0)**
Adjusted equity at 1 July 2019		**55.5**	**197.7**	**4.8**	**420.3**	**678.3**
Profit for the period		**–**	**–**	**–**	**60.5**	**60.5**
Other comprehensive expense		**–**	**–**	**–**	**(1.1)**	**(1.1)**
Total comprehensive income for the period		**–**	**–**	**–**	**59.4**	**59.4**
Transactions with owners:						
Dividends	10	**–**	**–**	**–**	**(38.9)**	**(38.9)**
Share–based payments		**–**	**–**	**–**	**0.1**	**0.1**
At 31 December 2019		**55.5**	**197.7**	**4.8**	**440.9**	**698.9**
As at 31 December 2018 (restated – note 2)						
At 30 June 2018 (as originally reported)		55.5	197.6	4.8	518.6	776.5
Restatement	2	–	–	–	(94.3)	(94.3)
At 30 June 2018 (restated)		55.5	197.6	4.8	424.3	682.2
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018 (restated)	2	–	–	–	(10.4)	(10.4)
Adjusted equity at 1 July 2018		55.5	197.6	4.8	413.9	671.8
Profit for the period		–	–	–	43.6	43.6
Other comprehensive expense		–	–	–	(4.0)	(4.0)
Total comprehensive income for the period		–	–	–	39.6	39.6
Transactions with owners:						
Dividends	10	–	–	–	(54.4)	(54.4)
Share–based payments		–	–	–	1.2	1.2
Purchase of own shares		–	–	–	(0.5)	(0.5)
At 31 December 2018		55.5	197.6	4.8	399.8	657.7

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).

Condensed consolidated statement of changes in equity (continued)
for the half year ended 31 December 2019 (unaudited)

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
As at 30 June 2019 (restated – note 2; audited)						
At 30 June 2018 (as originally reported)		55.5	197.6	4.8	518.6	776.5
Restatement	2	–	–	–	(94.3)	(94.3)
At 30 June 2018 (restated)		55.5	197.6	4.8	424.3	682.2
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018 (restated)	2	–	–	–	(10.4)	(10.4)
Adjusted equity at 1 July 2018		55.5	197.6	4.8	413.9	671.8
Profit for the period		–	–	–	86.9	86.9
Other comprehensive expense		–	–	–	(0.5)	(0.5)
Total comprehensive income for the year		–	–	–	86.4	86.4
Transactions with owners:						
Dividends	10	–	–	–	(79.9)	(79.9)
Share–based payments		–	–	–	0.9	0.9
Issue of shares		–	0.1	–	–	0.1
At 30 June 2019		55.5	197.7	4.8	421.3	679.3

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 2019 (unaudited)

	Notes	**Half Year to 31 December 2019 £m**	Half Year to 31 December 2018 (Restated – note 2) £m	Year to 30 June 2019 (audited) £m
Cash flows from operating activities				
Pre–exceptional profit for the period		**43.5**	69.1	128.1
Exceptional profit for the period		**17.0**	(25.5)	(41.2)
Profit for the period		**60.5**	43.6	86.9
Adjustments for:				
Profit for the period from discontinued operations		**(48.1)**	(63.6)	(138.4)
Income tax expense – continuing operations		**4.2**	(4.7)	(13.0)
Net finance income – continuing operations		**(2.1)**	(0.5)	(2.0)
Profit/(loss) before finance costs for continuing operations		**14.5**	(25.2)	(66.5)
Adjustments for continuing operations:				
Depreciation and amortisation		**2.6**	2.6	5.0
Profit on sale of property, plant and equipment		**–**	–	0.2
Profit on sale of PPP and other investments		**–**	–	(6.9)
Share–based payments		**0.2**	1.1	0.5
Share of post–tax profits from joint ventures		**–**	(0.1)	(0.4)
Movement on provisions		**(0.3)**	(0.2)	(0.3)
Other non–cash movements		**0.2**	0.2	0.1
Net cash generated from/(used in) operations before changes in working capital		**17.2**	(21.6)	(68.3)
(Increase)/decrease in trade and other receivables		**(15.4)**	(82.4)	31.7
(Decrease)/increase in trade and other payables		**(4.2)**	121.8	(92.6)
Net cash (used in)/generated from operations		**(2.4)**	17.8	(129.2)
Interest received		**4.0**	1.2	5.0
Interest paid		**–**	(0.7)	(2.1)
Income tax received		**4.2**	8.5	16.6
Net cash generated from/(used in) operating activities from continuing operations		**5.8**	26.8	(109.7)
Net cash (used in)/generated from operating activities from discontinued operations		**(66.1)**	(115.6)	50.1
Net cash used in operating activities		**(60.3)**	(88.8)	(59.6)
Cash flows from investing activities				
Dividends received from joint ventures		**–**	–	0.4
Movement in network capital balances due from JVs		**0.4**	–	0.1
Acquisition of PPP and other Investments		**–**	–	(22.7)
Proceeds from disposal of PPP and other investments		**–**	–	21.1
Acquisition of property, plant and equipment		**(0.7)**	(2.4)	(2.7)
Proceeds from sale of property, plant and equipment		**2.0**	–	0.5
Net cash generated from/(used in) investing activities from continuing operations		**1.7**	(2.4)	(3.3)
Net cash (used in)/generated from investing activities from discontinued operations		**(70.7)**	8.4	(11.0)
Net cash used in investing activities		**(69.0)**	6.0	(14.3)

Condensed consolidated statement of cash flows (continued)
for the half year ended 31 December 2019 (unaudited)

	Notes	**Half Year to 31 December 2019 £m**	Half Year to 31 December 2018 (Restated – note 2) £m	Year to 30 June 2019 (audited) £m
Net proceeds from issue of ordinary share capital		**–**	–	0.1
Purchase of own shares		**–**	(0.5)	–
Decrease/(increase) in borrowings		**120.0**	(0.1)	(0.1)
Net dividends paid to Company shareholders		**(38.9)**	(54.4)	(79.9)
Net cash generated from/(used in) financing activities from continuing operations		**81.1**	(55.0)	(79.9)
Net cash used in financing activities from discontinued operations		**–**	**–**	–
Net cash generated from/(used in) financing activities		**81.1**	**(55.0)**	(79.9)
Net decrease in cash and cash equivalents		**(48.2)**	**(137.8)**	(153.8)
Cash and cash equivalents at beginning of period		**141.6**	**295.4**	295.4
Cash and cash equivalents at end of period	14	**93.4**	**157.6**	141.6

1 Basis of preparation

Galliford Try Holdings plc 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 listing on the London Stock Exchange. Following the admission of the entire issued share capital of Galliford Try Holdings plc to the premium listing segment of the Official List of the FCA and its trading on the main market for listed securities of the London Stock Exchange at 8.00am on 3 January 2020, with a corresponding cancellation of all shares of Galliford Try Limited (formerly known as Galliford Try plc (note 22)), this condensed consolidated half year financial information for Galliford Try Limited was approved for issue on 12 March 2020, by the directors of Galliford Try Limited and its parent, Galliford Try Holdings plc.

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 2019 and 30 June 2018 were approved by the board of directors on 16 September 2019 and 12 September 2018 respectively 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 2019 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 2019, which have been prepared in accordance with IFRSs as adopted by the European Union. Due to the disposal of the Group's housebuilding operations to Vistry plc on 3 January 2020 (notes 8 & 22), the Linden Homes and Partnerships & Regeneration segments (which comprise the housebuilding operations) and certain other assets and liabilities which were transferred to Vistry plc as part of this transaction (including the £100m Private Placement notes and two of the Group's defined benefit pension schemes) have been treated as discontinued operations in accordance with IFRS 5: Non–Current Assets Held for Sale and Discontinued Operations and classified as assets and liabilities held for sale from the date on which the criteria under IFRS 5 was met (2 December 2019); these are detailed in note 15. Accordingly, prior periods in the income statement and the statement of cash flows have been restated to show separately those balances in respect of discontinued operations; these are also disclosed in detail in note 8.

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 2019 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. Following the disposal of the housebuilding business to Vistry plc on 3 January 2020 (notes 8 & 22), these areas have been reviewed, and some further details are included at the end of the financial statements.

Following the transaction noted above, the Group is in a net cash position and it's bank debt facilities have been cancelled (note 14). The Group meets its day to day working capital requirements through its cash resources. The Group's forecasts, taking into account the board's future expectations of the Group's performance, indicate that there is substantial headroom within these resources.

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 2019.

2 Accounting policies

Adoption of new and revised standards by the Group

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

(i) Discontinued operations

Cash flows and operations that relate to a major component of the business or geographical region that has been disposed or is classified as held for sale are shown separately from continuing operations. Comparative amounts in the income statement and statement of cash flow are restated.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value and contractual rights under insurance contracts which are specifically exempt from this requirement.

Assets are classified as held sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held from sale are presented separately from other liabilities in the balance sheet.

(ii) IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 July 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. The Group, as lessee, has recognised a long–term depreciating right of use asset and corresponding lease liability. The leases were previously categorised as either operating leases or finance leases.

The Group has adopted the modified retrospective approach for IFRS 16, recognising the right of use asset as if IFRS 16 had always been applied (but using the incremental borrowing rate as at the date of initial application of 1 July 2019), with a resulting transition adjustment recognised to opening equity.

2 Accounting policies (continued)

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

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

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

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated its comparative information which continues to be reported under previous leasing standards, IAS 17. As required by IFRS 16, the Group has provided a reconciliation of the lease commitment disclosed as at 30 June 2019 to the opening lease liability under IFRS 16 as at 1 July 2019 (in note 25).

The financial impact on transition (for the total Group) is as follows, with the split between continuing and discontinued activities shown in note 25:

	£m
Right of use assets	42.1
Prepayment assets derecognised	(0.7)
Lease liabilities	(43.5)
Accrual liabilities derecognised	0.9
Deferred tax asset recognised on transition	0.2
Retained earnings on transition at 1 July 2019	(1.0)

As a result of this new standard, the Group has reviewed its accounting policies in respect of lease accounting (where applicable) and this is detailed below.

Accounting policy applied from 1 July 2019

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

Prior to 1 July 2019 leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Rentals under operating leases were charged to the income statement on a straight–line basis over the lease term (as detailed in our 2019 annual report on page 95).

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

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

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

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

The lease payments are discounted using the Group's incremental borrowing rate specific to each asset class.

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

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

Payments associated with short–term leases and leases of low–value assets are recognised on a straight–line basis as an expense.

Prior year adjustments

The Group has a number of prior year adjustments, primarily as a result of revisiting the application of the new accounting standards IFRS 9 and 15 and as a result of discussions with the FRC's Corporate Reporting Review Team ('CRRT'). The prior year adjustments relate to:

- AWPR contract accounting
- Accounting for downstream claims
- Accounting for other legacy contracts
- Transition to IFRS 9 and IFRS 15
- Statement of Cash Flows

Further detail is given on the following page regarding each prior year adjustment.

2 Accounting policies (continued)

Prior year adjustments (continued)

(i) AWPR contract

As at 30 June 2018, 31 December 2018 and 30 June 2019, the Group had recognised an asset (within 'Trade and Other Receivables') in relation to the AWPR contract, in respect of the amount assessed to be recoverable from claims against the client, Transport Scotland (TS). The Group had previously considered that this balance was assessed in accordance with the appropriate accounting standard (IAS 11 Construction Contracts) as at 30 June 2018. Reference to these expected recoveries was included in the Annual Report at 30 June 2018 and 30 June 2019.

As disclosed in the Group's 30 June 2019 financial statements, the CRRT undertook a review of the Group's 30 June 2018 financial statements. Following this review and discussions held between the CRRT and the Group, the Group has revised its assessment as to whether negotiations with TS had reached a sufficiently advanced stage to allow the Directors to reliably assess the amount of revenue expected to be recovered and concluded that it was incorrect to recognise revenue and the associated contract asset in respect of the claim under IAS 11 as at 30 June 2018, or under IFRS 15 as at 31 December 2018 and 30 June 2019.

The Group has therefore undertaken a prior year adjustment to reverse the recognition of the Trade and Other Receivables balance of £80.0m (and the associated tax liability), reducing those items to nil and to restate retained earnings by £64.8m as at 30 June 2018, 31 December 2018 and 30 June 2019. This adjustment would have reduced revenue and profit before tax in the years to 30 June 2017 and 30 June 2018 by £62.5m and £17.5m respectively.

As a result of the above adjustments, following settlement with the client, the Group has recognised exceptional income of £32.0m (net of final cost estimates of £4.0m) in the period to 31 December 2019 (note 5).

(ii) Downstream claims

On adoption of IFRS 15 from 1 July 2018, as disclosed in the 30 June 2019 financial statements, the Group concluded that the recognition of expected reimbursements resulting from certain third–party claims (previously accounted for under IAS 11 Construction Contracts) would now be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The requirements of IAS 37 are more stringent than IAS 11, requiring recovery to be 'virtually certain' before an asset can be recognised. Accordingly, in the 30 June 2019 financial statements, the Group included £28.7m as a net IFRS 15 transition adjustment. At 31 December 2018, as part of its initial IFRS 15 implementation, the Group had not considered the changes required above and the impact of this is to reduce trade and other receivables by £35.4m, deferred tax by £6.7m and retained earnings by £28.7m at 31 December 2018.

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

(iii) Other contract assets

On 23 December 2019, the Group announced that an adverse adjudication on a historical contract had resulted in a loss of £9.4m. On reviewing this adjudication decision, the Group has reconsidered whether or not the amount of revenue previously recognised in relation to this contract met the criteria for recognition under IAS 11 and IFRS 15. As a result, the Group is now of the opinion that it had overstated revenue by £8.0m and had understated costs by £1.4m as at 30 June 2018, 31 December 2018 and 30 June 2019. The impact of the correction of this error is to reduce retained earnings at 30 June 2018, 31 December 2018 and 30 June 2019 by £7.6m, increase trade and other payables by £9.4m and to reduce the corporation tax creditor by £1.8m. This adjustment would have reduced revenue by £8.0m, increased cost of sales by £1.4m and reduced profit before tax by £9.4m in the year ended 30 June 2018.

(iv) Transition to IFRS 9

In the financial statements for the year ended 30 June 2019, the Group reflected the impact of the transition to IFRS 9 as at 1 July 2018. This included reclassifying PPP and other investments previously classified as available for sale, as financial assets at fair value through other comprehensive income, with recycling of gains and losses. This resulted in a transition adjustment of £5.5m in the value of the Group's PPP and other investments as set out in note 16 to the 30 June 2019 financial statements.

Additionally, the Group also assessed its assets for any expected credit losses, and this resulted in an impairment charge of £11.2m as set out in note 4 to the 30 June 2019 financial statements.

These transition adjustments were omitted in error in the interim accounts to 31 December 2018 and therefore, the prior year comparatives (to 31 December 2018) in these interim accounts have been restated.

(v) Restatement of condensed consolidated statement of cash flows for the 6 months to 31 December 2018

Whilst the Group regards joint ventures as extensions of our core operations and previously presented loans and advances to and from joint ventures within operating cash flows, to be consistent with other working capital movements, the Directors acknowledge the specific requirements of IAS 7 paragraph 16(e) to present such movements within investing activities. Consequently, as agreed in discussion with the CRRT and presented in the Group's consolidated annual report and accounts for the year to 30 June 2019, we have restated the prior period consolidated cash flow statement (for the 6 months to 31 December 2018) with £53.2m of net costs used in operating activities from discontinued operations reclassified as net cash used in investing activities from discontinued operations.

2 Accounting policies (continued)

Prior year adjustments (continued)

(vi) Summary

The total impact of these adjustments to net assets is summarised in the table below:

	31 December 2018 £m	30 June 2019 £m	30 June 2018 £m
Closing net assets as originally reported	**762.4**	**751.7**	**776.5**
Net asset restatement in respect of:			
(i) AWPR contract	(64.8)	(64.8)	(64.8)
(ii) Downstream claims	(28.7)	–	(21.9)
(iii) Other contracts assets	(7.6)	(7.6)	(7.6)
(iv) Transition to IFRS 9	(3.6)	–	–
Total net asset restatement	(104.7)	(72.4)	(94.3)
Adjusted closing net assets	**657.7**	**679.3**	**682.2**

Critical accounting estimates and judgements

The Group's principal judgements and key sources of estimation uncertainty remain unchanged since the year-end, with the exception of the claims income receivable for AWPR, which has been reduced to nil (as explained above) following the settlement of the claim with TS. The principal judgements and key sources of estimation uncertainty are set out in note 1 on page 92 of the Annual Report and Accounts 2019.

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, segmental reporting is not required by geographical region.

The chief operating decision–makers ("CODM") have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Following the disposal of the Group's housebuilding operations to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22), management has determined the operating segments of the resulting Group to be Building, Infrastructure, PPP Investments and Central (primarily representing central overheads). Previously, they were assessed as Linden Homes, Galliford Try Partnerships and Regeneration, Construction, including Building and Infrastructure, PPP Investments and Central.

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

Half year to 31 December 2019 – continuing operations	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Pre–exceptional revenue	**423.5**	**208.7**	**3.8**	**0.2**	**636.2**
Exceptional items (note 5)	**–**	**32.0**	**–**	**–**	**32.0**
Revenue	**423.5**	**240.7**	**3.8**	**0.2**	**668.2**
Pre–exceptional profit/(loss) from operations [1,2]	**2.4**	**(1.4)**	**(0.9)**	**(6.8)**	**(6.7)**
Exceptional items (note 5)	**–**	**28.0**	**–**	**(5.8)**	**22.2**
Profit/(loss) before finance costs, amortisation and taxation	**2.4**	**26.6**	**(0.9)**	**(12.6)**	**15.5**
Finance income	**–**	**–**	**2.4**	**0.2**	**2.6**
Finance costs[1]	**(1.8)**	**(4.0)**	**(0.9)**	**6.2**	**(0.5)**
Profit/(loss) before amortisation and taxation	**0.6**	**22.6**	**0.6**	**(6.2)**	**17.6**
Amortisation of intangibles	**(0.5)**	**–**	**–**	**(0.5)**	**(1.0)**
Profit before taxation	**0.1**	**22.6**	**0.6**	**(6.7)**	**16.6**
Income tax expense					**(4.2)**
Profit for the period					**12.4**

3 Segmental reporting (continued)

Half year to 31 December 2018 – continuing operations	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	431.5	286.9	9.3	0.3	728.0
Pre–exceptional profit/(loss) from operations before share of joint ventures' profit	4.8	1.5	2.3	(6.0)	2.6
Share of joint ventures' profit	–	–	0.3	–	0.3
Pre–exceptional profit/(loss) from operations [2]	4.8	1.5	2.6	(6.0)	2.9
Exceptional items (note 5)	–	(26.0)	–	(0.9)	(26.9)
Share of joint ventures' interest and tax	–	–	(0.2)	–	(0.2)
Profit/(loss) before finance costs, amortisation and taxation	4.8	(24.5)	2.4	(6.9)	(24.2)
Finance income	–	–	1.0	0.2	1.2
Finance costs	(0.3)	(2.4)	(0.5)	2.5	(0.7)
Profit/(loss) before amortisation and taxation	4.5	(26.9)	2.9	(4.2)	(23.7)
Amortisation of intangibles	(0.5)	–	–	(0.5)	(1.0)
Profit/(loss) before taxation	4.0	(26.9)	2.9	(4.7)	(24.7)
Income tax credit					4.7
(Loss) for the period					(20.0)

Year ended 30 June 2019 (audited) – continuing operations	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Pre–exceptional revenue	858.3	527.0	17.0	0.6	1,402.9
Exceptional items (note 5)	–	(2.8)	–	–	(2.8)
Revenue	858.3	524.2	17.0	0.6	1,400.1
Pre–exceptional profit/(loss) from operations before share of joint ventures' profit	(9.8)	(5.5)	4.2	(6.4)	(17.5)
Share of joint ventures' profit	0.3	–	0.3	–	0.6
Pre–exceptional profit/(loss) from operations [2]	(9.5)	(5.5)	4.5	(6.4)	(16.9)
Exceptional items (note 5)	(0.9)	(45.5)	–	(0.9)	(47.3)
Share of joint ventures' interest and tax	(0.1)	–	(0.1)	–	(0.2)
(Loss)/profit before finance costs, amortisation and taxation	(10.5)	(51.0)	4.4	(7.3)	(64.4)
Finance income	–	–	3.4	0.2	3.6
Finance costs	(1.4)	(7.0)	(1.6)	8.4	(1.6)
(Loss)/profit before amortisation and taxation	(11.9)	(58.0)	6.2	1.3	(62.4)
Amortisation of intangibles	(1.0)	–	–	(1.1)	(2.1)
(Loss)/profit before taxation	(12.9)	(58.0)	6.2	0.2	(64.5)
Income tax credit					13.0
(Loss) for the year					(51.5)

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).
[2] Pre–exceptional profit from operations is stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax and taxation.

Inter–segment revenue, which is priced on an arm's length basis, is eliminated from revenue above. In the half year to 31 December 2019 this amounted to £35.2m (31 December 2018: £38.6m; 30 June 2019: £75.6m) for continuing operations, of which £12.2m (31 December 2018: £9.6m; 30 June 2019: £17.8m) was in Building, £13.7m (31 December 2018: £17.9m; 30 June 2019: £35.5m) was in Infrastructure and £9.3m (31 December 2018: £11.1m; 30 June 2019: £22.3m) was in central costs.

3 Segmental reporting (continued)

Half year to 31 December 2019[1]	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Balance Sheet					
Goodwill and intangible assets	**44.1**	**37.2**	**–**	**4.2**	**85.5**
Working capital employed[2, 3]	**(59.5)**	**7.0**	**55.2**	**(163.7)**	**(161.0)**
Net cash/(debt)[2]	**64.1**	**(99.6)**	**(29.6)**	**(160.1)**	**(225.2)**
Net assets/(liabilities) (excluding net assets held for sale) [2]	**48.7**	**(55.4)**	**25.6**	**(319.6)**	**(300.7)**
Net assets held for sale[1]					**999.6**
Total Group net assets					**698.9**
Total Group liabilities					**(2,588.1)**
Total Group assets					**3,287.0**

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

[2] Net debt of £225.2m and net liabilities of £300.7m (for the continuing business) as at 31 December 2019 represents and includes the total net debt of the Group at that date as reported under IFRS 5, as the Linden and Partnerships & Regeneration businesses were sold to Vistry plc (notes 1, 8, 15 & 22) on a cash-free debt-free basis. On completion of the disposal on 3 January 2020, the Company received £300m of cash, transferred the £100m debt private placement 10-year sterling notes to Vistry plc and received a further working capital cash adjustment.

[3] Includes lease liabilities as per IFRS 16. The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).

Half year to 31 December 2018 (Restated – note 2)	Linden Homes £m	Partnerships & Regeneration £m	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Balance Sheet							
Goodwill and intangible assets	52.5	33.0	45.1	37.2	–	5.3	173.1
Working capital employed	724.1	45.5	(56.3)	(65.0)	51.9	(175.5)	524.7
Net (debt)/cash	(582.1)	(12.8)	78.8	(69.7)	(34.7)	580.4	(40.1)
Net assets	194.5	65.7	67.6	(97.5)	17.2	410.2	657.7
Total Group liabilities							(2,505.6)
Total Group assets							3,163.3

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

4. Revenue

Nature of revenue streams – continuing operations

(i) Building & Infrastructure segments
Our Construction business operates nationwide, working with clients predominantly in the public and regulated sectors, such as health, education and defence markets within the Building segment (as well as private commercial clients) and road, water and flood alleviation markets within the Infrastructure segment. Projects include the construction of assets (with services including design and build, construction only and refurbishment) in addition to the maintenance, renewal, upgrading and managing of services across utility and infrastructure assets.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed price	A number of projects within these segments are undertaken using fixed–price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. The Group typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un–invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.
Cost–reimbursable	A number of projects within these segments are undertaken using open–book/cost–plus (possibly with a pain/gain share mechanism) contracts. Contracts are typically accounted for as a single performance obligation with the majority of these contracts including a build phase only. The Group typically receives payments from the customer based on actual costs incurred. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un–invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.
Framework	Projects within the Building and Infrastructure segment can be undertaken under an overall framework agreement (possibly granted on a regulatory cycle, such as for water contracts), with work performed under individual work orders submitted by the customer and governed by the terms of the framework agreement (often including a schedule of rates and a pain/gain element). Individual work orders will typically consist of a single deliverable or job and are anticipated to comprise only a single deliverable (and consequently performance obligation). Revenue is therefore recognised over time based on an input model (reference to costs incurred to date).

(ii) Investments segment
Through public private partnerships, the business leads bid consortia and arranges finance, makes equity investments (which are recycled, typically once the underlying construction phase is completed) and manages construction through to operations.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
PPP Investments	The Group has investments in a number of PPP Special Purpose Vehicles (SPVs), delivering major building and infrastructure projects. The business additionally provides management services to the SPVs under Management Service Agreements (MSA). Revenue for these services is typically recognised over time as and when the service is delivered to the customer. Revenue for reaching project financial close (such as success fees) are recognised at a point in time, at financial close (when control is deemed to pass to the customer).

4. Revenue (continued)

Nature of revenue streams – discontinued operations

(iii) Linden Homes and Partnerships & Regeneration segments
The Group develops high–quality homes over a national footprint, for sale under the Linden Homes brand. The Partnerships & Regeneration segment is a specialist regeneration business which carries out contracting, land–led solutions and development for local authorities and Registered Providers as well as selling private housing units.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Private development	Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid. Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time. Contracts for onward sale of part–exchange properties are entered into with a different customer and therefore represent separate revenue contracts.
Unit sales to Registered Providers/Investors in the Private Rented Sector (PRS)	This represents sales of (affordable) housing units to Housing Associations (HAs) and other Registered Providers/PRS, treated as a single performance obligation. The Group receives payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un–invoiced amounts are presented as contract assets. Management do not expect a financing component to exist in respect of HA contracts.
Land sales	The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts. Revenue is therefore recognised at a point in time (unconditional exchange of contracts).
Contracting to Registered Providers/PRS	This represents the building of a number of (affordable) units on the customer's land with any design phase treated alongside the construction phase as a single performance obligation. This is because the two stages are not distinct in the context of the contract, given that each is highly interdependent on the other (and are typically contracted together within a single contract). Payment terms are based on a schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un–invoiced amounts are presented as contract assets.

Disaggregation of revenue
As per IFRS 15 and IAS 34, the Group has assessed the appropriate presentation of the disaggregation of its revenue streams (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The material differences in risk between the different revenue streams have been captured by the Group's operating segments (as noted and explained above) as this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. Therefore, the Group has presented this disaggregation in line with the segmental analysis as shown in note 3.

The Group derives its revenue from contracts with customers for the transfer of goods and services, both at a point in time and over time. The split is disclosed in the table below, which is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 'Operating Segments'.

Revenue – continuing operations	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Over time	**423.5**	**240.7**	**3.8**	**0.2**	**668.2**
Point in time	**–**	**–**	**–**	**–**	**–**
Revenue	**423.5**	**240.7**	**3.8**	**0.2**	**668.2**

5 Exceptional items

Continuing operations	**Half year to 31 December 2019 £m**	Half year to 31 December 2018 £m	Year to 30 June 2019 (audited) £m
Impact of legacy contracts[1, 3, 4, 5]	**28.0**	(26.0)	(41.8)
Transaction costs[2]	**(5.8)**	–	–
Restructure costs[4]	**–**	–	(4.6)
Pension costs[6]	**–**	(0.9)	(0.9)
Profit/(loss) from operations	**22.2**	(26.9)	(47.3)

[1] On the 23 December 2019, the Group announced that following a lengthy period of negotiation, the AWPR joint venture had substantially agreed settlement terms with the client in respect of the final account of this major infrastructure project. Together with an adverse adjudication award on an unrelated historical project, the Group announced that it expected to receive a cash payment of c £32.0m. After discussion with the Corporate Reporting Review Team of the FRC (as stated in note 2), the Group has treated the write down of the AWPR asset as a prior period adjustment, with the settlement income of £32.0m recognised (in revenue) net of final cost estimates of £4.0m (in cost of sales) as exceptional items in the period to 31 December 2019.

[2] The Group has incurred professional fees of £5.8m in respect of the sale of the Group's housebuilding businesses to Vistry plc on 3 January 2020 (which has been recorded within administrative expenses). The remaining professional fees were contingent on the completion of the transaction and will therefore be accounted for in the second half of the year.

[3] In the prior year, exceptional items of £32.3m were in relation to additional costs to complete the AWPR contract, of which £26.0m was for additional costs to complete the project as accrued in the first half of the year and £6.3m resulted from the impact of our updated accounting policy on claims from other parties. Both of these items were recorded within cost of sales.

[4] The exceptional charge in the prior year also included £6.7m in respect of other legacy contracts (recorded within cost of sales) and £4.6m in respect of the restructure announced in May 2019 completed within the Construction business, (of which £3.0m was recorded in cost of sales and £1.6m was recorded in administrative expenses) which has simplified the business and the management structure.

[5] In accordance with IFRS 9 Financial Instruments (which was adopted on 1 July 2018), the Group has performed an assessment of the expected credit loss on both adoption of the standard (at 1 July 2018) and at the closing balance sheet date (30 June 2019), based on estimated provision matrices. This resulted in an exceptional impairment charge of £2.8m incurred in the year to 30 June 2019.

[6] Additionally, in July 2018, the Galliford Group Special Scheme completed a £7m insurance bulk annuity buyout transaction, securing the pensioner liabilities of the scheme. The premium paid was £0.9m higher than the IAS 19 liabilities discharged and therefore, a settlement charge of £0.9m was recorded within administrative expenses in the income statement. This item was incurred during the first half of the year to 30 June 2019. Of the total reported exceptional costs of £4.5m relating to defined benefit pension schemes in the year to 30 June 2019, the remaining £3.5m was classified as part of discontinued operations.

6 Net finance costs

Group – continuing operations	**Half year to 31 December 2019 £m**	Half year to 31 December 2018 £m	Year to 30 June 2019 (audited) £m
Interest receivable on bank deposits	**0.1**	0.1	0.2
Interest receivable from joint ventures and PPP investments	**2.4**	1.0	3.4
Other	**0.1**	0.1	–
Finance income	**2.6**	1.2	3.6
Other (including leases)[1]	**(0.5)**	(0.7)	(1.6)
Finance costs	**(0.5)**	(0.7)	(1.6)
Net finance income	**2.1**	0.5	2.0

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).

7 Income tax expenses

The taxation expense on pre–exceptional profit for continuing operations for the period of 19.1% (31 December 2018: 17.9%) reflects the effective tax rate for the period to 31 December 2019.

8 Discontinued operations

On 3 January 2020, the Group completed the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc (in addition to certain other assets and liabilities transferred to Vistry plc as part of this transaction) following the implementation of a Group restructuring and scheme of arrangement under Part 26 of the Companies Act 2006 becoming effective on 2 January 2020. Additionally, with effect from 8:00 a.m. on 3 January 2020, 111,053,489 Galliford Try Holdings plc shares with a nominal value of 50p each, being the entire issued share capital of Galliford Try Holdings plc, was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of all shares of Galliford Try plc (note 22).

As a result of this disposal, the Linden Homes and Partnerships & Regeneration segments have been classified as discontinued operations.

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

Half year to 31 December 2019

Profit for the period from discontinued operations[1]	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
Revenue	**303.2**	**349.0**	**–**	**652.2**
Profit from operations	**49.2**	**18.0**	**–**	**67.2**
Share of joint ventures' interest and tax	**(6.6)**	**–**	**–**	**(6.6)**
Profit before finance costs, amortisation and tax	**42.6**	**18.0**	**–**	**60.6**
Net finance costs	**(17.5)**	**(0.8)**	**17.4**	**(0.9)**
Amortisation costs	**–**	**(1.0)**	**–**	**(1.0)**
Profit before taxation	**25.1**	**16.2**	**17.4**	**58.7**
Income tax expense				**(10.6)**
Profit for the period				**48.1**

Cash flows for the period from discontinued operations	Disposal Group Total £m
Net cash outflow from operating activities	**(66.1)**
Net cash outflow from investing activities	**(70.7)**
Net cash inflow from financing activities	**–**
Net cash outflow	**(136.8)**

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 2 & 25).

8 Discontinued operations (continued)

Half year to 31 December 2018

Profit for the period from discontinued operations	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
Revenue	374.6	240.9	–	615.5
Profit from operations	76.8	14.5	(0.2)	91.1
Share of joint ventures' interest and tax	(3.4)	(1.8)	–	(5.2)
Profit before finance costs, amortisation and tax	73.4	12.7	(0.2)	85.9
Net finance (costs)/income	(17.5)	(0.8)	15.1	(3.2)
Exceptional items	–	–	(3.5)	(3.5)
Amortisation costs	–	(0.7)	–	(0.7)
Profit before taxation	55.9	11.2	11.4	78.5
Income tax expense				(14.9)
Profit for the period				63.6

Cash flows for the period from discontinued operations	Disposal Group Total £m
Net cash outflow from operating activities	(115.6)
Net cash inflow from investing activities	8.4
Net cash inflow from financing activities	–
Net cash outflow	(107.2)

Year ended 30 June 2019 (audited)

Profit for the period from discontinued operations	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
Revenue	758.7	551.9	–	1,310.6
Profit from operations	160.5	34.8	(0.6)	194.7
Share of joint ventures' interest and tax	(9.3)	(3.4)	–	(12.7)
Profit before finance costs, amortisation and tax	151.2	31.4	(0.6)	182.0
Net finance (costs)/income	(36.2)	(1.8)	30.2	(7.8)
Exceptional items	–	–	(3.5)	(3.5)
Amortisation costs	–	(1.4)	–	(1.4)
Profit before taxation	115.0	28.2	26.1	169.3
Income tax expense				(30.9)
Profit for the period				138.4

Cash flows for the period from discontinued operations	Disposal Group Total £m
Net cash inflow from operating activities	50.1
Net cash outflow from investing activities	(11.0)
Net cash inflow from financing activities	–
Net cash inflow	39.1

9 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.

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. At 31 December 2019 there were no potentially dilutive ordinary shares held under option.

The earnings and weighted average number of shares used in the calculations are set put below.

	Half year to 31 December 2019			Half year to 31 December 2018 (restated)			Year to 30 June 2019 (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
Continuing operations									
Basic EPS – pre–exceptional Pre–exceptional earnings attributable to ordinary shareholders	**(4.6)**	**110,765,499**	**(4.1)**	2.0	110,675,158	1.7	(13.8)	110,704,829	(12.5)
Basic EPS Earnings attributable to ordinary shareholders post exceptional items	**12.4**	**110,765,499**	**11.2**	(20.0)	110,675,158	(18.2)	(51.5)	110,704,829	(46.5)
Effect of dilutive securities:									
Options	**n/a**	**–**	**n/a**	n/a	307,838	n/a	n/a	94,166	n/a
Diluted EPS – pre–exceptional	**(4.6)**	**110,765,499**	**(4.1)**	2.0	110,982,996	1.7	(13.8)	110,798,995	(12.5)
Diluted EPS	**12.4**	**110,765,499**	**11.2**	(20.0)	110,982,996	(18.1)	(51.5)	110,798,995	(46.5)
Total operations									
Basic EPS – pre–exceptional Pre–exceptional earnings attributable to ordinary shareholders	**43.5**	**110,765,499**	**39.3**	69.1	110,675,158	62.4	128.1	110,704,829	115.7
Basic EPS Earnings attributable to ordinary shareholders post exceptional items	**60.5**	**110,765,499**	**54.6**	43.6	110,675,158	39.4	86.9	110,704,829	78.5
Effect of dilutive securities:									
Options	**n/a**	**–**	**n/a**	n/a	307,838	n/a	n/a	94,166	n/a
Diluted EPS – pre–exceptional	**43.5**	**110,765,499**	**39.3**	69.1	110,982,996	62.3	128.1	110,798,995	115.6
Diluted EPS	**60.5**	**110,765,499**	**54.6**	43.6	110,982,996	39.3	86.9	110,798,995	78.4
Discontinued operations									
Diluted EPS – pre–exceptional	**48.1**	**110,765,499**	**43.4**	67.1	110,982,996	60.5	141.9	110,798,995	128.1
Diluted EPS	**48.1**	**110,765,499**	**43.4**	63.6	110,982,996	57.4	138.4	110,798,995	124.9

10 Dividends

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

	Half year to 31 December 2019		Half year to 31 December 2018		Year to 30 June 2019 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Previous year net final	**38.9**	**35.0**	54.4	49.0	54.4	49.0
Current period interim	**–**	**–**	–	–	25.5	23.0
Dividend recognised in the year	**38.9**	**35.0**	54.4	49.0	79.9	72.0

The dividends paid in the period consists of the previous years' final dividends of £38.9m.

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

	Half year to 31 December 2019		Half year to 31 December 2018		Year to 30 June 2019 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Interim	**1.1**	**1.0**	25.5	23.0	25.5	23.0
Final	**–**	**–**	–	–	38.9	35.0
Dividend relating to the year	**1.1**	**1.0**	25.5	23.0	64.4	58.0

The interim dividend for 2020 of 1.0p per share was approved by the board on 12 March 2020 and has not been included as a liability as at 31 December 2019. This interim dividend will be paid on 17 April 2020 to shareholders who are on the register at the close of business on 20 March 2020.

11 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 2019[1]	31 December 2018	30 June 2019 (audited)
	£m	£m	£m
Linden Homes	**–**	52.5	52.5
Partnerships & Regeneration	**–**	29.9	29.9
Building	**40.0**	40.0	40.0
Infrastructure	**37.2**	37.2	37.2
	77.2	159.6	159.6

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

As stated in the annual financial statements for the year ended 30 June 2019, 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 2019 which would give rise to an impairment and none have been identified.

12 Developments

	31 December 2019[1]	31 December 2018	30 June 2019 (audited)
	£m	£m	£m
Land	**–**	496.6	552.9
Work in progress	**–**	275.1	323.8
	–	771.7	876.7

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

13 Trade and other receivables

	31 December 2019[1] **£m**	31 December 2018 (Restated – note 2) £m	30 June 2019 (Restated – note 2) (audited) £m
Amounts falling due within one year:			
Trade receivables	**49.9**	138.8	169.6
Less: Provision for impairment of receivables	**(0.3)**	(0.1)	(0.4)
Trade receivables – net	**49.6**	138.7	169.2
Contract assets	**277.6**	275.7	332.8
Amounts due from joint venture undertakings	**–**	61.7	93.5
Prepayments and other receivables	**30.8**	176.8	78.8
	358.0	652.9	674.3
Amounts falling due after more than one year:			
Amounts due from joint venture undertakings	**–**	241.7	238.1
Other receivables	**–**	7.2	0.3
	–	248.9	238.4

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

As previously disclosed, the Group provided services in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Costs were significantly impacted by client-driven scope changes and the Group has submitted claims to the value of £54m in respect of these costs. Our work on these contracts formally ceased on their termination in August 2018. The recognition of the associated revenue is a significant judgement. The Group has taken extensive legal advice on our entitlement and we have been successful in two adjudications supporting the validity of the Group's position. Taking into account the requirements of IFRS 15, the Group had recognised revenue in prior periods and carries an associated contract receivable to the extent that, in the Group's judgement, it is highly probable that there will not be a significant reversal in a future period.

Whilst the entities are owned by a major infrastructure fund of a blue-chip listed company, and we expect that the amounts will be repaid, we have assessed any expected credit loss provision in accordance with IFRS 9 to take into account their investment structure. At 30 June 2019 and 31 December 2019, our assessment of the credit worthiness of the underlying contracting entities includes review of their latest audited financial statements to 31 December 2018, for which the audit opinion includes a disclaimer of opinion in relation to material uncertainties in respect of claims and the potential impact on going concern. There has been no change to our assessment in the period to 31 December 2019.

The counterparty has made counterclaims during the financial period that we consider are without merit and we intend to defend these vigorously, and as such no amounts have been provided.

14 Cash and cash equivalents

	31 December 2019[1] **£m**	31 December 2018 £m	30 June 2019 (audited) £m
Cash and cash equivalents excluding bank overdrafts	**273.2**	1,176.4	591.2
Current borrowings – bank overdrafts	**(279.7)**	(1,018.8)	(449.6)
Current borrowings – bank loans	**(98.7)**	–	(98.2)
Non–current borrowings – bank loans	**(120.0)**	(97.7)	–
Non–current borrowings – debt private placement	**–**	(100.0)	(100.0)
Net debt	**(225.2)**	(40.1)	(56.6)

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

[2] Net debt of £225.2m as at 31 December 2019 represents the total net debt of the Group at that date as reported under IFRS 5, as the Linden and Partnerships & Regeneration businesses were sold to Vistry plc (notes 1, 8, 15 & 22) on a cash-free debt-free basis. On completion of the disposal on 3 January 2020, the Company received £300m of cash, transferred the £100m debt private placement 10-year sterling notes to Vistry plc and received a further working capital cash adjustment.

14 Cash and cash equivalents (continued)

	31 December 2019[1] £m	31 December 2018 £m	30 June 2019 (audited) £m
Cash and cash equivalents excluding bank overdrafts – continuing operations	**273.2**	1,176.4	591.2
Current borrowings (bank overdrafts) – continuing operations	**(279.7)**	(1,018.8)	(449.6)
Cash and cash equivalents excluding bank overdrafts – discontinued operations	**869.9**	–	–
Current borrowings (bank overdrafts) – discontinued operations	**(770.0)**	–	–
Cash and cash equivalents per the statements of cash flows	**93.4**	157.6	141.6

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

In February 2014 the Group agreed a five–year £400m unsecured revolving credit facility with HSBC Bank plc, Barclays Bank plc, National Westminster Bank plc and Santander UK plc. 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 is subject to covenants over interest cover, gearing and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs. This facility was repaid and cancelled on 3 January 2020 as a result of the disposal of the housebuilding business to Vistry plc (notes 1, 8, 15 & 22).

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. These notes were transferred to Vistry plc on 3 January 2020 as part of the disposal of the housebuilding business to Vistry plc (notes 1, 8, 15 & 22).

15 Assets held for sale and liabilities associated with assets held for sale

On 3 January 2020, the Group completed the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc following the Group restructuring having been implemented and the scheme of arrangement under Part 26 of the Companies Act 2006 becoming effective on 2 January 2020. The negotiations regarding the disposal took place during the interim period to 31 December 2019 and the conditional sale and purchase agreement was signed on 7 November 2019, with the associated conditions satisfied in early January 2020. Consequently, the assets and liabilities of the Linden Homes and Partnerships & Regeneration divisions have been classified as held for sale from 2 December 2019 and as at 31 December 2019, with the earlier date being the date from which both Galliford Try and Vistry shareholders approved the transaction..

The following are the major classes of assets and liabilities relating to these operations that have been classified as held for sale in the consolidated Group consolidated balance sheet as at 31 December 2019:

	Disposal Group Total £m
Goodwill and intangible assets	92.8
Property, plant & equipment	3.6
Right of use assets[1]	16.3
Investments in joint ventures	71.8
Developments	821.6
Trade and other receivables (including current income tax assets)	595.3
Cash and cash equivalents	869.9
Retirement benefit assets	12.0
Assets held for sale	**2,483.3**
Trade and other payables	(595.8)
Lease liabilities[1]	(16.7)
Borrowings	(869.9)
Deferred income tax liabilities[1]	(1.3)
Liabilities held for sale	**(1,483.7)**
Net assets held for sale	**999.6**

[1] The Group adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity (notes 1 & 25).

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

16 Trade and other payables

	31 December 2019[1]	31 December 2018 (Restated – note 2)	30 June 2019 (Restated – note 2) (audited)
	£m	£m	£m
Trade payables	**133.3**	416.4	284.9
Development land payables	**–**	125.6	150.5
Contract liabilities	**89.2**	146.1	237.9
Amounts due to joint venture undertakings	**–**	19.8	24.8
Other taxation and social security payable	**3.6**	18.5	11.1
Accruals and other payables	**356.4**	501.4	553.3
	582.5	1,227.8	1,262.5

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

17 Other non–current liabilities

	31 December 2019[1]	31 December 2018	30 June 2019 (audited)
	£m	£m	£m
Development land payables	**–**	20.7	66.4
Contract liabilities	**–**	28.2	26.1
Accruals	**–**	11.0	10.5
	–	59.9	103.0

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

18 Retirement benefit obligations

The amounts recognised in the balance sheet are as follows:

	31 December 2019[1]	31 December 2018	30 June 2019 (audited)
	£m	£m	£m
Fair value of plan assets	**0.9**	223.3	245.7
Present value of defined benefit obligations	**–**	(221.6)	(238.7)
Surplus in scheme recognised as non–current asset	**0.9**	1.7	7.0

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

The Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Pension & Assurance Scheme were transferred to Vistry plc as part of the disposal of the Group's housebuilding businesses on 3 January 2020 (notes 1, 8, 15 & 22). These schemes had fair value of plan assets of £254.1m and present value of defined benefit obligations of £242.1m as at 31 December 2019, resulting in a net surplus on those schemes of £12.0m.

The principal actuarial assumptions used to calculate the liabilities as at 31 December 2019 have been set in a consistent manner to those adopted at 30 June 2019. These assumptions will change as market conditions change over time.

An actuarial gain of £2.0m (31 December 2018: loss of £5.2m; 30 June 2019: loss of £2.4m) has been taken to the condensed consolidated statement of comprehensive income.

The most recent actuarial valuation of the Galliford Group Special Scheme (which remains with the Group following the transaction noted above) was prepared using the defined accrued benefit method as at 1 April 2016. No further contributions are expected to be required for this Scheme and in July 2018, an insurance bulk annuity buyout transaction was completed for £7m, securing the pensioner liabilities of the scheme. Options for winding–up the scheme are now being reviewed and it is expected that this will be completed before the financial year end.

19 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 2019.

Following the disposal of the housebuilding businesses, the Group has reconsidered its principal risks and uncertainties. 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 primarily the same as those outlined on pages 28 to 31 of the Group's annual report and financial statements for the year ended 30 June 2019, other than risks related to growth in the Partnerships & Regeneration business and exposure to the residential housing market are no longer relevant. Details of these risks will be included in the Group's 2020 Annual Report and Accounts. There have been no significant changes in the risk management policies since the year end, however.

Financial liabilities – derivative financial liabilities

The fair value of interest rate swaps is detailed below:

	31 December 2019[1]	31 December 2018	30 June 2019 (audited)
	£m	£m	£m
Non–current liabilities	**(0.1)**	(0.5)	(0.4)

[1]Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

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 2019[1]			31 December 2018 (Restated – note 2)			30 June 2019 (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									
- PPP and other investments	**–**	**38.7**	**38.7**	–	50.2	50.2	–	41.6	41.6
Total	**–**	**38.7**	**38.7**	–	50.2	50.2	–	41.6	41.6
Liabilities									
Derivatives used for hedging	**(0.1)**	**–**	**(0.1)**	(0.5)	–	(0.5)	(0.4)	**–**	(0.4)
Total	**(0.1)**	**–**	**(0.1)**	(0.5)	–	(0.5)	(0.4)	–	(0.4)

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

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 2019 financial statements. Level 3 fair values are determined using valuation techniques that include inputs not based on observable market data. For all other financial instruments, the fair value is materially in line with the carrying value.

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2019 (£m)[1]	31 December 2018 (Restated – note 2) (£m)	30 June 2019 (audited) (£m)
Opening balance	**41.6**	0.7	0.7
Effect of transition to IFRS9 on 1 July 2018	**–**	31.6	31.6
Restated opening balance	**41.6**	32.3	32.3
Additions	**–**	18.2	22.7
Movement in fair value	**(2.1)**	–	0.8
Reclassified as discontinued operations	**(0.1)**	–	–
Disposals and subordinated loan repayments	**(0.7)**	(0.3)	(14.2)
Closing balance	**38.7**	50.2	41.6

[1] Linden Homes and Partnerships & Regeneration were classified as assets held for sale as at 31 December 2019, due to the disposal of those businesses to Vistry plc on 3 January 2020 (notes 1, 8, 15 & 22).

The valuation process for Level 3 is consistent with that disclosed in the 30 June 2019 audited report.

19 Financial instruments (continued)
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 2018: £nil; 30 June 2019: £nil) in cost of sales and £nil (31 December 2018: £nil; 30 June 2019: £nil) in finance income.

20 Guarantees and contingent liabilities

Galliford Try Limited (formerly known as Galliford Try plc) has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements, amounting to £259.2m (31 December 2018: £309.0m; 30 June 2019 £239.2m) of which £165.3m was in respect of continuing operations and £93.9m was in respect of discontinued operations.

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.

21 Related party transactions

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

Group – continuing and discontinued operations

	Sales to related parties[1]			Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2019 £m	31 Dec 2018 £m	30 Jun 2019 (audited) £m	**31 Dec 2019 £m**	31 Dec 2018 £m	30 Jun 2019 (audited) £m	**31 Dec 2019 £m**	31 Dec 2018 £m	30 Jun 2019 (audited) £m
Trading transactions									
Joint ventures	**56.1**	24.7	67.9	**347.4**	303.4	331.6	**26.1**	19.8	24.8

	Interest and dividend income from related parties		
	31 Dec 2019 £m	31 Dec 2018 £m	30 Jun 2019 (audited) £m
Non–trading transactions			
Joint ventures	**13.8**	4.8	16.5

[1] 'Sales to related parties' includes management fees recharges which are shown net within administrative expenses in the income statement.

22 Post balance sheet events

On 3 January 2020, the Group completed the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc following the Group restructuring having been implemented and the scheme of arrangement under Part 26 of the Companies Act 2006 becoming effective on 2 January 2020. The consideration received by the company was cash proceeds of £300m and the transfer of the £100m 10–year sterling Private Placement notes to Vistry plc along with a further working capital cash adjustment, whilst the Group's shareholders received 0.57406 shares in Vistry plc for every 1.0 share held in Galliford Try plc. Additionally, with effect from 8:00 a.m. on 3 January 2020, 111,053,489 Galliford Try Holdings plc shares with a nominal value of 50p each, being the entire issued share capital of Galliford Try Holdings plc, was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of all shares of Galliford Try plc. The shares were issued to the existing Galliford Try plc shareholders on a 1.0 to 1.0 basis.

23 Business combinations

On 1 July 2019, the Group acquired Strategic Team Group (STG) for £10.7m (of which £1.8m was deferred), delivering a mature operating platform in Yorkshire and expanding the Group's presence in Cheshire. STG is a well–established regional business with 120 employees and a revenue in its last full year of approximately £60m.

The acquisition was of the entire share capital and control of the holding company Strategic Team Group Limited and its trading subsidiary Strategic Team Maintenance Company Limited. STG operates a new homes contracting business and a maintenance and minor works business. The profile and geographical split of its order book provides an excellent strategic fit with a client base known to the Group's Partnerships & Regeneration business and STG is on the Homes England Delivery Partner Panel.

The goodwill of £6.9m arising from the acquisition is attributable to the acquired workforce of STG. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for STG, and the fair value of the assets acquired and liabilities assumed:

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Net cash and cash equivalents	3.6
Property plant and equipment	0.6
Intangible assets[1]	2.2
Trade and other receivables	14.2
Trade and other payables	(15.8)
Net deferred tax liabilities[2]	(1.0)
Total identifiable net assets	**3.8**
Goodwill	6.9
Total	**10.7**
Consideration	
Cash	8.9
Deferred consideration[3]	1.8
Total	**10.7**

1 Intangible assets of £2.2m comprise customer relationships and contracts.

2 Deferred tax assets recognised on the acquisition relate to the fair value adjustments on acquisition.

3 Deferred cash consideration deferred until January 2020.

The Group assumed responsibility for £1.7m of guarantees and contingent liabilities in relation to performance bonds issued in the normal course of business. While the outcome of disputes arising in the normal course of business is never certain, the directors have made proper provision in the acquired balance sheet for liabilities they believe exist.

The acquisition contributed £32.7m of revenue and £0.6m of profit before tax in the period to 31 December 2019. The acquisition occurred at the beginning of the financial period.

It should be noted that these assets and liabilities have been re–classified as assets and liabilities held for sale as at 31 December 2019 (note 15).

24 Alternative performance measures

Throughout the Interim statement, 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, appropriate reconciliations to its statutory measures and clarifications of any changes in the calculations resulting from the adoption of IFRS 15 are provided below.

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.

The Group's statutory measures take into account all of the factors, including exceptional items which do not reflect the ongoing underlying performance of the Group.

Alternative performance measures
In assessing its performance, the Group has adopted certain non–statutory measures that more appropriately reflect the underlying performance of the Group. These typically cannot be directly extracted from its financial statements but are reconciled to statutory measures below:

a) Pre–exceptional performance
The Group adjusts for certain material one–off (exceptional) items which the Board believes assist in understanding the performance achieved by the Group as this better reflects the underlying and ongoing performance of the business.

24 Alternative performance measures (continued)

b) 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:

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Half year ended 31 December 2019					
Statutory profit before finance costs	**1.9**	**26.6**	**(0.9)**	**(13.1)**	**14.5**
add: amortisation of intangible assets	**0.5**	–	–	**0.5**	**1.0**
exclude: exceptional items (note 5)	–	**(28.0)**	–	**5.8**	**(22.2)**
Pre–exceptional profit from continuing operations (excluding amortisation of intangible assets)	**2.4**	**(1.4)**	**(0.9)**	**(6.8)**	**(6.7)**
Pre–exceptional revenue	**423.5**	**208.7**	**3.8**	**0.2**	**636.2**
Operating margin – continuing operations	**0.6%**	**(0.7)%**	**n/a**	**n/a**	**(1.0)%**
Half year ended 31 December 2018					
Statutory profit/(loss) before finance costs	4.3	(24.5)	2.4	(7.4)	(25.2)
add: amortisation of intangible assets	0.5	–	–	0.5	1.0
add: share of joint ventures' interest and tax	–	–	0.2	–	0.2
exclude: exceptional items (note 5)	–	26.0	–	0.9	26.9
Pre–exceptional profit/(loss) from continuing operations (excluding amortisation of intangible assets)	4.8	1.5	2.6	(6.0)	2.9
Pre–exceptional revenue	431.5	286.9	9.3	0.3	728.0
Operating margin – continuing operations	1.1%	0.5%	n/a	n/a	0.4%
Year ended 30 June 2019 (audited)					
Statutory (loss)/profit before finance costs	(11.5)	(51.0)	4.4	(8.4)	(66.5)
add: amortisation of intangible assets	1.0	–	–	1.1	2.1
add: share of joint ventures' interest and tax	0.1	–	0.1	–	0.2
exclude: exceptional items (note 5)	0.9	45.5	–	0.9	47.3
Pre–exceptional profit/(loss) from continuing operations (excluding amortisation of intangible assets)	(9.5)	(5.5)	4.5	(6.4)	(16.9)
Pre–exceptional revenue	858.3	527.0	17.0	0.6	1,402.9
Operating margin – continuing operations	(1.1)%	(1.0)%	n/a	n/a	(1.2)%

24 Alternative performance measures (continued)

c) 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:

Continuing operations	**Half year to 31 December 2019 £m**	Half year to 31 December 2018 £m	Year to 30 June 2019 (audited) £m
Statutory profit/(loss) before tax	**16.6**	(24.7)	(64.5)
Exclude: exceptional items (note 5)	**(22.2)**	26.9	47.3
Pre–exceptional (loss)/profit before tax	**(5.6)**	2.2	(17.2)

d) 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:

	Half year to 31 December 2019		
Continuing operations	Earnings £m	Ave number of shares	EPS pence
Statutory results	**12.4**	**110,765,499**	**11.2**
Exclude: exceptional earnings (note 5)	**(17.0)**	**n/a**	**n/a**
Pre–exceptional earnings per share	**(4.6)**	**110,765,499**	**(4.1)**

	Half year to 31 December 2018		
Continuing operations	Earnings £m	Ave number of shares	EPS pence
Statutory results	(20.0)	110,675,158	(18.2)
Exclude: exceptional earnings (note 5)	22.0	n/a	n/a
Pre–exceptional earnings per share	2.0	110,675,158	1.7

	Year ended 30 June 2019 (audited)		
Continuing operations	Earnings £m	Ave number of shares	EPS pence
Statutory results	(51.5)	110,704,829	(46.5)
Exclude: exceptional earnings (note 5)	37.7	n/a	n/a
Pre–exceptional earnings per share	(13.8)	110,704,829	(12.5)

25 Impact of the adoption of IFRS 16 Leases

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

	Continuing operations £m	Discontinued operations £m	Group total £m
Right of use assets	25.5	16.6	42.1
Prepayment assets de-recognised	(0.4)	(0.3)	(0.7)
Lease liabilities	(25.6)	(17.9)	(43.5)
Accrual liabilities de-recognised and deferred tax	0.3	0.8	1.1
Net impact on retained earnings on transition at 1 July 2019	(0.2)	(0.8)	(1.0)

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

	£m
Operating lease commitment disclosed at 30 June 2019	41.6
Less: short term leases[1]	(1.9)
Balance of commitment	39.7
Discounted at the Group's incremental borrowing rate[2]	(2.6)
Adjustments as a result of a different lease term under IFRS 16	6.4
Lease liabilities recognised at 1 July 2019	43.5

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

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

Impact in the period

As a result of the application of IFRS 16, the operating lease rental expense previously charged to operating profit in the income statement is replaced by an amortisation charge for the 'right of use' assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs. During the six months ended 31 December 2019, for the total Group including continuing and discontinued operations, the amortisation charge relating to right of use assets was £7.5m and the interest charge was £0.9m. Further lease charges have been recognised as operating expenses of £8.9m in respect of exempt short term leases and £0.2m in respect of exempt low value long term leases.

Principal risks and uncertainties

Following the disposal of the housebuilding businesses, the Group has reconsidered its principal risks and uncertainties. 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 primarily the same as those outlined on pages 28 to 31 of the Group's annual report and financial statements for the year ended 30 June 2019, other than risks related to growth in the Partnerships & Regeneration business and exposure to the residential housing market are no longer relevant. The remaining risks can be summarised as health, safety, environmental and community; people; supply chain; macro environment; markets; and corporate. Details of these risks will be included in the Group's 2020 Annual Report and Accounts.

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 Holdings plc are:

Peter Ventress	Non–executive Chairman
Bill Hocking[1]	Chief Executive
Andrew Duxbury[1]	Finance Director
Terry Miller	Senior Independent Director
Gavin Slark	Non–executive Director
Jeremy Townsend	Non–executive Director
Marisa Cassoni	Non–executive Director

[1] also Directors of Galliford Try Limited (formerly Galliford Try plc) as at 12 March 2020.

Signed on behalf of the Board

Bill Hocking
Chief Executive

Andrew Duxbury
Finance Director

12 March 2020

Independent review report to Galliford Try Limited (formerly known as Galliford Try plc)

Report on the condensed consolidated interim financial statements

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 International Financial Reporting Standards (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.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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 Financial Reporting Council 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
55 Baker Street
London
12 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).