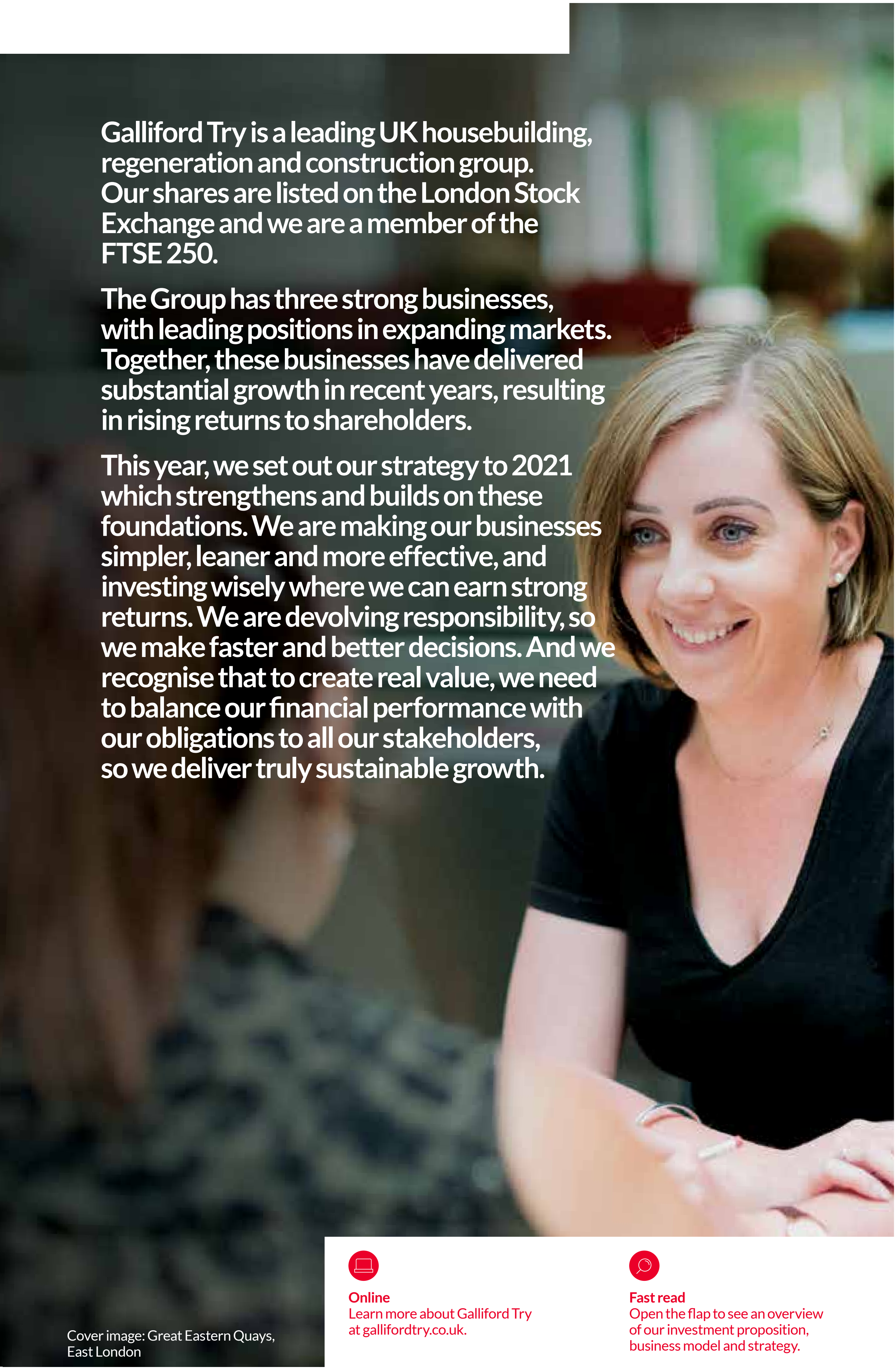
Galliford Try plc

A strategy for **sustainable growth**

Galliford Try plc
Annual Report and
Financial Statements
2017



Galliford Try is a leading UK housebuilding, regeneration and construction group. Our shares are listed on the London Stock Exchange and we are a member of the FTSE 250.

The Group has three strong businesses, with leading positions in expanding markets. Together, these businesses have delivered substantial growth in recent years, resulting in rising returns to shareholders.

This year, we set out our strategy to 2021 which strengthens and builds on these foundations. We are making our businesses simpler, leaner and more effective, and investing wisely where we can earn strong returns. We are devolving responsibility, so we make faster and better decisions. And we recognise that to create real value, we need to balance our financial performance with our obligations to all our stakeholders, so we deliver truly sustainable growth.

Cover image: Great Eastern Quays, East London

Online
Learn more about Galliford Try at gallifordtry.co.uk.

Fast read
Open the flap to see an overview of our investment proposition, business model and strategy.

Why invest in Galliford Try?

Chief Executive's review p13

Growth
We have leading positions in growing markets and the right strategy to take full advantage of the opportunities we see. Improving the way we work will enable us to grow revenue and improve margins in our strategy period to 2021.

Resilience
We have three complementary businesses, which operate in different markets and have different customers, with different sources of funding. This helps us to deliver resilient performance throughout the economic cycle.

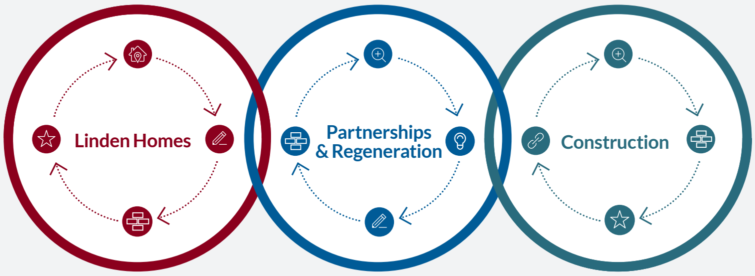
Returns
We have a mix of capital-light and capital-intensive businesses, which together deliver excellent returns on our investment. We balance this investment with the discipline of paying strong dividends.

Sustainability
We work hard to add social, economic and environmental value to our stakeholders. We believe that taking this long-term, strategic view supports our ability to deliver sustainable financial performance.

Our business model

Our business model p4

Our business model encompasses housebuilding and construction activities. Linden Homes uses a developer model to build private and affordable housing, Construction employs a contractor model to deliver building and infrastructure projects, and Partnerships & Regeneration operates as a developer and contractor in the affordable housing and regeneration sector.



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

Our values
Excellence, passion, integrity and collaboration.

Our strategic priorities
Galliford Try's strategy to 2021 has three pillars:

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

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

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

Our strategy p16

Our businesses

Linden Homes
A top UK housebuilder

Our market
Demand for housing exceeds supply, with the UK consistently falling short of the 250,000 new homes it needs each year, despite the government's commitment to increasing supply. Positive mortgage availability, low interest rates and the stimulus of Help to Buy support this demand. The land market remains benign.

Our proposition
Linden Homes is a top 10 UK housebuilder, with a well-respected brand. We develop high-quality private and affordable housing on prime sites in good locations, primarily for first-time buyers and families. We have a strong presence in the South and East of England and a growing presence in other regions.

Business review p26

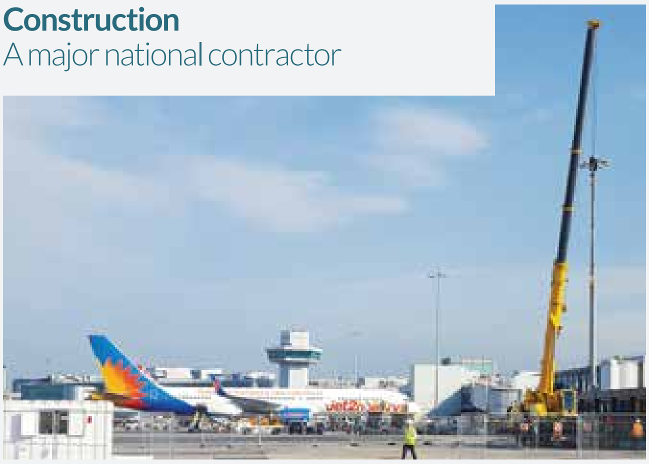
Partnerships & Regeneration
A leading UK regeneration specialist

Our market
The housing shortage is driving government intervention in the affordable homes sector, on both the supply and demand sides. Registered Providers and local authorities are increasingly relying on private sector partners to help them meet the demand for affordable homes across a range of different tenures. New clients are also entering the private rented and affordable housing sectors, stimulating demand for our services. We face relatively few competitors in this market.

Our proposition
We work with Registered Providers and other partners to increase the supply of affordable and mixed-tenure housing and build sustainable communities. Our combination of development and contracting skills gives us a unique proposition in the sector.

Business review p30

Construction
A major national contractor



Our market
The government remains committed to investing in and maintaining the UK's infrastructure. The sectors we focus on have high market demand, barriers to entry and capacity constraints. Regulated sectors produce steady work, as clients fulfil their business plans.

Our proposition
We operate across the UK, offering clients the benefit of national strength with local delivery from our regional offices. Our business covers multiple markets, with a focus on the public and regulated sectors, and we have positions on all of the major national frameworks, providing a solid pipeline of work.

Business review p34

Financial highlights

Revenue[1]
£2,820m
+6%

Dividend per share
96.0p
+17%

Group revenue[1]
£2,662m
+7%

Net cash
£7.2m
+£15.9m

Pre-exceptional profit before tax[2]
£147.6m
+9%

Pre-exceptional Group return on net assets[2,3]
27.5%
+0.6 ppts

Pre-exceptional earnings per share[2]
145.8p
+10%

- Strong pre-exceptional revenue and profit
- 17% increase in full year dividend to 96.0p
- Net cash of £7.2 million at 30 June 2017 (2016: net debt £8.7 million)
- Pre-exceptional Group return on net assets increased by 0.6 percentage points to 27.5%

Profit before tax
£58.7m
-57%

Earnings per share
59.1p
-55%

Performance against strategy p16

Group return on net assets[4]
14.0%
-12.9 ppts

Group highlights

- 10,650 plots in Linden Homes' landbank
- 2,700 plots in Partnerships & Regeneration's landbank
- £3.6bn Construction order book
- 0.12 Accident Frequency Rate
- 9% reduction in greenhouse gas emissions year-on-year
- 16,753 training days for employees

Business review p26

1 'Revenue' includes share of joint ventures' revenue of £158.1 million (2016: £175.5 million). 'Group revenue', where stated, excludes share of joint ventures.

2 Pre-exceptional measures exclude exceptional costs as described in the Financial review on page 22 and in note 3. All future references to pre-exceptional data and ratios are consistent with this definition.

3 Pre-exceptional Group return on net assets represents profit before tax, exceptional items, finance costs and amortisation divided by average pre-exceptional net assets.

4 Group return on net assets represents profit before tax, finance costs and amortisation divided by average net assets.

Strategic Report

Our business

Strategic review

Business review

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Financial information

Our businesses at a glance

Galliford Try has three strong businesses. Linden Homes develops private and affordable homes for sale. Partnerships & Regeneration works to increase the supply of housing across all tenures. Our Construction business is a major contractor, working primarily in the public and regulated sectors.

Linden Homes
A top UK housebuilder

01

Partnerships & Regeneration
A leading UK regeneration specialist

01

Construction
A major national contractor

01

Our business
Strategic review
Business review
Governance
Financial information

02

03


01. Longhedge Village, Wiltshire
02. Longacre, Hampshire
03. Waterside, South London

Revenue

£937m
+11%

Profit from operations

£170.3m
+16%

Linden HOMES

Linden Homes delivered 3,296 new homes in 2016/17, of which 77% were for private sale. We have a strong presence in the South and East of England, a growing footprint in the North and Midlands, and the potential for further expansion.

We develop high-quality homes for first-time buyers and families. Our sites are in good locations, close to transport links and local amenities. We create sustainable developments by designing homes to complement their surroundings, while maximising the benefits of internal standardisation. Where the market requires, we have a proven ability to create bespoke designs and high-rise developments.

Business review **p26**

02

03


01. Pretoria Road, North London
02. Tregae Parc, Cornwall
03. Bournville Gardens Retirement Village, Birmingham

Revenue

£330m
+10%

Profit from operations

£14.9m
+27%

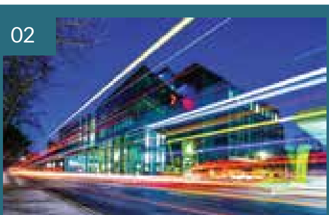
GallifordTry Partnerships

Partnerships & Regeneration is our specialist regeneration business. It has a strong track record of delivery and a growing national footprint.

We have strong relationships with the Homes and Communities Agency and Greater London Authority, provide contracting services to housing associations, local authorities and other Registered Providers, and develop mixed-tenure projects, providing private housing for sale on regeneration-led sites. We use the Linden Homes brand to differentiate our developments and draw on Linden Homes' retail expertise to deliver these projects successfully.

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

Business review **p30**

02

03


01. NDA Archive, Caithness
02. 40 Brighton Road, Surrey
03. Skipton Flood Alleviation Scheme, Yorkshire

Revenue

£1,527m
+2%

Pre-exceptional loss from operations[1]

£(0.9)m
-106%

1 Reported loss from operations was £88.8 million.

GallifordTry Morrison Construction

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

The business is organised into the Building, Infrastructure and PPP Investments divisions. It also includes facilities management, telecommunications, dry lining and our national piling specialists, Rock & Alluvium.

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

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

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

Business review **p34**

Our business model
How our businesses generate revenue and profit

Our business model encompasses housebuilding and construction activities. Our businesses have complementary cash flow profiles, with contracting generating cash from clients' regular payments, which we can use to fund land and housing developments.

How our businesses make money

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

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

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

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

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

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

Inputs

Cash investment
We invest in land and development using cash generated by contracting as well as external financing.

See Financial review p22

People
We recruit and retain the very best talent.

See Our people p42

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

See Natural resources p44

Relationships
We develop long-term relationships with clients, customers, suppliers, subcontractors and communities, so we can win work and deliver it effectively.

See Stakeholder relationships p45

The role of the Group

Set strategy
Give strategic direction to the businesses.

Mitigate risk
Identify and manage risks to our Group strategy and business model.

See Principal risks p18

Allocate capital
Provide resources to support the businesses' strategies.

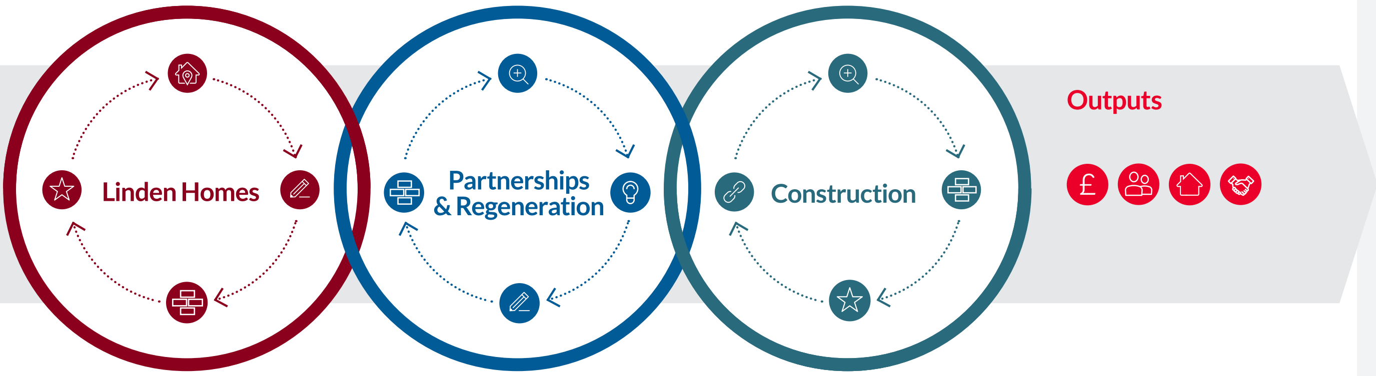
Embed culture
Set and promote the values and behaviours desired throughout the Group.

See Operating sustainably p39

Deliver central services
Align essential functions to the businesses' needs.

Provide governance
Ensure robust framework for strategic delivery.

See Governance p48



Developing homes

Invest
Maintain landbank of prime plots in good locations.

Design and planning
Create standard house types with unique elevations, complementing their surroundings.

Build
Construct high-quality, sustainable homes.

Sales and aftercare
Deliver high standards of customer service.

Business review p26

Residential-led regeneration

Evaluate opportunities
Carefully assess risk and returns.

Develop solutions
Assemble the right combination of tenures and financing partners.

Create design
Ensure a strong sense of place.

Build and sell
Use housebuilding and contracting skills to deliver solutions.

Business review p30

Building and infrastructure contracting

Manage risk
Assess and control risk from bid selection to delivery.

Work with supply chain
Partner with suppliers to support delivery.

Deliver
Complete projects to the highest standards.

Client & community focus
Become a long-term partner of clients, focused on communities.

Business review p34

Shareholder returns
Shareholders benefit from rising earnings, cash flows and dividends.

See Financial review p22

Engaged and healthy workforce
Developing our people and keeping them healthy and safe boosts their engagement and productivity.

See Health and safety p40
See Our people p42

Quality buildings, infrastructure and homes
Excellent people and processes, and an understanding of our clients' and customers' needs, enable us to deliver high-quality, sustainable projects.

Satisfied stakeholders
We create value for our stakeholders by delivering for customers and clients on time and to budget, collaborating with our supply chain and involving our communities.

Value creation

Linden Homes
Creating value throughout the cycle

We create value by selecting the right land in good locations and designing high-quality homes as part of sustainable communities. We prioritise customer service by adopting The Linden Way, a framework which defines our approach at each stage of the housebuilding process.

Invest
Maintain landbank of prime plots in good locations

Linden Homes maintains an appropriate landbank, sufficient to meet our expected needs for the next 3.5 years and to underpin a sustainable business model. We acquire prime sites with good transport links and local amenities, where we can create communities that people aspire to live in. We have expertise in recycling brownfield land.

We are increasingly investing in strategic land. By taking options over land in potential growth areas, we are able to offer local authorities delivery solutions to current and future housing needs. By committing significant investment into the promotion of these sites, we are able to enter into exclusive negotiations with the landowner and secure sites at margins that recognise this.

Design and planning
Standard house types with unique elevations, complementing their surroundings

We design award-winning homes for the mid-market with exteriors that complement their local areas using predominantly standardised interior layouts, which help us to build our homes as efficiently as possible, without compromising on design or quality.

Some plots require the ability to design bespoke products or are more suitable for high-rise developments, for example on inner-city sites in London. Being able to create homes that suit their precise location helps to differentiate us from other housebuilders.

Build
Construct high-quality, sustainable homes

We are known for the quality of our homes and work closely with our suppliers to source the most suitable materials. Standardising layouts and processes is also more attractive to our supply chain, as it helps to build homes more safely, quickly, efficiently and to a consistently high standard. This also cuts waste and reduces our environmental impact.

Where practical we use local labour and endeavour to provide wider benefits to the communities we work in.

As a responsible developer, we deliver public spaces that support sustainable communities. This can range from streetscapes that reduce vehicle speeds to cycle routes, woodlands and play areas.

Sales and aftercare
Deliver high standards of customer service

We think about our customers' needs at every stage, from before we buy land to our aftersales service – an approach we call The Linden Way. This framework shares best practice across the business and sets out how we support our customers by adopting the right values, procedures and processes at each step of their purchasing journey.

Our Customer Charter describes our commitment to providing first-class service. It also outlines to our customers exactly what they should expect from us, from accurate and up-to-date information to home warranties.

Business review p26

We're now on the third generation of the Linden Homes Layouts and are delighted with the results. Standardisation by its nature of replication has the benefits of better quality, shorter lead times, improved customer service and stronger relationships with our supply chain.

Trevor Dempsey
Managing Director with responsibility for the Linden Homes Layouts.

Building communities and improving the environment
The Linden Homes Foundation

We adopt a sustainable approach to building to benefit our customers, the community and the environment. We co-ordinate our efforts through The Linden Homes Foundation, a nationwide initiative to bring real, tangible benefits to the cities, towns and villages where we build.

Over the five years The Foundation has been running, our projects have included refurbishing community buildings, putting green technology at the heart of schemes, inviting schools and the public to our developments to learn more about our industry, employing local people and supply chain partners and raising funds for national and local charities.

Built 'The Linden Way'
Crowdhill Green

Crowdhill Green in Fair Oak near Southampton was one of the first developments to feature the new Linden Homes Layouts.

The detached four-bedroom home uses one of the 33 layouts available. The 1,405 sq ft home has been designed to maximise floor space. While internal layouts and construction methods are standardised, elevations can be tailored to complement the local surroundings, and the development layouts can also be modified to suit the overall footprint of the site.

Value creation
continued

Partnerships & Regeneration
Creating value through strong partnerships

We create value by carefully assessing risk and returns and assembling the right combinations of tenures and financing partners to create homes and communities with a strong sense of place using our skills as a housebuilder and contractor.

Evaluate opportunities
Carefully assess risk and returns

Contracting, commissioning and development have different risk and financial profiles, as shown in the diagram on the right. We rigorously review each opportunity aiming to ensure it offers an appropriate balance of risk, return and cash generation or investment.

Our breadth of capabilities across all three areas is unique in the market, making us an attractive partner to our clients and opening up a greater range of opportunities for us. This breadth also allows us to reinvest cash generated by contracting and commissioning in suitable development opportunities.

Cash flows reinvested

	Contracting	Commissioning	Development/ Joint venture
Profit margin	Low	Intermediate	High
ROCE	High	High	Intermediate
Capital required	Cash generative	Cash generative	Cash investment
Risk	Low	Low	High
Skills	Construction	Construction Land / Development	Construction Land / Development Sales

Development/joint venture capability creates contracting and commissioning opportunities

Develop solutions
Assemble the right combination of tenures and financing partners

For commissioning and development opportunities, we can develop a full solution to suit the specific needs of the site. The site may be owned by us, either outright or with a partner, or by a Registered Provider, local authority or the public sector. Our ability to assemble solutions that provide value for our commissioning partners and share rewards through joint ventures is a particular strength.

We start by identifying local housing demand so we understand which tenures the solution must include. These tenures can range from affordable rent to homes for sale. We then develop a funding solution, reflecting the different investment profiles of each tenure. For example, homes for affordable rent can be sold to a housing association, while private rented sector homes appeal to institutional investors. We bring together the right partners with a view to making the project a success.

Create design
Ensure a strong sense of place

Once we have a solution for the site, we design housing to suit the local area. We have particular skills in creating successful communities with a strong sense of place, where the homes and public realm combine to form a coherent and attractive place to live. We want the community to thrive in the long-term while delivering wider benefits to the local area. We share Linden Homes' ability to create unique elevations for our homes, so they complement their surroundings, while maximising our use of standardised internal layouts to drive quality and efficiency.

Build and sell
Use housebuilding and contracting skills to deliver solutions

Our mix of housebuilding and contracting skills means we can construct any type of home, ranging from bungalows to multi-storey tower blocks, to excellent standards. For our developments, we use the Linden Homes brand and our sales and marketing capabilities to sell homes to consumers who buy outright or are supported by Help to Buy. We follow The Linden Way to enable us to offer high standards of customer service.

Business review p30

Homes for Cornwall is a long-term strategic partnership with the central aim of building new homes on public sector land. We are 'clustering' a local authority's sites together so that the more attractive outright sale sites are cross-subsidising the affordable housing sites and those sites which are more challenging to build. This approach allows the overall portfolio of sites to become viable and increases the number of homes which we build with our partners, demonstrating what Partnerships & Regeneration is all about.

Marc Thompson
Head of Strategy and Projects, Partnerships & Regeneration.

Innovative regeneration
Upton Village

Upton Village was named 'Most Innovative Affordable Housing Scheme' at the Housing Innovation Awards.

In this £24.5 million project for Registered Provider Peabody, we redeveloped the former Plaistow Hospital in East London into 168 new affordable homes including 66 properties for affordable rent, 74 for market rent and 28 homes for shared ownership.

We impressed the judges with the way we considered space and volume to make better quality living areas, a more efficient building footprint, better lighting and more amenity space.

Transforming neighbourhoods
Brunswick Regeneration

Our work to regenerate the Brunswick area of East Manchester, providing 522 new homes as well as new community facilities, including an ExtraCare centre and retail units, was awarded 'Regeneration Scheme of the Year' and 'Overall Winner' of the Inside Housing Top 60 Development awards.

The project is being delivered in a joint venture which brings together our housebuilding abilities with the financial expertise of lead partner Equitix, together with the housing management expertise of Contour Homes and the maintenance capability of Mears Group. Through this type of arrangement we join with partners who have the capacity to fund projects, allowing us to share risk and return.

Value creation
continued

Construction
Creating value through careful selection

We create value by carefully choosing the projects we take on and working closely with our clients and supply chain. This allows us to deliver superior buildings and infrastructure that improve the built environment and create a positive legacy for the people they serve.

Manage risk
Assess and control risk from bid selection to delivery

We look to manage risk at every stage of a project, from carefully assessing opportunities through to maintaining the finished asset. We are highly selective about the type and scale of work we take on, emphasising the quality of our revenue rather than the volume, and ensuring that each new project contains sufficient allowances for risk, margin and inflation. Our presence on numerous frameworks further reduces our risk profile, by allowing us to work collaboratively with clients, learn about their needs and become experts in delivering repeat projects for them.

Principal risks p18

Work with supply chain
Partner with suppliers to support delivery

We recognise that we are only as good as our supply chain, so building successful relationships with our partners is vital. Our 'Advantage through Alignment' scheme increases engagement with leading supply chain members, improves communication and gives them insight into our pipeline of work and our operations. It also allows them to benefit from our training programmes and practices, including our award-winning health and safety programme. Wherever practical, we prioritise working with local businesses.

Deliver
Complete projects to the highest standards

We operate through a network of regional offices, giving us in-depth knowledge of local markets, enabling us to build strong relationships with clients and suppliers, and helping us to retain local talent. Our focus is on quality from day one and we increasingly use technology and Modern Methods of Construction, such as off-site construction and Building Information Modelling, to deliver superior buildings. We also continue to invest in our systems and communication tools to improve our operational delivery further. We have the technical expertise to deliver sustainable buildings and infrastructure and are recognised for the quality of our delivery.

Client & community focus
Become a long-term partner of clients, focused on communities

We seek clients who value a collaborative approach and aim to become their long-term partners. Our approach to collaboration has been accredited to BS 11000, the best practice standard. We also endeavour to develop strong community relationships, for example by taking part in the Considerate Constructors Scheme and Open Doors, which gives people an insight into working in the industry, as well as working on a more regional basis to provide wider benefits to local people, schools and communities.

Business review p34

We are a leading player in the education sector. We are a key partner for the Education and Skills Funding Agency, and our proven track record and innovative Optimum Schools approach has seen us trusted with the construction of schools of all sizes and scales from Shetland to Kent.

Claire Jackson
Education Director.

Creating 'Advantage through Alignment'
Collaborative working with our supply chain

Our supply chain is critical to the delivery of our projects and so we have developed 'Advantage through Alignment', an initiative which helps us to work more collaboratively with carefully selected subcontractors by sharing our vision, values and objectives with them while opening up our training modules to them and providing visibility of works. 'Advantage through Alignment' centres around adopting shared values and continuous improvement to create strong, mutually-beneficial, aligned relationships that benefit our clients.

Opening our doors to the public
Anchorage House

We realise there is a skills shortage within our industry and are keen to play our part to promote the numerous and varied roles available within our industry to younger generations. During Open Doors week, 14 of our sites, including Anchorage House in East London, invited members of the public and young people around the country to come and have a first-hand look at the construction industry in action.

Presentations were held to promote careers in construction and site tours were embarked on, giving the attendees a real flavour of the work we are involved in.

Delivering benefits to motorists and the environment Tollbar End Improvement Scheme

We play an increasing role in improving the UK's infrastructure.

Working with Highways England, we delivered this £106 million project to improve traffic flow and alleviate congestion at what was once a historic bottleneck.

The project aims to reduce the volume of traffic using the Tollbar End roundabout by providing a two-lane dual carriageway underpass link and a larger layout designed to reduce congestion.

The work commenced in 2013 and since opening in March 2017, it is already providing the benefits of smoother journeys between the important North-South routes.

Chairman's statement
A year of strong underlying performance

Overall, and save for the difficulties experienced in certain legacy Construction contracts, Galliford Try is trading well and had another strong year. The Board is confident that we have the right strategy and senior leadership to deliver further success, for the benefit of all our stakeholders.

Peter Ventress
Chairman

Performance and dividend
The Board is pleased with the Group's underlying trading performance this year, as we made good progress towards our strategic targets. Linden Homes increased volumes and margins, while growth in Partnerships & Regeneration was driven by the rising proportion of more profitable mixed-tenure work. Construction's underlying business is performing well, although its result was held back by a number of legacy contracts, which necessitated a one-off charge this year.

With strong growth prospects across the Group and high returns on net assets, we believe that appropriate reinvestment will create significant value for shareholders. It is also important that we balance this investment with paying a healthy and growing dividend. We are therefore targeting a five-year compound annual growth rate in the dividend of at least 5%, while rebuilding dividend cover to 2.0 times.

In light of the one-off charge in Construction, we reviewed the impact on our cash position and distributable reserves and concluded that it was appropriate to maintain our dividend policy. The Board is therefore recommending a final dividend of 64.0 pence per share. Combined with the interim dividend of 32.0 pence per share, this gives a total dividend for the year of 96.0 pence per share, representing growth of 17%. The total dividend is 1.6 times covered. The final dividend will be paid on 22 November 2017 to shareholders on the register at 27 October 2017.

Strategy
This report details our new strategy and targets to 2021, which we announced in February. This was the culmination of several months of work, during which the Board took part in constructive debates about management's proposals. Through an iterative process, we used our knowledge and experience to test the assumptions underpinning the strategy, to assess the potential outcomes and to provide constructive feedback that helped the executive team to set the right boundaries for what they intend to achieve. The Board believes Galliford Try has the right strategy to take full advantage of the many opportunities in front of it.

Board changes
I took up the role of Chairman on 11 November 2016, following Greg Fitzgerald's retirement. I want to thank Greg for his very significant contribution to Galliford Try. Ken Gillespie, who was Chief Operating Officer, also retired during the year and we thank him and wish him all the best for the future.

Terry Miller was appointed as our Senior Independent Director, a role I vacated when I became Chairman, while Jeremy Townsend joined the Board as a Non-executive Director on 1 September 2017. He will become Chairman of the Audit Committee following the close of the AGM on 10 November 2017, when Andrew Jenner retires from the Board. I would like to thank Andrew for his sound leadership of the Audit Committee over the past nine years. On 1 September 2017, I became Chair of the Nomination Committee.

Governance
When I took over as Chairman, I sat down with the directors individually and collectively, to ensure an open and frank discussion about how we want the Board to operate. That process reinforced my view that Galliford Try has a strong Board, with directors who are all passionate about ensuring the Group succeeds.

We regularly assess the Board and its performance, both from an internal and an external perspective. This allows us to challenge ourselves and target areas where we can improve. For example, during my time on the Board we have allocated more of our discussions to strategy and other key areas of importance. I am confident the Board will continue to work on improving its effectiveness, giving us the right governance for the next stage of the Group's development.

People and culture
The Board fully supports the structural and cultural changes being instituted by Peter Truscott and his executive team. These changes are enabling us to devolve responsibility, so as to make faster and better decisions at the right level in the businesses. We discuss culture at our Board meetings and ensure we stay involved in its development. During the year, we held at least two Board meetings on site, which helps us to see the culture in the businesses first-hand.

On behalf of the Board, I would like to thank everyone in Galliford Try for their contribution this year. We appreciate their hard work and commitment to the Group.

Conclusion
In summary, the Board has confidence in Galliford Try's future. We are excited about the opportunities our new strategy identifies and believe the Group has the right strategy and leadership team to deliver further success.

Peter Ventress
Chairman

Chief Executive's review
A strategy for sustainable growth

We are already making good progress towards our strategic objectives for 2021 despite some of the challenges we faced in the year. All three businesses have clear plans to improve operating efficiency and to grow margins; we are also targeting growth in Linden Homes and Partnerships & Regeneration. Our management teams are providing the strong leadership we need, as we look to make further progress and deliver sustainable growth in the coming years.

Peter Truscott
Chief Executive

Performance
Galliford Try performed well in the year on an underlying basis.

Linden Homes increased both revenue and margins, helped by greater product standardisation and operational efficiencies. Although trading conditions were difficult in the immediate aftermath of the EU referendum, they gradually normalised and the market was positive for the year as a whole, with good mortgage availability, low interest rates and the continued stimulus of Help to Buy. The business ended the year with a solid order book of £373 million.

Growth in Partnerships & Regeneration was driven by higher-margin mixed-tenure revenues, which also benefited from the positive housing market described above. Although contracting revenues were broadly flat, the business built momentum in the second half of the year and had a substantially increased order book at the year end. Our geographical expansion is going well and the new Bristol office is delivering a strong pipeline of work. In May 2017, we expanded into the Southern region by acquiring the Drew Smith Group, a strong regional business with an excellent operational fit for Partnerships & Regeneration. We also progressed plans to open an office in the East Midlands.

Construction's markets were also generally positive during the year, with the government and regulated bodies continuing to spend on construction and infrastructure. However, the business was held back by legacy contracts, primarily two major infrastructure joint venture projects. These legacy contracts were secured in a more challenging economic environment for the construction sector. After a thorough review of costs to complete and expected recoveries, we announced a one-off charge of £98.3 million in our trading update in May. We are no longer undertaking similar large infrastructure contracts on fixed-price terms and there are no other similarly procured major projects in our portfolio. The underlying business is benefiting from its strong leadership and a rigorous approach to contract selection and risk management, with new work coming through at significantly better margins.

In the supply chain, material price inflation has generally been at a controllable level. There have been some cost pressures on materials sourced in foreign currencies, as a result of the weakening of Sterling, but overall inflation in our material supply chain is low.

A strategy for sustainable growth
Having made strong progress with our strategic objectives for the period to 2018, in February we set out our new strategy to 2021. This strategy has three central themes: we want to drive operating efficiencies, maintain capital discipline and operate sustainably. More details about each element of the strategy and our performance so far can be found below and on pages 16 and 17. Each of our three businesses has its own strategy in support of these objectives and these are described in the business reviews on pages 26 to 38.

Driving operating efficiencies
Across the Group, we have an ongoing focus on streamlining and simplifying our operations. In Linden Homes, we continue to standardise both the homes we build and our processes. We also have scope to increase the volume of sales significantly through each of our 10 business units, without corresponding growth in overheads. Partnerships & Regeneration will need to invest more in overheads as it continues to expand into new regions but this greater scale will also help to increase its efficiency. In Construction, the opportunity is primarily around efficiency in our operating processes. At the same time, we look to have a lean overhead at Group level and central services that are aligned to the needs of our devolved businesses.

Improving our operational effectiveness will translate directly into higher margins. It will also ensure that we have a robust platform from which we can deliver sustainable growth, while making us more responsive to any changes in our markets.

Maintaining capital discipline
We have a broad range of growth opportunities available to us, across all three of our businesses. However, we are not interested in pursuing growth for its own sake and look to select only the best of those opportunities. Our return on net assets is a key measure. In 2016/17, we achieved a pre-exceptional return on net assets of 27.5% and, by 2021, we are targeting to maintain a return on net assets of at least 25%. Our reported return on net assets was 14.0%.

Chief Executive's review
continued

Achieving this level of return means we must reinvest appropriately in the growth of the business. We also recognise that paying a strong and growing dividend to our shareholders is an important discipline for the business, as the Chairman has outlined in his statement.

In uncertain times, a sustainable business is one that is well-financed. During the year, we further strengthened our position by extending our banking facility and issuing a £100 million debt private placement. This gives us the flexibility to continue to invest in our growth strategy, while maintaining our planned payouts to shareholders.

Our growth plans are based on organic growth but we will also make acquisitions, where they will accelerate our strategy and are available at prices that create value for us. In March 2017, we made an offer to acquire Bovis Homes Group plc. The acquisition of Bovis would have significantly accelerated our strategy in Linden Homes. However, with a benign land market it did not make sense to pay a significant premium for Bovis and we were unable to agree terms that represented the right value for our shareholders, and accordingly decided to withdraw from the transaction.

Operating sustainably

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

Throughout the Group, our top priorities are health and safety, business ethics and customer service. These are things we must do well, all of the time.

While our overall health and safety performance improved this year, with a reduction in the accident frequency rate to 0.12, we were greatly saddened that there were two fatalities, including one on a joint venture site. This is unacceptable to us and we continue to strive to improve our performance, with the aim of achieving a safety record that is top-quartile in the industry.

We have a responsibility to conduct our business ethically, which means we must ensure our people know what we expect of them when they represent Galliford Try. Our Code of Conduct sets out our values and our belief that all employees have a role to play in making us sustainable.

We work hard to meet the needs of our customers and clients. We were pleased that Linden Homes retained its four-star National House Building Council customer satisfaction rating, while both Partnerships & Regeneration and Construction continue to generate high levels of repeat business, as a result of their strong client relationships. We realise that we do not always get it right but we are committed to continuous improvement, with consistent delivery being supported by our work to streamline and simplify our operations.

Attracting, developing and retaining a diverse workforce is evermore important. We have worked hard to target reducing our employee churn rate. In part, this requires us to make sure Galliford Try continues to be a great place to work. We are embedding a culture that empowers our people, gives our businesses autonomy and devolves decision-making throughout the organisation, within a framework of appropriate systems and controls. We also recognise the importance of offering competitive rewards and ensuring our people can develop themselves and forge a career within Galliford Try.

We see a real opportunity to strengthen our diversity significantly, by instilling flexible working and actively seeking a more diverse employee base. The industry has an ageing workforce and while a new generation of workers is coming through, the pace is insufficient to offset retirements. Offering flexible working will make us a more attractive employer to a broader range of people, including older workers who have considerable skills and experience but no longer want to work full-time, as well as people who need to balance work and family, and younger generations who want to work in a different way. This will require us to think differently about how we resource our teams, so we can have the right mix of full-time and part-time people, and use technology to enable remote working.

We aim to have a positive impact in the communities we operate in. We deliver high-quality and functional homes, buildings and infrastructure, which benefit the people living in and around them, whether by providing homes to rent or buy, schools to send their children to or offices to work in. We also look to minimise our impact on the environment. Reducing energy use and waste cuts our costs and our carbon footprint (page 44), and helps us to win work with clients who want their supply chain to contribute to their own sustainability.

Being a sustainable business also requires us to adapt to industry trends. We see a strong future for on site construction but there is a slow evolution towards manufacturing partly or wholly off-site. However, there are considerable hurdles to overcome. The supply chain and available technologies in this area are highly fragmented and it is difficult to achieve the same costs as traditional construction, with the necessary approvals in place. The planning system is also an impediment, as it favours buildings with bespoke designs. However, we believe off site manufacturing will be part of the future and our Construction business is completing a number of buildings using these techniques. This will give us valuable lessons for widening the use of these methods in the future.

Outlook

While we will continue to monitor market conditions, particularly in light of the current political and macro-economic uncertainty in the UK, we consider that the outlook remains positive for all three of our businesses and we are excited about the opportunities our new strategy to 2021 identifies. Continued strong demand in housebuilding, stable construction markets, a Group total order book of £5.3 billion, and our strengthened balance sheet give the Board continued confidence in the Group's prospects for the forthcoming year.

Peter Truscott
Chief Executive

01

A strategic focus for Galliford Try
Partnerships & Regeneration

The kind of affordable housing projects we deliver through our Partnerships & Regeneration business are in short supply across the UK, and we forecast an increasing demand for the kind of work that we do. Our track record means that we are very well placed to take advantage of this growing market.

01. Bournville Gardens Retirement Village, Birmingham

02

Acquisition of the Drew Smith Group
In line with our expansion plan in Partnerships & Regeneration, we acquired leading contractor and mixed-use developer, Drew Smith. Combining our expertise, financial resources and framework positions with Drew Smith's local knowledge and client base strengthens our offer in an area where we see considerable opportunity.

02. Carnival Gardens, Hampshire

Strategy to 2021, targets and performance
A three-part strategy for sustainable growth

This year we set out the next phase of our strategy, for the period to 2021. All three of our businesses have clear plans to improve operating efficiency and to grow margins; we are also targeting volume growth in Linden Homes and Partnerships & Regeneration.

Strategic priority one

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

Group

Strategy

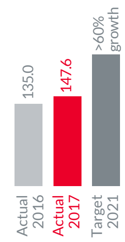
Across the Group, we are streamlining our operations to increase margins, enable us to respond faster as markets change and ensure we have strong foundations for top-line growth.

Progress

Achieved revenue growth and increased operating margins, resulting in increased pre-exceptional profit before tax.

Targets and performance

Pre-exceptional profit before tax £m



Linden Homes

Business review p26

Strategy

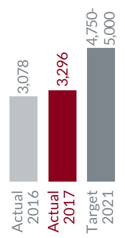
1. Increase standardisation of layouts and processes.
2. Grow volumes and operating margins from existing and new geographies.
3. Maintain a landbank of 3.5 years and increase plots from strategic land.

Progress

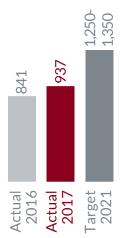
1. Made further progress with standardisation and began development of third generation of layouts.
2. Increased volumes by 7% to 3,296, contributing to revenue growth of 11%.
3. Operating margin at 18.2% (up from 17.5%).
4. Landbank of 3.5 years (10,650 plots) and continued to invest in strategic land team.

Targets and performance

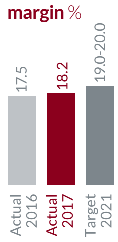
Units



Revenue £m



Operating margin %



Partnerships & Regeneration

Business review p30

Strategy

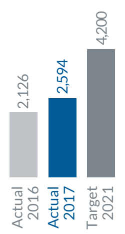
1. Grow national footprint by expanding into new geographies.
2. Drive margin improvement by leveraging mixed-tenure expertise.
3. Unlock partners' capacity in sub-markets.

Progress

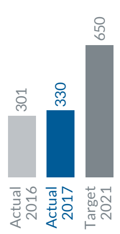
1. Opened office in Bristol, acquired business in Southern region and progressed opening of East Midlands office.
2. Grew mixed-tenure revenues to £82.2m, representing 25% of the total, and grew the blended margin from 3.9% to 4.5%.
3. Continued to form new partnerships with Registered Provider clients and other organisations and grew the forward order book.

Targets and performance

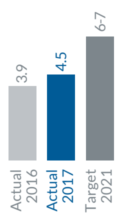
Units



Revenue £m



Operating margin %



Construction

Business review p34

Strategy

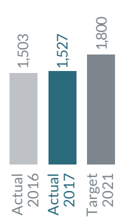
1. Retain existing platform for sustainable growth.
2. Improve operations to drive margins.
3. Deliver strong, predictable cash flows and margin improvement.

Progress

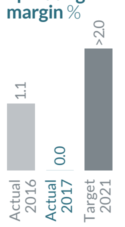
1. Maintained excellent position on frameworks and increased focus on public and regulated sectors.
2. Continued to drive operational improvements, including enhancing our business management system and communication tools.
3. Delivered good cash flow performance and improvement in margins on new work.
4. Enhanced risk management procedures bringing greater rigour around contract selection.

Targets and performance

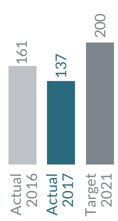
Revenue £bn



Pre-exceptional operating margin %



Cash £m



Strategic priority two

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

Group

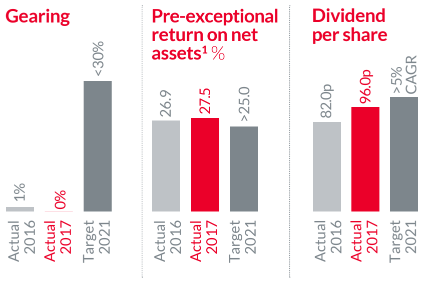
Strategy

The Group has a resilient and flexible balance sheet. We will continue to manage capital prudently and intend to pay strong dividends, while reinvesting appropriately in growing the business.

Progress

1. Extended the term of our banking facility and issued a £100m debt private placement.
2. Invested net £10.6m in developments in Linden Homes and Partnerships & Regeneration.
3. Grew the dividend by 17%.

Targets and performance



1. Group return on net assets was 14.0%.

Strategic priority three

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

Operating sustainably p39

Group

Strategy

Progress

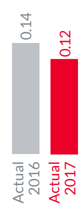
Targets and performance

Health and Safety

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

1. Planned the launch of a new wellbeing strategy and occupational health programme.
2. Delivered a record number of director safety tours.
3. Launched process to refresh our behavioural safety programme, 'Challenging Beliefs, Affecting Behaviour'.

Accident Frequency Rate

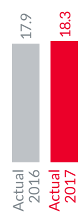


People

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

1. Ongoing rollout of values-based interview skills training across the Group.
2. Launched local induction days, reinforcing our Code of Conduct.
3. Improved online recruitment and on-boarding process.
4. Succession and talent management reviews carried out across the whole Group.
5. Commenced Inclusion & Diversity strategy.

Employee churn rate %



Our business
Strategic review
Business review
Governance
Financial information

Principal risks
Identifying, evaluating and managing our risks

The way in which we manage our principal risks and uncertainties is integral to the way we do business and to achieving our strategy of sustainable growth. The Group's approach to risk management has been enhanced during the year.

Approach to risk management

Risk is inherent in our operations and the decisions that we make in pursuit of our strategy. The Board has overall responsibility for determining both the nature and extent of the principal risks that the Group is willing to take and the Group's systems of risk management and internal control. In addition to the ongoing monitoring processes that the Board has in place, it has undertaken a formal and robust review of the Group's risk management and internal control systems during the year. The Board has also carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Our consideration of the key risks and uncertainties relating to the Group's operations, along with their potential impact and the mitigations in place, is set out on pages 20 and 21. There may be other risks and uncertainties besides those listed which may also adversely affect the Group and its performance. More detail can be found in the Audit Committee Report on pages 53 and 54.

The Audit Committee is responsible for keeping under review the adequacy and effectiveness of the Group's internal controls systems and for reviewing and approving statements included in the Annual Report concerning internal controls, risk management and the viability statement. The Board's assessment of the viability of the Group is set out on page 19 opposite.

Although they are not absolute assurance against the risk of material misstatement or loss, the Group's systems of risk management and internal control are designed to identify, manage, mitigate, monitor and report on risks to which the Group is exposed.

Operational responsibilities

The Board has delegated implementation of risk management and internal control, together with their day-to-day operation, to the Group's executive management. The process is overseen by the Executive Risk Committee, which has been chaired by the General Counsel and Company Secretary since May 2017, and is managed on a day-to-day basis by the Director of Risk and Internal Audit. During the year the Executive Risk Committee was restructured and refreshed with additional processes introduced to monitor and manage the Group's risks.

Risk identification, assessment and mitigation

We develop and maintain risk registers at business unit, divisional and Group level, which identify key operational, financial and strategic risks applicable to that level within the organisation, and which are assessed and consolidated into a Group-wide register using a standardised methodology. The methodology requires each identified risk to be assessed and measured using a risk matrix which quantifies the likelihood and impact of each risk (the inherent risk), the effect of the mitigating actions (to determine the residual risk) and the desirable risk profile (the target risk), as aligned to the Group's risk appetite. The methodology evaluates the impact of each risk on the Group's profitability and reputation.

Risk appetite

Our risk management processes evaluate risk and initiate actions, where necessary, to bring identified risks down to an acceptable level. Our risk appetite is described as the total residual risk defined on the Group risk register.

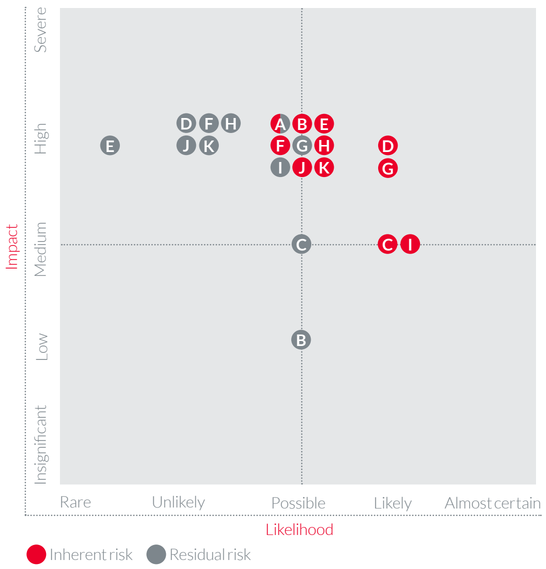
Risk management, risk reporting, internal controls and internal audit

The material components of the Group's established framework of risk management and internal controls comprise the following:

- organisational structure: each business has its own management board and each business unit is led by a managing director and management team;
- contractual review and commitments: the Group has clearly defined policies and procedures for entering into contractual commitments which apply across its business units and operations and are enforced through the Group's legal authorities matrix;
- investment in land and development: land expenditure approval is subject to clearly defined policies and procedures, with significant investments approved at Executive Board and Board levels under Group policies and procedures;
- operational activity: there are established frameworks to manage and control all site operations including health, safety and environmental procedures, regular performance monitoring, quality and external accountability to stakeholders;
- financial planning framework: the Group reviews and refines its business plan on an annual basis, following specific Board meetings held to consider strategy. A detailed annual budget is prepared for each financial year which is approved by the Board;
- operational and financial reporting: we continue to improve the Group's reporting and financial systems as we optimise both of the Oracle and Hyperion systems. An exacting profit and cash reporting and forecasting regime is in place across the Group. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters are prioritised within monthly operational reports;

Risk heat map

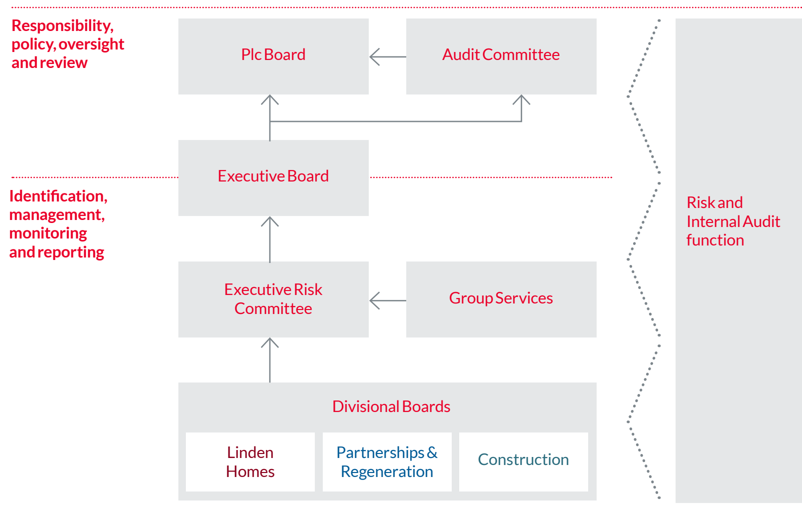
Effects of mitigation on inherent risks



The heat map shows the movement of the principal risks after mitigating actions, illustrating the effects of the Group's risk management process.

A	Economic	G	People
B	Government	H	Supply chain
C	Health and Safety	I	Business continuity
D	Commercial	J	Ambitious growth targets
E	Legal and regulatory compliance	K	Forecasting
F	Customer satisfaction and quality control		

Risk management governance structure



The Group's risk management governance structure, as set out above, highlights the way in which risks are identified, reported and managed within the framework set by the Board. The Risk and Internal Audit function plays an integral role in identifying, reporting and managing risk throughout the governance structure.

- **Code of Conduct:** the Group requires its employees to operate ethically and with demonstrable integrity. Group standards are set out in a Code of Conduct issued to all employees, and supported by specific training modules in key areas;
- **pension plan administration:** the administration of the Group's fully closed final salary and ongoing defined contribution pension plans is outsourced to professional service providers. Each of the final salary schemes has an independent scheme secretary and a proportion of independent trustees to provide additional layers of external scrutiny; and
- **assurance provided by non-audit functions:** a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment; legal contract review and compliance; and construction industry regulation.

The Group's high-level governance reporting structure shown on page 49 clarifies the effective Board structures upon which the delegated authorities matrices and corporate and finance manuals are overlaid.

The Executive Risk Committee, Executive Board and plc Board regularly review the risk registers and associated mitigating actions. During the last year the ongoing review included the impact of the EU referendum, the general election result and major contract pricing. In addition to this process we undertake an annual review of our risk management processes in the context of market developments, projects secured and Group strategy to ensure that they remain up-to-date and relevant. This also encompasses a review of the internal controls framework, together with the findings of the internal audit function over the past year, which may indicate weaknesses that have had, could have had, or may have in the future, a material impact on results, and any remedial actions taken. Based on these assessments, the Board is satisfied with the effectiveness of the Group's systems of risk management and internal control.

Viability statement

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

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

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

Principal risks
continued

Our strategy

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

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

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

Economic

Movement in the year

Link to strategy

1 2 3

Description of inherent risks
The biggest risk is the macro-economic environment and the possibility of an economic downturn. The ongoing uncertainty following last year's EU referendum and this year's general election has the potential to distort some of our markets. The Construction and Partnerships & Regeneration businesses are well placed to deal with any uncertainty due to the nature of their businesses. Linden Homes, while more exposed to a potential slowdown and changes in consumer confidence, has a great brand and is solidly positioned, with an appropriate landbank, good locations and well-designed homes.

Mitigation
We manage the impact of macro-economic risks, for example by building a strong order book and maintaining an appropriately-sized landbank. We have been doing that successfully and had order books in Construction and Partnerships & Regeneration of £3.6 billion and £1.0 million respectively at the year end. The sales carried forward position in Linden Homes at the year end was £373 million. We monitor closely political and economic developments: we have modelled a range of macro-economic scenarios and planned measures which can be implemented should the macro-economic environment improve or deteriorate as against our internal models.

Key risk indicators
- Consumer spending decreases
- Interest rates increase

Actions in 2016/17
- We monitored the likelihood of interest rate rises, sales rates and visitor levels
- We purchased land at higher hurdle rates in prime areas, using joint ventures as necessary to reduce risk

Government

Movement in the year

Link to strategy

1 3

Description of inherent risks
A reduction in government spending on infrastructure projects or affordable housing development, including schemes such as Help to Buy, would directly affect our business. Other initiatives relating to project bank accounts or payment terms may impact the cost of doing business.

Mitigation
The Group regularly engages with government and the Homes and Communities Agency (HCA), both directly and via our membership of industry bodies. Prudent pricing models, increased hurdle rates and other contingencies are built into our land appraisal process, including removal of any government support. Support for Help to Buy appears to be in place until 2021.

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

Actions in 2016/17
- Participated in meetings with government post the EU referendum

Health and Safety (H&S)

Movement in the year

Link to strategy

3

Description of inherent risks
A failure of routine H&S processes leading to a catastrophic incident with fatalities and/or significant injuries can, in addition to its impact on victims and corporate reputation, lead to fines or prosecutions for individual members of staff or directors. A high cumulative level of H&S prosecutions would reduce our ability to win work.

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

Key risk indicators
- Increase in near misses, injuries and/or fatalities

Actions in 2016/17
- H&S formed a key theme across employee communications, including our directors' conference, Chief Executive's Roadshow and quarterly messages from the Chief Executive
- The Executive Board undertook a review of H&S performance in the year

Commercial

Movement in the year

Link to strategy

1 3

Description of inherent risks
A failure to agree appropriate commercial terms or to manage fixed-price contracts correctly can result in reduced profits or, in some cases, losses on projects.

Mitigation
We are carefully managing our existing fixed-price contracts and closely review bids for contracts of this kind. We enhanced our risk management procedures, bringing greater rigour around contract selection.

Key risk indicators
- Lower profits being recorded

Actions in 2016/17
- Existing fixed price long-term contracts are being carefully managed through to completion
- We no longer take on similar-type large infrastructure projects on fixed-price contracts

Legal and regulatory compliance

Movement in the year

Link to strategy

3

Description of inherent risks
Legal and regulatory failure, for example involvement in bribery or other fraudulent activity, or non-compliance with law (including for example the Bribery Act, Fraud Act, Competition Act, Money Laundering Regulations and Proceeds of Crime Act) could lead to disbarment from bidding for certain public or regulated sector work, fines, jail and reputational damage.

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

Key risk indicators
- Legal/regulatory failures and/or fines

Actions in 2016/17
- Continued embedding of the Group's Code of Conduct, including quarterly messages from the Chief Executive
- Conflicts of interest guidance refreshed in the year
- Ethics Committee met regularly during the year

Customer satisfaction and quality control

Link to strategy

1 2 3

Description of inherent risks
Poor customer satisfaction may have a negative impact on reputation affecting revenue and profit through sales rates and increased costs.

Mitigation
There are rigorous quality control procedures in place in all three of our businesses, including The Linden Way, which defines our approach at each stage of the housebuilding process.

Key risk indicators
- Customer satisfaction scores decline
- Failure to hit key milestones in project plan

Actions in 2016/17
- Quarterly messages reminding staff of the importance of customer service
- Review of business management systems in the year
- Customer satisfaction was included as an agenda item at all divisional and business unit board meetings

People

Movement in the year

Link to strategy

3

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

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

Key risk indicators
- Staff churn rates increase

Actions in 2016/17
- Succession planning has continued
- Commenced work on a new Inclusion & Diversity policy
- Staff engagement survey

Supply chain

Movement in the year

Link to strategy

1 3

Description of inherent risks
A shortage of trades people can create resourcing issues and increase the cost of the supply chain.

Mitigation
The Group aims to develop long-term relationships with subcontractors to ensure we are a preferred customer in the supply of resources and skills, as well as materials. The 'Advantage through Alignment' initiative in our Construction business is working well.

Key risk indicators
- Shortage of trades people

Actions in 2016/17
- Increased the number of apprenticeships in the business
- Continued to embed 'Advantage through Alignment'

Business continuity

Movement in the year

Link to strategy

1 2 3

Description of inherent risks
Loss of our Shared Service Centre or IT infrastructure, especially our financial system, including a natural disaster or malicious attack, may affect our ability to carry on day-to-day business.

Mitigation
Disaster recovery plans have remained in place throughout the year, and are tested on a regular basis, including penetration tests in respect of cybercrime.

Key risk indicators
- An increase in systems failures and/or attacks on our networks

Actions in 2016/17
- Operational reviews of business continuity plans were commenced in the year

Ambitious growth targets

NEW

Link to strategy

1 2 3

Description of inherent risks
Ambitious growth of a business in terms of revenue and footprint may increase the risk of its existing business suffering from quality issues, failure to achieve budgeted growth and failure of new offices, all impacting Group results.

Mitigation
Strong management teams are in place within each business to ensure that growth plans are well managed. In addition, the Executive Board and plc Board regularly monitor the financial performance of each business.

Key risk indicators
- Failure to meet growth targets
- Poor customer satisfaction scores

Forecasting

Link to strategy

1 2 3

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

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

Key risk indicators
- Monthly/weekly cash forecasting proves to be inaccurate

Actions in 2016/17
- The Group's annual business plan and budgeting exercises included detailed reviews of the Group's cash forecast for 2017/18.

Financial review
Creating a strong platform for sustainable growth

Galliford Try has a strong balance sheet, which we further reinforced during the year. This gives us the resources we need to execute our strategy to 2021, while providing substantial headroom that protects our ability to invest and pay dividends to shareholders.

Graham Prothero
Finance Director

Introduction
I am pleased to report another year of strong underlying trading performance. Excluding exceptional items, we delivered excellent profit before tax and earnings per share, and a further increase in return on net assets. These results, alongside strengthening the balance sheet, represent encouraging early progress towards our targets for 2021.

Results
Revenue including joint ventures rose 6% to £2,820 million (2016: £2,670 million). Group revenue, which excludes our share of joint ventures, was up 7% at £2,662 million (2016: £2,495 million).

Pre-exceptional profit from operations, which is stated before finance costs, tax and our share of joint ventures' interest and tax, rose 9% to £171.2 million (2016: £157.5 million). This resulted in pre-exceptional profit before tax of £147.6 million, up 9% from £135.0 million in 2016, reflecting revenue growth and improved pre-exceptional margins in Linden Homes and Partnerships & Regeneration. Profit before tax was £58.7 million (2016: £135.0 million), reflecting the exceptional charge in respect of legacy contracts in Construction (see note 3).

The table below details the reconciliation from profit before income tax to our alternative performance measure of pre-exceptional profit before income tax. This measure excludes the impact of exceptional items and management uses it as a key metric to monitor the ongoing performance of the business.

	£m
Profit before income tax	58.7
Charge on legacy contracts	87.9
Abortive merger costs	1.0
Pre-exceptional profit before income tax	**147.6**

Average net debt during the year was £240 million (2016: £204 million) and year end net cash was £7.2 million (2016: net debt of £8.7 million), as a result of our strong focus on cash management.

Linden Homes
Linden Homes grew revenue by 11% to £937.4 million (2016: £840.8 million), reflecting increased unit numbers and a higher average selling price. Revenue included sales of land into joint ventures, of £24.3 million (2016: £19.5 million).

Linden Homes' gross margin was 23.0%, a reduction from 23.8% in 2016. Some prices pressures in London and the South East held back growth in the gross margin; we also made some changes to our overhead classifications, which had the effect of depressing the current year margin against the comparative figure. We accounted for profits of £14.6 million from sales into joint ventures (representing only our partners' shares); excluding these transactions the gross margin from sales of houses was 21.3% (2016: 22.6%).

Profit from operations increased by 16% to £170.3 million (2016: £147.2 million), resulting in an operating margin of 18.2%, up from 17.5% in 2016, reflecting our sustainable improvements in operating efficiency. Overheads reduced to 4.8% of revenue (2016: 6.3%), as we continued to rationalise our operating processes. Following an operating margin in the first half of the year of 18.2%, the margin achieved in the second half of the year was 18.1%. Excluding profits from land sales into joint ventures, the operating margin for the year was 17.0% (2016: 16.2%).

Return on net assets was 37.1%, compared with 31.7% in 2016.

Partnerships & Regeneration
Partnerships & Regeneration delivered revenue of £330.2 million, up 10% (2016: £300.6 million). Revenue from mixed-tenure developments grew by 23% to £82.2 million. Contracting revenues increased by 6% to £248.0 million, with growth in the second half following a decline in the first half, when a number of larger contracts came to an end.

Profit from operations rose by 27% to £14.9 million (2016: £11.7 million), resulting in a blended operating margin of 4.5% (2016: 3.9%). The increase resulted primarily from the growing proportion of higher-margin mixed-tenure work.

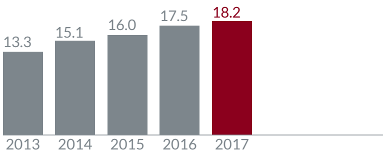
The business' net debt stood at £39.3 million at 30 June 2017 (2016: £12.1 million), reflecting our increased investment in mixed-tenure developments and geographical expansion of the business, with the acquisition of Drew Smith in May 2017 for £27.1 million. Partnerships & Regeneration will continue to have a net debt position, as it accelerates its mixed-tenure growth.

Return on net assets was 40.7% (2016: 42.3%).

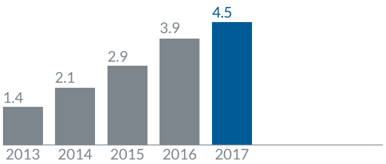
Financial highlights

- Revenue up 6% to £2,820m (2016: £2,670m).
- Pre-exceptional profit before tax up 9% to £147.6m (2016: £135.0m).
- Profit before tax down 57% to £58.7m (2016: £135.0m).
- Pre-exceptional Group return on net assets increased to 27.5% (2016: 26.9%).
- Strong financial position, with Group year end net cash of £7.2m (2016: net debt of £8.7m).
- Investment in Linden Homes' developments, including joint ventures, steady at £733.8m (2016: £749.8m).
- Margin in Partnerships & Regeneration increased from 3.9% to 4.5%.
- Construction cash balance of £137.4m (2016: £161.1m).
- Equity decreased by £24.5m to £575.5m (2016: £600.0m).
- Net tangible assets down by 11% to £396.4m (2016: £447.8m).
- Exceptional items of £88.9m (2016: £nil).

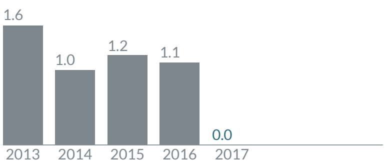
Linden Homes operating margin %



Partnerships & Regeneration operating margin %



Construction pre-exceptional operating margin %[1]



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

Construction

Revenue grew by 2% to £1,526.9 million (2016: £1,503.4 million), in line with our strategy to prioritise selective bidding and margin enhancement over growth in turnover. Pre-exceptional loss from operations was £0.9 million (2016: profit of £15.8 million), representing a margin of 0.0% (2016: 1.1%). Loss from operations was £88.8 million (2016: profit of £15.8 million). The result continues to be affected by the settlement of legacy contracts, negotiated in more difficult market conditions prior to the final quarter of 2014, and notably the one-off charge of £98.3 million in that regard, announced in May 2017. The portfolio of newer work continues to perform well, reflecting appropriate terms, cost estimates and margins. Construction's results in 2016 included the sale of our site accommodation portfolio to a third party equipment hirer. The disposal generated a profit of £5.2 million.

The Building division reported a loss from operations of £12.0 million (2016: profit of £9.0 million). Infrastructure's pre-exceptional profit from operations was £11.1 million (2016: £6.8 million), representing a pre-exceptional margin of 2.0% (2016: 1.4%). After the exceptional charge, Infrastructure generated an operating loss of £76.8 million. The underlying portfolio of newer work, which represents 80% of revenue (including both Infrastructure and Building), continues to perform well, generating off site margins of between 6.5% and 8.0%.

PPP Investments

PPP Investments reported revenue of £25.0 million (2016: £25.0 million), with a profit from operations of £2.4 million (2016: loss of £1.4 million).

Exceptional items

A charge of £88.9 million has been classified as exceptional. This primarily comprises losses of £87.9 million in respect of two major joint venture infrastructure projects, both contracted on fixed-price terms, respectively in 2011 and 2014. One of these projects is now largely complete; the other, which represents the larger proportion of the estimated non-recurring costs, is scheduled to complete in mid-2018. Of these costs, £79.3 million was included within the charge of £98.3 million announced in our trading update in May (the other £19.0 million being charged to pre-exceptional costs of sales in Construction), and £8.6 million represents the balance of losses incurred on these two projects in 2017, the majority of which was recognised at 31 December 2016. We have reasonable confidence around the cost position on these projects, but inevitable intrinsic uncertainty around amounts to be recovered from some significant claims.

The balance of £1.0 million represents professional fees incurred centrally in respect of the abortive merger proposal with Bovis Homes Group plc.

Taxation

The pre-exceptional items effective tax rate was 18.6% (2016: 19.3%). The standard corporation tax rate was 20% from July 2016 to March 2017 and 19% for the final quarter of the financial year. We believe our effective tax rate will continue to be just below the headline rate of corporation tax for the foreseeable future. After exceptional items, the effective rate was 17.0% (2016: 19.3%).

Tax strategy

Our strategy is to comply with the letter and spirit of relevant regulations while minimising the tax burden for the Group. We seek to achieve this through engagement with our stakeholders including HMRC, partners, suppliers and customers. The Board regularly reviews the Group's tax strategy.

The Board considers that it has a responsibility to minimise the tax burden for the Group. In this respect the Board considers it is entirely proper that the Group conducts an appropriate level of responsible tax planning in managing its tax affairs, being consistent with its obligations to protect the assets of the Group for the benefit of our shareholders.

Financial review
continued

Capital structure and funding

The Group is funded by ordinary shares, retained profits, a single bank facility and a debt private placement. During the year, we extended our £450 million bank facility by two years to February 2022, on the same financial terms. We also agreed important changes to our covenants which are now measured twice a year, in line with normal market practice, rather than the previous four times. This change improves the position for both the Group and our banks. For the Group, it gives us greater flexibility about the timing of investments in Linden Homes and Partnerships & Regeneration; and for the banks, since our gearing is no longer measured at points in the year when our investment is typically at its peak, we were able to accept a tightening of this covenant to a level more typical for the market.

The second important development in the year was the completion of a debt private placement of £100 million 10-year Sterling notes, at a fixed rate of 4.03%. The notes were issued in a bilateral deal with Pricoa in London, and we are pleased to open a new relationship with another strong lender, thereby diversifying our sources of funding and enhancing our flexibility and resilience.

In aggregate, the Group now has £550 million of debt facilities. This is comfortably above the level we expect to require but with uncertainty remaining over the impact of Brexit, we believe it is prudent to retain balance sheet flexibility to support our strategy for growth. As part of the Group's strategy to 2021, we have retained our target of period-end gearing of no more than 30%.

We have an interest rate swap for £100 million at 1.4%, which runs until 2020. This locks in a low interest rate and gives us certainty about the cost of a portion of our debt. A second interest rate swap, for £75 million at 1.5%, expired in May 2017 and was not renewed, given that we have a fixed interest rate on our £100 million private placement.

Our business model reduces our reliance on external funding. Construction generates cash, which helps to fund our continued investment in Linden Homes and increasing investment in Partnerships & Regeneration. The Construction business had an average cash balance of £41 million during the year, representing 3% of its turnover.

Net assets increased to £171.6 million in Linden Homes and £41.4 million in Partnerships & Regeneration, in line with our growth ambitions. More information can be found in note 2 to the financial statements. In both businesses, we optimise our capital deployment by using joint ventures, which reduce our capital investment, diversify location-specific risk and enable us to redeploy capital, increasing outlet numbers. Our joint ventures also use bank funding, which has limited recourse to Galliford Try. At 30 June 2017, this funding totalled £26 million.

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

This planning is carried out within Board-defined parameters.

We have an open, honest and positive working relationship with HMRC and we are committed to prompt disclosure and transparency in all tax matters. We recognise that there will be areas of differing legal interpretations between ourselves and HMRC and where this occurs we will engage in proactive discussion to bring matters to as rapid a conclusion as possible.

We have a policy to engage with government directly on tax matters that are likely to impact us and will respond to consultation documents where the impact could be substantial either financially or administratively. Recently we commented on the apprenticeship levy and the requirement to publish our tax strategy. We also lobby the government indirectly through the Home Builders Federation, other industry groups, committees and leading professional advisers.

Earnings and dividend

Earnings per share, pre-exceptional items, increased by 10% to 145.8 pence. After exceptional items, earnings per share were 59.1 pence. Earnings per share in 2016, when there were no exceptional items, were 132.5 pence. Details of the calculation of earnings per share can be found in note 9 to the financial statements.

The directors are recommending a final dividend of 64.0 pence per share which, subject to approval at the AGM, will be paid on 22 November 2017 to shareholders on the register at 27 October 2017. Together with the interim dividend of 32.0 pence per share paid in April, this will result in a total dividend in respect of the year of 96.0 pence per share, an increase of 17% on the previous year. The total dividend is 1.6 times covered (2016: 1.6 times). The dividend is calculated in line with our guidance to the market, being 1.6 times covered by the sum of the post-exceptional earnings and the one-off charge of £98.3 million announced in May. Our target is to increase dividend cover to 2.0 times by the 2021 financial year.

The cost of the final dividend is £53 million, resulting in a total dividend cost relating to the year of £79 million.

Cash and equity

Net cash at the year end was £7.2 million (2016: net debt of £8.7 million). At the same date, cash balances in Construction stood at £137.4 million (2016: £161.1 million) with the reduction primarily reflecting cash funding in the two infrastructure joint ventures mentioned above.

Group average net debt during the year was £240 million (2016: £204 million).

The year end net capital employed in developments and joint ventures was £734 million (2016: £750 million) in Linden Homes and £93 million (2016: £66 million) in Partnerships & Regeneration. We continue to purchase land on deferred payment terms where possible. Land creditors declined by £58 million to £145 million.

Total equity decreased by £24.5 million to £575.5 million (2016: £600.0 million), while tangible net assets decreased by £51.4 million to £396.4 million (2016: £447.8 million), as a result of the one-off charge in respect of the legacy contracts in Construction. This represented net assets per share at 30 June 2017 of £6.94 (2016: £7.24) and tangible net assets per share of £4.78 (2016: £5.40).

Return on net assets

Group return on net assets is a key measure for assessing our performance, and is calculated as profit before tax, finance costs and amortisation, divided by average net assets. On a pre-exceptional basis, it increased to 27.5% from 26.9%, reflecting pre-exceptional profit growth across the Group. On a reported basis, Group return on net assets was 14.0%.

Pension and share scheme costs

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

The total pension cost charged to the income statement was £16.6 million (2016: £17.3 million).

Under IAS 19 'Employee Benefits', there is a deficit in the Group's final salary pension schemes. This was calculated at 30 June 2017 by an independent actuary. The gross deficit recognised on the balance sheet is £3.2 million (2016: £4.3 million deficit).

The valuation of the Galliford Try Final Salary scheme was completed during the year and showed a deficit of £16.7 million as at 30 June 2015. The latest valuations of the Group's other schemes showed a deficit of £1.2 million. The Group made annual deficit funding payments of £6.4 million to the schemes. Further details of the Group's pension arrangements can be found in note 31 to the financial statements.

Amounts charged to the income statement in respect of employee share schemes amounted to £1.8 million in 2017. Further details can be found in note 28 to the financial statements.

Treasury management and financial instruments

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

Details of the extension to our bank facility, the change in the associated covenants and the debt placement can all be found in the capital structure and funding section on the left.

We have rigorous controls to ensure we maintain borrowings at an acceptable level. Each day, we aggregate the bank balances or borrowings in all the Group's operating companies into a total cash or borrowing figure, so we can obtain the most advantageous offset arrangements and interest rate.

The main risk arising from our financial instruments is interest rate risk. While our policy is to accept a degree of interest rate risk, we have entered into a swap agreement, which is described under capital structure and funding on page 24 opposite. The debt private placement provides further protection against future interest rate rises.

Virtually all of our activities take place in the UK. Significant purchases of construction materials from overseas are hedged at the point of entry into the contract, such that we do not take risk on currency fluctuations. The Group had no material foreign currency exposure at 30 June 2017.

Maximum credit risk exposure

The directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 30 June 2017. Further information can be found in notes 19 and 26 to the financial statements.

Contingent liabilities

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

Going concern

The Group's statement of going concern, together with further related information, can be found in the Directors' Report on pages 68 and 69. The principal risks and uncertainties that could affect the Group's future financial performance are detailed on pages 18 to 21.

Critical accounting policies and assumptions

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

Graham Prothero
Finance Director

Business review

Linden Homes

Linden Homes performed well, as it increased volume and margins and made good progress towards its strategic priorities.

Helping people to get on the property ladder Help to Buy

Help to Buy is a government scheme that enables first-time buyers and existing homeowners to buy a new home by providing an equity loan of up to 20% of the cost of a new build home, rising to 40% in London, with just a 5% deposit.

The majority of our developments, including Shinfield Meadows in Berkshire (pictured), offer Help to Buy and in total, we have sold 4,140 homes under the scheme across Linden Homes and Partnerships & Regeneration.

We also offer a range of other enablers aimed to help prospective buyers such as part exchange and 'Assisted Move', which helps facilitate the process of buying a Linden home by working with a customer and their estate agent to sell their existing home.

Creating sustainable homes Recognised for our contribution

The sustainability of our homes and developments is important to us, and we were pleased to be awarded silver in NextGeneration's benchmark of the 25 largest housebuilders in the UK for reducing our environmental impact and building well-designed developments that support the creation of sustainable communities.

Reinforcing this, we won silver for 'Sustainable Developer of the Year' at the What House? Awards, the biggest and most prestigious event for housebuilders, for the second year running.

We were also proud to be named 'Best Large Housebuilder' at the Brick Awards.

Linden HOMES

Highlights

3,296 Completions (2016: 3,078) contributing to revenue of £937 million, up 11%.

Margin Further increase in operating margin to 18.2% (2016: 17.5%).

Sales per outlet stable at 0.62.

Sales carried forward down 2% to £373 million.

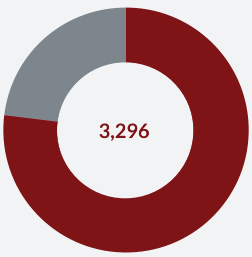
Landbank of 10,650 plots (2016: 11,500 plots) representing a circa 3.5-year pipeline.

Land secured 100% of land required for 2018 financial year in place and 90% of land secured for 2019.

Performance

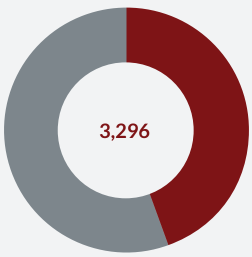
	2017	2016
Revenue (£m)	**937.4**	840.8
Profit from operations (£m)	**170.3**	147.2
Operating profit margin (%)	**18.2**	17.5
Completions	**3,296**	3,078

Completions by sector



Private	2,537
Affordable	759

Completions by region



East	1,473
West	1,823

Our strategy to 2021 is to:

1. Further increase standardisation
By continuing to standardise our layouts and processes, we will be able to build more quickly, to higher quality, at lower costs and with shorter lead times. This will help us to attract and retain subcontractors and staff, by enabling them to be more productive and offer increased volumes to suppliers. Having standard ways of working will also give us the ability to benchmark our performance across all disciplines, so we can drive best practice. In turn, standardisation will contribute to higher customer satisfaction by helping to optimise our performance and deliver new homes to a high standard.

At the same time, we are employing our strong brand consistently across our sites. This will assist consistent messaging, lower costs, faster and more effective site launches and an improved customer journey.

2. Grow volumes from existing and new geographies
Linden Homes currently has 10 business units, which between them cover the South and East of England, the East Midlands and the North. We believe a single business unit can efficiently handle volumes of 500 to 600 units per year. This gives us the scope to grow volumes from existing regional businesses, with limited additional overhead. Our growth plans are equivalent to around one additional site per year for each business unit, which means we can deliver this growth in an organised and sustainable way.

We also see the potential to add geographical coverage, however, this is not necessary to achieve our targets to 2021.

3. Implement our land strategy
We intend to maintain a landbank of 3.5 years, with a quick turnover of assets and work in progress, increased hurdle rates and better capital efficiency.

Strategic land will be an increasingly important source of new plots for us and we are targeting 20-25% of our plots to be from this source by 2021. By taking options over sites in attractive locations with identified potential, we negotiate on an exclusive basis with the landowner buying sites at enhanced margins recognising the risk investment of promoting the land for development.

We will also continue to selectively use joint ventures, with partners such as housing associations. This allows us to reduce capital investments in a single outlet and gain additional points of sale and secure larger sites.

Business review Linden Homes
continued

Market

All political parties remain committed to challenging targets to meet the ever-growing demand for housing. Output across the industry continues to lag behind the targeted 200,000 homes a year, but output has increased by more than a third since the low-point of 2012-13 (133,000).

The recent Housing White Paper offered some solutions to the issues surrounding increasing supply, but focused mainly on peripheral factors such as Modern Methods of Construction, increasing density around public infrastructure and encouraging self-build. Although further reforms to the planning system were signalled in the paper, obtaining swift and consistent decisions remains an issue for the industry, with councils still struggling to meet the workloads they face in some areas.

Mortgage approvals and average house prices have both experienced a slight slowdown since the start of the year and consumer confidence has dropped since the indecisive general election result.

However, sales remain relatively stable and supply including existing properties remains restricted resulting in a positive environment for our business.

With demand remaining relatively buoyant, the market remains favourable.

Performance

The EU referendum resulted in uncertainty in the housing market in the early weeks of the financial year. However, confidence returned to the market and Linden Homes enjoyed good trading conditions overall, while at the same time improving its performance through the successful implementation of its strategy. We increased our revenue and margins, benefiting from continued rationalisation of our operating processes, and maintained our landbank at an appropriate level. Although the general election in June resulted in further political instability, and consumer confidence indicators have weakened in recent weeks, we are seeing no material change in our markets. Underlying demand continues to be strong and mortgage availability remains positive.

Revenue increased by 11% to £937.4 million (2016: £840.8 million), with completions 7% higher at 3,296 (2016: 3,078). Private housing completions accounted for 2,537 of the total (2016: 2,487) and there were 759 affordable housing completions (2016: 591). Excluding our joint venture partners' share, completions were 2,876, up from 2,691 in 2016.

Our average selling price for private housing rose by 6% to £354,000 (2016: £335,000), while our average selling price for affordable homes was £121,000 (2016: £113,000). We expect average selling prices to reduce over the strategy period to 2021, reflecting increased standardisation and the mix shift away from the South East as we grow into new regions.

There were 77 active selling sites on average during the year, in line with the average of 80 in 2016. Sales per site per week remained stable at 0.62. Cancellation rates were largely steady at 19% (2016: 17%). The business entered the financial year with sales in hand of £373 million, compared to £380 million at the prior year end.

Driving margin improvement is a fundamental part of Linden Homes' strategy. Further rationalisation of operating processes contributed to an operating margin of 18.2%, up from 17.5% in 2016. Excluding land sales, which were primarily to Linden Homes' joint ventures, the operating margin increased from 16.2% to 17.0%.

Standardisation of layouts is an important driver of margin improvement. Around 60-65% of Linden Homes' current consented schemes are standard products. We are currently developing the third generation of standard layouts, with a target of 80% of our planning applications using these layouts by 2021. The new layouts fully reflect our knowledge of what makes an efficient house type. In addition, we have unified our approach to branding and all new sites now make consistent use of the Linden Homes brand. We have also increased the productivity of each of our business units, reducing head count at the same time as increasing turnover, leading to greater profitability.

There is some inflationary pressure in the supply chain, with demand exceeding supply for materials such as roof tiles and the fall in sterling affecting the cost of imported materials. The availability of subcontractors remains stable. Many of the skilled tradespeople working in the UK are EU citizens and we will carefully monitor the availability of labour as the UK's exit from the EU progresses.

The land market continues to be benign, allowing us to secure the plots we need with robust assumptions. At the year end, we had a landbank of 10,650 plots (2016: 11,500), which we estimate is equivalent to around 3.5 years' supply. The figure represents sites we own and control, including sites under option, but excluding our longer-term options on strategic land, discussed below, and provides a sustainable business platform. Around 82% of Linden Homes' landbank relates to houses, with the remainder apartments. The average cost per plot is £71,000 and the expected average selling price per plot is £305,000. The gross development value of our landbank was £3.2 billion at the year end, compared with £3.6 billion a year earlier.

We continue to invest in our strategic land team, under the leadership of a dedicated national managing director. Our strategic land holdings stood at 2,396 acres at 30 June 2017 (2016: 1,775 acres) and we expect to generate in excess of 11,875 plots from this land.

We were pleased to retain our NHBC four-star customer satisfaction rating for another year. However we continue to strive for five-star status, and all of our staff are rewarded on the success of their own business in achieving high levels of customer satisfaction.

For the second year running, Linden Homes won silver 'Sustainable Developer of the Year' at the prestigious What House? Awards and silver in NextGeneration's sustainability benchmark. The award distinguishes developers that are committed to all aspects of sustainability, with the judges looking for low carbon initiatives, use of sustainable materials and energy-saving appliances – and crucially – the building of sustainable communities.

Management

As noted in last year's annual report, Andrew Hammond and Tom Nicholson were appointed as Divisional Chairman West and Divisional Chairman East respectively, with effect from 9 August 2016 and joined the Galliford Try Executive Board on 6 September 2016.

Outlook

As emphasised by the Housing White Paper published during the financial year, Linden Homes is well placed to benefit from the government's ongoing commitment to increasing housing supply. Coupled with this, the land market remains benign and the housing market continues to enjoy good mortgage availability, low interest rates and the Help to Buy scheme remains popular. We have a solid forward order book and expect to deliver both further improvements in the operating margin and volume growth in the next financial year, remaining on track to deliver against our financial targets by 2021.

Making better connections
Streamlining our sales and marketing tools

As part of our efforts to streamline our operations, we have overhauled our primary CRM system 'Connections' to provide a smarter, more intuitive system that promises to halve the time taken to capture data and create reports, while keeping Linden Homes' prospective customers informed of timely and accurate sales information. Improvements such as this will provide a solid platform for us as we grow our business.

Supporting Women in Property
Sponsoring the National Student Awards

We were proud to support the Women in Property Awards for the second year, following a successful partnership in 2016, which came to a close with its National Student Awards in September. Through the awards, 47 universities nominated a total of 86 female students for the accolades.

We actively work to encourage women into the sector from all walks of life and a variety of backgrounds, and were pleased to sponsor the Women in Property initiative.

Business review

Partnerships & Regeneration

The business had an excellent year, as it continued to grow mixed-tenure revenues and increased its contracting order book to a new record.

Securing our largest standalone scheme Great Eastern Quays

Earlier this year, we were awarded the contract for the delivery of Great Eastern Quays, Phase 2, the largest-ever standalone scheme for Partnerships & Regeneration. Under the new contract, we will build a further 468 homes for Notting Hill Housing, including 164 affordable homes, alongside further landscaping and public amenity works, and 2,400 sqm of commercial, community and retail space. The award further cements the excellent long-term relationship we have with Notting Hill. We are already on site delivering the first phase of the project – an £85 million project providing 350 new homes.

Drawing on our reputation Earlsdon Retirement Village

We have a proven track record in the delivery of extra care schemes for Registered Providers and charitable organisations. Earlsdon Retirement Village, which we built with our Construction business, represents one of eight retirement villages we have created for key client ExtraCare Charitable Trust. The development offers 262 apartments for shared ownership and affordable rent, alongside community facilities, as well as a full range of communal facilities for over 55s in Coventry. The project won 'Best Customer LABC Partnership' for its excellent contribution to construction.

Galliford Try
Partnerships

Highlights

Growth Mixed-tenure revenue increased by 23% to £82 million, from 594 completions (2016: £67 million and 526 completions).

Revenue Contracting revenue increased by 6% to £248 million (2016: £234 million), with growth in the second half after some larger contracts concluded in the first half.

Margin improved to 4.5% (2016: 3.9%).

Landbank stable at 2,700 plots (2016: 2,700).

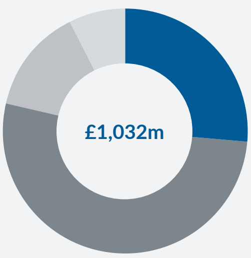
Order book Contracting order book increased significantly to £1,032 million (2016: £850 million) and mixed-tenure sales carried forward of £77 million (2016: £45 million).

Expansion New Bristol office opened in July 2016 and presence established in Southern England through the acquisition of the Drew Smith Group.

Performance

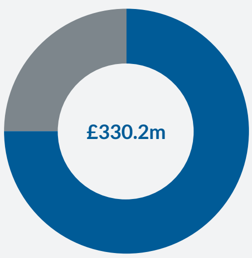
	2017	2016
Revenue (£m)	**330.2**	300.6
Profit from operations (£m)	**14.9**	11.7
Operating profit margin (%)	**4.5**	3.9
Completions	**594**	526
Equivalent contracting units	**2,000**	1,600
Order book (£m)	**1,032**	850

Order book



North	£275m
South	£537m
Central	£144m
Drew Smith	£76m

Revenue



Contracting	£248.0m
Mixed-tenure	£82.2m

Our strategy to 2021 is to:

1. Grow our national footprint
Strong regional businesses, with excellent local knowledge and relationships, are key to success in our market. We therefore intend to increase our national footprint by expanding into new geographies, with the aim of establishing a presence in Yorkshire in the 2018 financial year. East Anglia and Scotland offer the potential for further expansion in the future (see page 33).

2. Drive margin improvement by leveraging mixed-tenure expertise
Mixed-tenure development offers considerably higher margins than contracting services. We intend to increase the business' blended margin by pursuing further growth in our mixed-tenure development revenues. We will do this by continuing to partner with our Registered Provider clients and leveraging Linden Homes' brand and development skills. To fund these developments, we will use cash generated by our contracting activities, along with an appropriate amount of external debt finance.

3. Unlock partners' capacity in sub-markets
We aim to access the markets for specific tenure products by joining with partners who have the capacity to fund projects, allowing us to share risk. Areas of opportunity for us include the private rented sector, private affordable housing providers, public sector direct commissioning programmes and the extra care market, which encompasses housing solutions for older people.

Market

The increased investment in affordable housing announced by the government in its Housing White Paper and the renewal of the Affordable Homes Programme promise to create a more benign environment for our Partnerships & Regeneration business. With certainty of funding and the previous negative effects of rent changes now fully absorbed, housing associations look set to increase their output over the next 12 to 18 months.

The Housing White Paper also looked to further accelerate the programme of public land disposal through the Homes and Communities Agency (HCA), which is a key route to market for higher margin mixed-tenure regeneration schemes of the type that we specialise in. Further streamlining of the planning framework will also be of benefit to our business.

Indications remain positive from both sectors, with local authorities continuing to require private sector input to assist them in leveraging their estates.

Business review
Partnerships & Regeneration
continued

Performance
Revenue grew by 10% to £330.2 million (2016: £300.6 million), with an important proportional increase in mixed-tenure revenues, which were 23% higher at £82.2 million (2016: £66.7 million). Contracting revenues were also higher at £248.0 million (2016: £233.9 million).

Partnerships & Regeneration completed 594 mixed-tenure units at an average selling price of £186,000 (2016: 526 units and £166,000). We also completed around 2,000 equivalent contracting units, compared with 1,600 in the previous year.

Profit from operations rose by 27% to £14.9 million (2016: £11.7 million), representing a margin of 4.5% (2016: 3.9%). The margin improvement came primarily from the increase in higher margin mixed-tenure revenues but it also benefited from a higher contracting margin, as we can be selective about the work we take on, and economies of scale as the business grows.

Partnerships & Regeneration ended the year with mixed-tenure sales carried forward of £77 million, up from £45 million at the prior year end, and a landbank of 2,700 plots (2016: 2,700). The contracting order book at 30 June 2017 stood at £1,032 million, up from £850 million a year earlier. In total, the order book was £1.1 billion.

During the year, Partnerships & Regeneration secured an award of £18.8 million under the HCA's Affordable Homes Programme, to deliver shared ownership homes. This allows us to provide with-grant solutions to our Registered Provider partners.

We were also re-appointed to the HCA's Delivery Partner Panel, covering all five regional lots over a four-year framework agreement.

Important contract wins during the year included our largest-ever standalone contract, to build phase two of the Great Eastern Quays development at the Royal Docks in London. The contract with Notting Hill Housing is valued at £128 million. The business also signed two contracts, each worth £44 million, to build retirement villages in Bristol and Bedfordshire for the ExtraCare Charitable Trust, as we continued to strengthen our relationship with this long-standing client. Another notable win was a £35 million contract to build 76 homes for real estate developer Almacantar.

We are making excellent progress with our strategic aim of increasing national coverage. Our new Bristol office is already performing well. In addition to the contract with the ExtraCare Charitable Trust noted above, the business unit secured mixed-tenure and contracting opportunities at good margins and is progressing other regeneration schemes, which include open-market and affordable homes and private rented accommodation. There is significant ongoing investment in Bristol, which will provide a pipeline of further opportunities.

In May 2017, we announced the acquisition of the Drew Smith Group, a leading contractor and mixed-tenure developer in the South of England. This is an excellent operational fit with our existing business and opens up the Southern region for us, in line with our stated strategy. In September we opened a new office in the East Midlands, leveraging the excellent position established by our West Midlands business over the past five years.

We continue to drive operational improvement in the business. This year, we established a strategic executive board and appointed a new Business Development and Investment Director to help take our growth plans forward. We are reviewing our customer satisfaction and customer care strategies, as we seek to improve our customer experience.

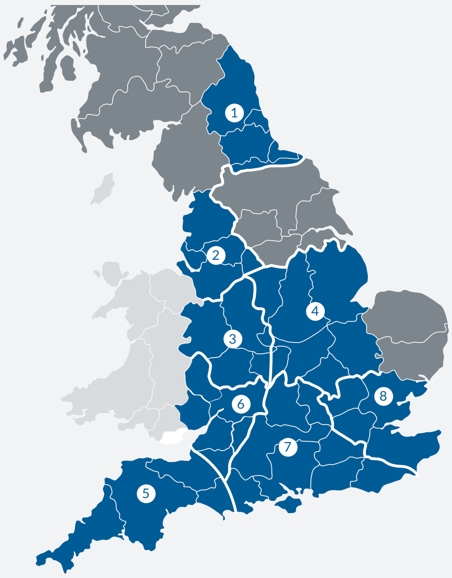
Through Linden Homes and Partnerships & Regeneration, we have more than £3 billion (gross development value) of joint ventures with Registered Providers. These operations have grown substantially in recent years, as clients have moved towards increasing percentages of mixed-tenure delivery. Over the next 12 months, we will focus on further efficiencies in the management of our joint ventures to increase the range of services we provide and strengthen our joint venture governance.

Management
From 1 July 2016, we combined our Affordable Housing & Regeneration teams with Partnerships. This brought all our expertise in this market into one business, supporting our growth plans, increasing our efficiency and helping us to share best practice. Stephen Teagle became Chief Executive of the enlarged business at the same time.

Outlook
Partnerships & Regeneration is benefiting from a wide range of opportunities to expand its business, both in the range of partners and products, and geographically. Affordable housing rightly remains high on the political agenda. Mortgage availability remains healthy and there is sustained demand for affordable housing from individual customers, housing associations and local authorities. We expect further volume growth in the financial year from organic expansion, including our new East Midlands office and our recent acquisition of the Drew Smith Group, and we enter the new financial year with a significantly increased order book. We have been successful in developing and recruiting the right people to achieve the fast growth we foresee, and are confident of at least hitting our 2021 targets.

Market opportunity

We are setting ambitious plans to take advantage of the significant opportunities in the private rental, mixed-tenure, affordable housing and regeneration sectors to support our strategy for growth.



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

Potential operating areas

Being a considerate constructor
Improving the image of our industry

We are committed to demonstrating the very highest standards of consideration towards the public, environment and our workforce through our membership of the Considerate Constructors Scheme (CCS).

This year, the Group received 20 CCS National Site Awards and also celebrated our 2,000th project registration with CCS.

We are proud to have worked in partnership with CCS to pilot its 'Ultra Site' standards on our Protheroe House scheme in East London and are now using it on our Brunel Street Works project (formerly known as Silvertown Way). The projects are currently just two of 11 across the UK to use the scheme.

By adopting Ultra Site principles, we demonstrate and promote the highest CCS standards and actively seek to improve not only our own performance, but that of the wider construction industry, particularly through the supply chain.

Delivering award-winning extra care
Protheroe House

Our Protheroe House scheme, a 50-home development for over 55s in Tottenham, is demonstrating excellence in the delivery of extra care.

The development for One Housing was named 'Best Supported/Sheltered Housing Scheme' at the Housing Excellence Awards and 'Most Innovative Supported/Sheltered Housing Scheme' at the Housing Innovation Awards.

Offering new homes all allocated for affordable rent in the form of 36 one-bedroom and 14 two-bedroom flats for individuals and couples, it replaces a dilapidated 1970s-built sheltered housing scheme.

The scheme was recognised for supporting residents to live independently and meeting their individual needs partly through self-contained, well-designed spacious flats that are both accessible and allow for adaption for the changing needs of residents.

Business review

Construction

The underlying business performed well, as Construction focused on selectively bidding for work with robust margins and continued to improve its operating performance.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A key sector
Strengthening the nation's defences

Defence is an increasingly important sector for our business. We are a key partner on the Ministry of Defence's Next Generation Estates Contract (NGEC) National Capital Works Framework, under which we are already building a new aircraft/amphibious vehicle underwater escape and survival training facility at Royal Naval Air Station Yeovilton in Somerset. The facilities are for training personnel to safely escape from an aircraft or amphibious vehicle in the event of an accident where they are submerged underwater. Under the same framework, we are undertaking a £60 million contract at Catterick Garrison to rebuild Marne and Bourlon Barracks.

We were also appointed to the RAF Marham contract (*see picture above*) to design and build a new aircraft hangar with associated support buildings known as an operational conversion unit as well as reconstruct the two runways, along with our joint venture partner in a project worth circa £150 million. This, too, was under the NGEC agreement.

In Cranwell, we are also working on the delivery of a high G-force training facility for fast jet RAF pilots which will enable the reactions and tolerance of pilots to be tested at acceleration above that experienced in the Earth's gravity.

Galliford Try Morrison Construction

Highlights

Order book of £3.6 billion (2016: £3.5 billion).

Revenue Secured 85% of this year's planned revenue (2016: 82%).

Margin Pre-exceptional Construction margin of 0.0%, on revenue of £1,527 million (2016: 1.1% and £1,503 million).

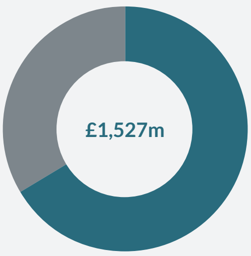
Cash affected by one-off charge but underlying strong cash performance, with a year end cash balance of £137 million (2016: £161 million).

One-off charge of £98.3 million, following a reappraisal of costs to complete and recoveries from legacy contracts (£87.9 million reported as exceptional items in respect of two infrastructure joint ventures, see note 3).

Performance

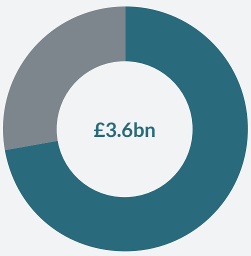
	Pre-exceptional 2017	2017	2016
Revenue (£m)	1,569.3	1,526.9	1,503.4
(Loss)/profit from operations (£m)	(0.9)	(88.8)	15.8
Operating profit margin (%)	0.0	(5.8)	1.1
Order book (£bn)	3.6	3.6	3.5

Revenue by division



Building	£1,014m
Infrastructure	£513m

Order book by division



Building	£2,588m
Infrastructure	£982m

Our strategy to 2021 is to:

1. Retain our solid platform for sustainable growth
Construction has a number of important strengths, including its high-quality people, health and safety, its national coverage with local delivery, its excellent position on frameworks and its focus on the public and regulated sectors. We intend to maintain and build on these strengths, which provide a solid foundation from which we can grow the business.

2. Improve our operations to drive margin progression
We have identified several areas in which we need to continue to improve, which will support our margin progression. These include: our approach to managing risk in project selection and our operations; our ability to attract, develop and retain a diverse workforce; further modernisation of our systems; enhancements to our communication tools; and continuing to align our supply chain with our operations.

3. Deliver strong, predictable cash flows and margin improvement
Ensuring we only bid for high-quality work with appropriate margins, while continuing to improve the way we work, will enhance our margins over the period to 2021. This, in turn, will help us to deliver consistent and growing cash flows, which will support our investment in growth elsewhere in the Group.

Market

Steady growth in construction output appears to be slowing according to recent ONS figures and Markit PMI surveys, however we believe the outlook remains positive in comparison to 12 months ago. The output from the public sector pipeline remains positive and is anticipated to grow further in the next year, despite the election result and uncertainty over Brexit.

Our business continued to benefit from areas such as defence which are now starting to see long-term capital funding programmes come to fruition and sectors such as education and highways, where longstanding framework positions have allowed us to capitalise on the greater opportunities coming forward. The main NHS procurement vehicle ProCure22 was renewed in 2017, and already an increase in pipeline is occurring despite the financial pressures on the health service.

Scotland remains a key market for our business with the Scottish government and local authorities continuing to provide a consistent pipeline, particularly through our positions on the regional Hub procurement vehicles.

Although there have been some signs of a slowdown in the commercial market in London, regional private sector markets have held up well, particularly in the West Midlands. We have continued to benefit from further opportunities in the manufacturing sector.

Business review
Construction
continued

Performance
In May, we announced a one-off charge of £98.3 million, following a thorough reappraisal of the costs to complete and expected recoveries on legacy contracts (£87.9 million has been reported as an exceptional item, see note 3). More details of this charge can be found in the Financial Review on page 23. There has been no material movement in this position since we announced the additional provisioning in May and we have taken a proactive approach towards managing these legacy contracts through to completion, with significant involvement of the executive team. We have made good progress in resolving legacy projects during the year and pleasingly no further contracts have been added to that list. Most of these contracts are now complete on site, with continuing uncertainties relating to final settlements and claim recoveries. We have put into place rigorous processes to ensure a more disciplined approach towards project selection. Today, we are focusing on lower-risk public and regulated sectors and two-stage negotiated work, rather than large infrastructure projects on fixed-price, all-risk contracts which these legacy projects were. As these challenging contracts draw closer to completion, we are encouraged by the performance of our new contracts.

Revenue was £1,526.9 million, up 2% (2016: £1,503.4 million), with pre-exceptional loss from operations of £0.9 million (2016: profit of £15.8 million). This resulted in a pre-exceptional operating margin of 0.0%, compared with 1.1% in the previous year. Reported loss from operations was £88.8 million.

Cash remains a prime focus in Construction and we continued to manage it carefully. Year end cash balances were £137.4 million, representing 9% of revenue (2016: £161.1 million and 11%).

At 30 June 2017, our order book was £3.6 billion, compared to £3.5 billion a year earlier. Of this, 74% is in the public sector (2016: 73%), 13% is in regulated industries (2016: 16%) and 13% is in the private sector (2016: 11%). The business has secured 85% of planned revenue for the 2018 financial year.

Frameworks provide 74% of our order book (2016: 74%). Generating a high level of work through frameworks is an important part of our business model. They allow us to work collaboratively with clients, gain a deep understanding of their needs and build expertise through delivering repeat projects.

Managing risk is at the heart of our Construction business. During the year, we improved our risk management process for project selection, increasing our rigour in choosing which projects to take on. This selectivity is increasingly reflected in our culture and is resulting in more projects being discounted earlier in the selection process. In addition, the new Group intranet helps us communicate and share knowledge more effectively, supporting our approach to risk management.

We continue to streamline our business management system, which covers the full range of processes we employ across Construction, including commercial and quality management processes, best practice and lessons learned.

By questioning everything we do and cutting out what is no longer needed, we strive to ensure our system is both comprehensive and lean. In October 2016, we launched the full roll-out of our 'Advantage through Alignment' scheme, which is designed to increase supply chain involvement and engagement. The scheme enables our supply chain to understand how we operate, the safety, performance and ethical standards we require and visibility of our pipeline of work. It also increases communication with all parties and includes review and feedback processes. This enables our key supply chain partners to align their operations to ours, while giving us a better understanding of their requirements and drivers. The scheme is bedding in well, after a highly successful pilot.

Outlook
The construction market remains largely positive, as the UK continues to require substantial investment in its social and economic infrastructure. As a result, the order book in our Construction business remains strong and we have already secured a significant proportion of work for the financial year, and much of the following year 2019. Our focus is on contract quality and risk management, and we will continue to be rigorous in our project selection, with revenue expected to remain broadly stable year-on-year as a result. Our newer work has been operating under these parameters and performance to date has been encouraging and is supportive of our target margins. As our legacy positions close out, we expect margins to improve as we work towards our 2021 target of at least 2.0%.

Leading in infrastructure
Building our road networks

We have industry-leading skills in transport projects and a strong track record which stands us in good stead for further opportunities that are coming to the market later this year.

The award of a second Smart Motorways scheme to us is testament to our skills and dedication and a strong working relationship with our joint venture partner.

Building

Performance

	2017	2016
Revenue (£m)	**1,041.1**	1,013.8
(Loss)/profit from operations (£m)	**(12.0)**	9.0
Operating profit margin (%)	**(1.2)**	0.9
Order book (£m)	**2,588**	2,340

Key framework positions

- Education Funding Agency (EFA) Contractors Frameworks (North and South) and Regional Frameworks
- Next Generation Estate Contracts (NGEC) Regional Capital Works Framework with Defence Infrastructure Organisation
- ProCure22 NHS Procurement Framework
- hub North Scotland, hub South East Scotland and hub South West Scotland
- Southern Construction Framework (South West, South East and London), North West Construction Hub and YORBuild

Building won new work totalling more than £1,233 million during the year and generated a pre-exceptional loss from operations of £12.0 million (2016: profit of £9.0 million), with a pre-exceptional margin of (1.2)% (2016: 0.9%). This result included £16.0 million of charges included in the one-off £98.3 million announced on 3 May.

In the health sector, the division won a £72 million contract for the East Lothian Community Hospital in Haddington, Scotland. It was also confirmed as one of six principal supply chain partners on the Department of Health's new ProCure22 framework. The framework runs from 2016 to 2020 and has a total pipeline value of £4 billion.

In education, Building was awarded a contract to build the £68 million Park View Student Village for Newcastle University. It was also appointed preferred contractor to deliver the Knockroon Learning and Enterprise Campus in Cumnock, through a two-stage design and build process, with costs of around £63.5 million. This is one of Scotland's largest and most ambitious education projects.

In the private sector, significant contracts won included a £49 million apartment development for St Modwen, at the former RAF Uxbridge base; a £40 million, 323-apartment private rental sector scheme for Dandara, on the Arena Central site in Birmingham; and a £47 million contract to build the 50-60 Station Road commercial office space development in Cambridge, on behalf of developer Brookgate.

Innovation and value engineering

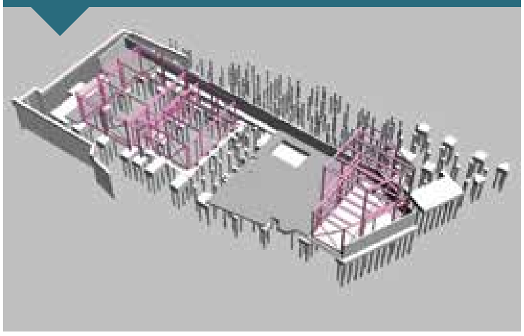
A Birmingham Conservatoire

We are building the first purpose-built music facility of its kind in the UK in 30 years. The new conservatoire is the first ever to be designed for the digital age and will provide world-class facilities.

Across the five performance spaces, there is a high acoustic requirement but no two rooms or two floors are the same, demanding high levels of design, planning and organising of the sequence of construction works.

To achieve the high acoustic requirement we are using an innovative box-in-box method. This means constructing a box that is sitting on rubber acoustic pads and then building another box outside it so noise cannot break out and, more importantly, cannot break in and disturb the performance. We have also undertaken considerable BIM and value engineering work – including changes to plant and the lighting scheme. This, coupled with the finishes, enables us to achieve a very high acoustic quality and still stay within the client's budget.

As a city centre scheme with the footprint of the building almost equal to the full footprint of the site, getting materials in and out of the building is a further challenge.



Business review
Construction
continued

Infrastructure

Performance

	Pre-exceptional 2017	2017	2016
Revenue (£m)	555.2	512.8	489.6
Profit/(loss) from operations (£m)	11.1	(76.8)	6.8
Operating profit margin (%)	2.0	(15.0)	1.4
Order book (£m)	982	982	1,160

Key framework positions

- Highways England Collaborative Delivery Framework
- Manchester Airports Group Capital Delivery Framework
- Gatwick Airport's Capital Delivery Framework
- Environment Agency's Water and Environmental Management Framework and Natural Resources Wales
- AMP6 – Yorkshire Water, Scottish Water and Southern Water
- North East Procurement Organisation
- Smart Motorways Programme

The infrastructure market remained positive across transport, energy and water, with the business steadily increasing its portfolio of framework positions. Pre-exceptional profit from operations was £11.1 million (2016: £6.8million), representing a pre-exceptional margin of 2.0% (2016: 1.4%). Reported operating loss was £76.8 million.

During the year, the division was appointed to Lot 1 of the Natural Resources Wales framework, delivering coastal and river defence schemes. The total value of the framework is up to £70 million over four years, while Lot 1 is valued at £45 million.

In the water sector, Infrastructure was confirmed as a Tier 1 alliance partner for Scottish Water, responsible for delivering its Quality and Standards IV Capital Investment Programme for the regulatory period 2015-2021. This work has a value of approximately £50 million.

Infrastructure has many years' experience of working on highways maintenance frameworks. It was awarded a place on North Yorkshire County Council's carriageway planning and surfacing framework, which is valued at up to £200 million over two years. Our joint venture with Costain was also awarded a £96 million contract to upgrade 12km of the M1 to a smart motorway. In addition, Infrastructure was appointed to Gatwick Airport's Capital Delivery Framework, on three lots valued at up to £300 million.

PPP Investments

Performance

	2017	2016
Revenue (£m)	25.0	25.0
Profit/(loss) from operations (£m)	2.4	(1.4)
Directors' valuation (£m)	31.3	21.5

PPP Investments reported revenue of £25.0 million (2016: £25.0 million), with a profit from operations of £2.4 million (2016: £1.4 million loss).

During the year, we invested £8.6 million in equity and disposed of investments that generated an aggregate profit on disposal of £2.6 million, compared to a £0.5 million profit on disposal in 2016.

The directors' valuation of our PPP portfolio was £31.3 million at 30 June 2017, compared with a value invested of £24.3 million (2016 valuation: £21.5 million, value invested: £16.2 million).

In addition to making its own investments, PPP Investments generates work for our Building, Infrastructure and facilities management businesses. Significant projects closed during the year included East Lothian Community Hospital, West Calder High School, two health centres in Aberdeenshire and Cumbernauld Academy. In total, PPP Investments added more than £250 million to the order books of our other divisions.

In Scotland, public sector accounting issues led to a hiatus in new projects coming forward under the Non-Profit Distribution Model. As a result, public sector bodies are looking to procure through the existing Hub frameworks. Galliford Try has positions on three of these frameworks. Our traditional project finance markets are now showing signs of recovery with PF2 in England and the Mutual Investment Model in Wales both promoting projects.

During the year, PPP Investments made further progress developing models suitable for the private rental sector and student accommodation market. It has a number of opportunities in the pipeline, which should add to the order book in 2018.

We celebrated two wins at the Partnerships Awards 2017, the most prestigious event recognising and rewarding the best in public private partnerships.

Across the Galliford Try business, eight different entries were shortlisted by the awards, reflecting the strength of our offering and the great work we are doing across the UK to continually demonstrate true public private partnership collaboration.

Operating sustainably
Ensuring that our stakeholders share in our success

We recognise that being sustainable makes us more efficient, helps us to win work, engages our employees and benefits the communities and environment we work in. Operating sustainably is a key part of our strategy.

We strategically evaluate the Group's key sustainability risks and opportunities and set targets against the most material issues. Each of our divisions adheres to these targets, and sets their own additional targets aligned to their respective stakeholders, in a Sustainability Route Map. The success of our approach is externally recognised through our FTSE4Good Index membership, above industry CDP carbon disclosure score and silver NextGeneration sustainability benchmark awards, among others.

Employees' personal pledges drive sustainability forward
Infrastructure Divisional Solutions

Every employee has a role to play in making the Group more sustainable. Employees from our Infrastructure Divisional Solutions business unit were encouraged to make voluntary pledges to support our achievement of the division's sustainability targets. These pledges ranged from carrying out voluntary work in the community to committing to personal health goals. In total 250 pledges were made across our six pillars of sustainability and over 90% were achieved.

Operating sustainably
continued

Health and safety
Reinforcing that health and safety is our top priority

Keeping our people safe and healthy is our number one priority. Our centralised Health, Safety and Sustainability (HS&S) function is independent of our business units and reports directly to the Executive Board. Its work is supported by a Group-wide BS OHSAS 18001 certified management system.

We take a proactive approach to HS&S, with monthly performance reviews and forward planning at every site. Despite this, tragically there were two fatalities during the year, including one at a joint venture site. Full investigations are underway to understand and address the underlying causes.

'Challenging Beliefs, Affecting Behaviour' is our industry-leading behavioural safety programme. A refresh of the programme is already underway aiming to ensure it remains at the forefront of industry practice.

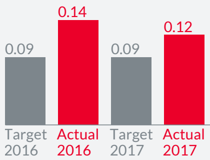
Safe behaviour requires effective and visible leadership and we achieved a record number of director safety tours this year. We also launched a guide for our leaders, to help them have effective safety conversations on site and maximise the value of the tours.

Promoting good health and safety

This year, our Construction business held a series of HS&S workshops throughout the UK. We asked attendees to draw on their on site experience and tell us what they thought we were doing well and where we could improve. This produced excellent feedback, resulting in an action plan which has been agreed by the business and will be implemented in the coming year.

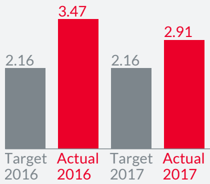
Accident Frequency Rate
(RIDDORs per 100,000 hours worked)

0.12



Accident Incident Rate
(RIDDORs per 1,000 people)

2.91



Key Performance Indicators

58
reportable RIDDOR accidents (2016: 66)

91,810
Safe Behaviour Discussions (2016: 98,805)

906
employees completed 'Challenging Beliefs, Affecting Behaviour' training (2016: 911)

1,139
director health, safety and sustainability tours (2016: 847)

2
prohibition or improvement notices received (2016: 0)

Occupational health screening

In the Spring, we trialled a new bespoke occupational health screening programme which has been rolled out across the Group this Summer. Typical practice is to screen everyone for the same standard conditions, at the same intervals. Our new risk-based approach is tailored to individuals, not job titles. For example, it recognises that someone working with vibrating tools should have more regular checks for hand-arm vibration, and that this test might not be so relevant for other individuals. In addition, we are piloting a health screening audit with the British Occupational Hygiene Society as a 'critical friend', to ensure our internal processes are robust and fit for purpose in dealing with recognised health and wellbeing issues such as absence management.

A new strategy for wellbeing

We believe that health should be given the same priority as safety, and in our bid to achieve top-quartile health performance, we are launching a new wellbeing strategy, covering key areas such as stress, mental health and work-life balance. Rather than mandating what our businesses must do, we provide them with information and challenge them to devise their own wellbeing initiatives.

Our experience of other programmes shows that this 'personal buy-in' approach is more effective than 'one size fits all'. Examples of our initiatives include bringing in medical professionals to talk about stress, mental health and life outside work, such as responsible drinking. This is proving popular with our people.

Operating sustainably
continued

Our People
Attracting, developing and retaining the very best talent

Our people remain critical to us achieving our strategy. Over the last 12 months we have devolved people-management to our key operational divisions, to enhance and personalise how we manage our employees.

Key initiatives have focused on:

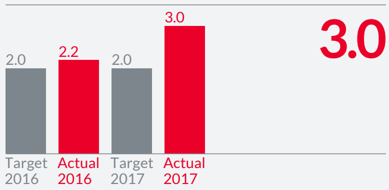
- Embedding succession planning and talent management.
- Recruiting, retaining and rewarding the best people in the industry, to give us a competitive advantage.
- Ensuring that our development initiatives support and underpin our people plans.
- Putting inclusion and diversity at the heart of our activities.

We remain committed to being a values-driven, progressive, people-orientated company, and an employer of choice for existing and future employees.

Promoting human rights

We are committed to protecting and respecting the human rights of our employees and those who work in our supply chain. We consider that the key human rights issue we face is equality, which we continue to address by proactively promoting a culture of inclusion. In support of this we have reviewed our inclusion and diversity strategy and will be launching a new action plan in 2017, aimed at linking our values and behaviours to further support the development of an inclusive, diverse and agile culture. Early successes include being accredited as a Disability Confident Employer. We also recognise that modern slavery is a risk to the business and annually publish a statement on our approach to tackling this issue on our website.

Training days per employee



3.0

Key Performance Indicators

18.3%
Employee churn rate (2016: 17.9%)

5,506
employees (2016: 5,696)

16,753
training days delivered (2016: 12,685)

4.9%
of the workforce are graduates/trainees/apprentices (2016: 4.3%)

	Gender[1]		Ethnicity[1]		
	Male	Female	White	BME[2]	Unknown
Total Group	4,108	1,357	2,754	159	2,552
Senior grades[3]	251	21	203	5	64

1 Gender and ethnicity figures are based on employee numbers at year end 5,465. Please also refer to pages 46 and 47 for further information on the Board's composition and gender diversity.

2 Black and Minority Ethnic (BME).

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

Doing the right thing

We value our reputation and our stakeholders' trust. To maintain that reputation, we must act responsibly at all times, both as a Group and as individuals. Our Group Code of Conduct sets out the principles and policies that ensure we behave legally and morally. It details what we value, what that means and how we behave. It explains our responsibilities as a business and as individuals to our colleagues, customers, partners, our supply chain, the community and the environment, while serving as a reference point for how we approach potentially contentious matters. We continue to promote the importance of our duty to uphold this Code, and have worked hard to embed it within both our business and our supply chain partners.

Developing our talent

Effective succession planning and talent management remained one of the most important areas for us this year.

We have carried out significant and detailed work on succession planning and talent management in each of our divisions. These activities are supported by all those involved and we have real enthusiasm across the Group for further building our leadership pipelines and developing talent. In addition to identified successors for more senior positions, we continue to develop our 'staircase' of talent pools for future leadership potential. This increases the visibility of talent within the Group, embeds our 'promote from within' culture, and aids retention, diversity and cross-divisional movement.

The Group continues to endorse the '70:20:10' model, which recognises that 70% of our learning and development opportunities should come from within the role itself or related challenges, 20% coming from social learning and 10% from formal learning. We also continue to work on internally-developed leadership development programmes, built around our required leadership behaviours. We continue to offer and regularly review our provision of leadership and management, behavioural, and technical training initiatives for employees.

Operating sustainably
continued

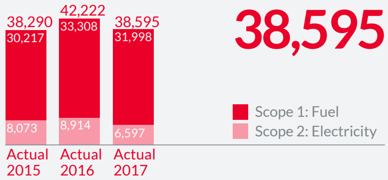
Natural resources
Minimising our environmental impact

Our priority in this area is to maximise operational efficiencies, through the effective use of materials and energy. This benefits the environment and meets the needs of our stakeholders. The Group operates an ISO 14001:2015 certified management system, supported by a network of Health, Safety and Sustainability Advisers, and we actively seek and deliver continuous improvement initiatives through a network of business-led process improvement forums. Key improvements this year include the increased use of teleconferencing and videoconferencing as alternatives to travel, and employing hybrid generators to reduce fuel use on site.

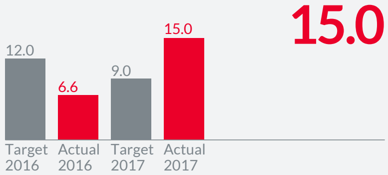
We have achieved a 9% reduction in our greenhouse gas (CO_2e) emissions year on year, and we now generate 58% less CO_2e per £100,000 of revenue than we did in 2011. Across most of our business, we achieved our target of producing less than nine tonnes of waste per £100,000 of revenue. However, the overall figures are skewed by waste from two sites, one of which had large quantities of asbestos and the other dredging spoil, both of which had to be sent to landfill.

We remain committed to proactive environmental management and have significantly increased our training this year, including the introduction of Site Environmental Awareness Training for site supervision staff in our business and our supply chain.

Carbon dioxide equivalent emissions
(tonnes)[1]



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



Key Performance Indicators

1.4
tonnes of Scope 1 and 2 carbon dioxide equivalent emissions per £100,000 revenue (2016: 1.6)

88.5%
of construction and demolition waste diverted from landfill (2016: 94.2%)

1,132
employees completed environmental training (2016: 760)

0
environmental prosecutions or fixed penalties (2016: 0)

89.5%
of timber supplied with FSC®/PEFC certification (2016: 88.1%)

98.7%
of timber verified as coming from legal and sustainable sources (2016: 99.7%)

1 Carbon dioxide equivalent emissions are reported by calendar year and since 2014 have been externally certified to ISO 14064-3. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (eg diesel on site etc) as per the Greenhouse Gas Protocol definitions of Scope 1 and 2 emissions.

Stakeholder relationships
Working collaboratively

Engaging and communicating with our key stakeholders remains a business priority.

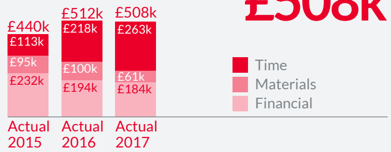
We continue to engage with customers, communities, supply chain and industry bodies at all levels of our organisation. Here we highlight our Group-wide approach. More information on our business-level approaches, including our pioneering 'Advantage through Alignment' scheme, can be found on pages 26 to 38.

- We support a number of charitable organisations at a Group level, including CRASH, the homelessness charity we have partnered with for over 15 years.
- The Considerate Constructors Scheme (CCS) assesses the local community impact of our sites. We are proud to have achieved 20 CCS Awards this year and we continue to achieve above-industry performance in this scheme.
- As partners in the Supply Chain Sustainability School, we are committed to empowering our supply chain to develop their sustainability knowledge through the School's free learning and education resources.
- To promote our leadership and keep abreast of industry best practice, we actively participate in a number of trade and industry bodies.

Internally, we have introduced a number of employee communication and collaboration tools, including a new intranet, an internal networking platform and improved file sharing facilities. We have also increased the frequency of *Evolve*, our employee magazine, and over 42% of the workforce attended one of 17 roadshows hosted by Peter Truscott and members of the Executive Board.

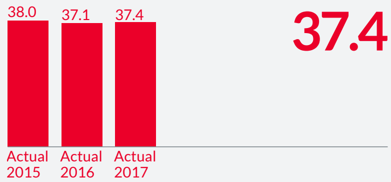
Charitable donations
(time, materials and financial)

£508k



Considerate Constructors Scheme
(average score)

37.4



Charitable volunteering

All employees are entitled to take up to two days paid leave a year, to volunteer for a charity or community cause that they are passionate about. Following a poster, employee magazine and social media communications campaign, the number of people taking up this policy increased dramatically this year – by 216%. We recognise the value this brings to both the charitable causes and our employees, who invariably find their volunteering experience rewarding.

Governance

Directors and Executive Board

Our Board

Peter Ventress
Chairman

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

Career and experience: Peter holds non-executive directorships with Softcat Plc, BBA Aviation Plc and Staples Solutions B.V. He was Chief Executive Officer of European textile service business, Berendsen plc, from 2010 to 2016. Prior to joining Berendsen, Peter spent 10 years in senior management positions in Europe and Canada in the office products distribution industry with Corporate Express N.V., becoming Chief Executive in 2007. In 2008, he was appointed head of all Staples' activities outside the United States and Canada. Aged 56.

Peter Truscott
Chief Executive

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

Career and experience: Peter was formerly Divisional Chairman, South at Taylor Wimpey plc and a member of its Group Management team. Peter joined George Wimpey in 1984 and worked at CALA Homes from 1993 to 1996, before rejoining George Wimpey, where he held a succession of senior management positions. Aged 55.

Graham Prothero
Finance Director

Appointment date: Graham Prothero joined Galliford Try as Finance Director on 1 February 2013.

Career and experience: Graham was previously with Development Securities plc, a listed property developer and investor in the UK, where he was Finance Director from November 2008. From 2001 until 2008, Graham was a partner with Ernst & Young. Graham is a Fellow of the Institute of Chartered Accountants and previously held the position of Finance Director with Blue Circle Properties and Taywood Homes. Graham is a Non-executive Director and Audit Chair of Marshalls plc. Aged 55.

Gavin Slark
Non-executive Director

Appointment date: Gavin Slark joined the Board on 13 May 2015.

Career and experience: Gavin is currently Chief Executive Officer of Grafton Group plc, an independent company operating in the merchanting, DIY retailing and mortar manufacturing markets in Britain, Ireland, Belgium and Netherlands. He joined Grafton Group in April 2011 and was appointed Chief Executive Officer in July 2011. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors. Aged 52.

Executive Board

Kevin Corbett CEng MICE MIStructE
General Counsel and Company Secretary

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

Career and experience: Kevin was previously Chief Counsel Global for AECOM. Aged 57.

Andrew Hammond
Divisional Chairman of Linden Homes

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

Career and experience: Andrew joined the company in April 2015 from Persimmon Homes where he held the position of Regional Chairman. Aged 47.

Board composition

Balance of non-executive vs executive directors	
Non-executive	5
Executive	2

Length of appointment	
0-2 years	1
2-5 years	5
5-10 years	1

Diversity	
Male	5
Female	2

Andrew Jenner
Non-executive Director

Appointment date: Andrew Jenner was appointed to the Board in January 2009.

Career and experience: Andrew was Group Chief Financial Officer of Serco Group plc from 2002 to 2014. Prior to joining Serco in 1996 he worked for Unilever and Deloitte & Touche LLP. Andrew is a member of the Institute of Chartered Accountants. Aged 48.

Ishbel Macpherson
Non-executive Director

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

Career and experience: Ishbel is a Non-executive Director of Fidessa plc and is Senior Independent Director of both Dechra Pharmaceuticals plc and Bonmarché Holdings plc. She has previously served as Non-executive Director, Chair of the Remuneration Committee, Senior Independent Director and Chair of Speedy Hire plc, as well as Non-executive Director of GAME Group plc, MITIE Group plc, Synthomer plc, May Gurney Integrated Services plc, Dignity plc and Hydrogen Group plc. Ishbel has over 20 years' experience in investment banking with Dresdner Kleinwort Wasserstein, Hoare Govett and Barclays. Aged 57.

Terry Miller
Senior Independent Director

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

Career and experience: Terry was previously General Counsel for The London Organising Committee of the Olympic Games (LOCOG) and Paralympic Games and an independent Non-executive Director of the British Olympic Association. Terry is currently a Director and Trustee of the Invictus Games Foundation and a Non-executive Director of Goldman Sachs International Bank. Prior to her LOCOG appointment, Terry was International General Counsel for Goldman Sachs, having spent 17 years with Goldman Sachs based in London. Aged 65.

Bill Hocking
Chief Executive of Construction & Investments

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

Career and experience: Bill joined the Group from Skanska UK plc, where he held the position of Executive Vice President on the Executive Management Team of Skanska UK from 2008, having initially joined the company in 1990. Aged 53.

Tom Nicholson
Divisional Chairman of Linden Homes

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

Career and experience: Prior to joining the company in 1996, Tom held land and sales positions at Ideal Homes and Berkeley. He has held a succession of senior appointments within Linden Homes, with the last four years as Divisional Managing Director. Aged 52.

Stephen Teagle
Chief Executive of Partnerships & Regeneration

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

Career and experience: Stephen has over 20 years' experience in the regeneration and affordable housing sectors, joining Galliford Try from Registered Provider DCH where he was Group Director of Investment and Managing Director of development subsidiary Westco Properties. Aged 57.

Key

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

As at 30 June 2017.

For updates to the Board since 30 June 2017, please see page 48.

Governance review
Chairman's review
Strong governance underpinning sustainable growth

Following a brief period with a non-independent Chairman, we are again fully compliant with the UK Corporate Governance Code.

Peter Ventress
Chairman

I am delighted to be reporting to you for the first time as Chairman of the Board.

During the financial year, the Financial Reporting Council (FRC) published its April 2016 edition of the UK Corporate Governance Code (the '2016 Code'), applicable to financial years beginning on or after 17 June 2016. We are reporting against the 2016 Code for the first time and I am pleased to confirm that, since the Company's Annual General Meeting (AGM) on 11 November 2016, the Company has complied with the provisions of the 2016 Code. Between 1 January 2016 and 11 November 2016 Greg Fitzgerald was Chairman and, in the light of his previous role as Chief Executive of the Company, did not meet the independence criteria of the 2016 Code on appointment. We have previously explained to shareholders this point of non-compliance and are pleased to be in a position of full compliance once again.

In February 2017, the Board approved the strategy to 2021, further details of which can be found on pages 16 and 17. The non-executive directors played an important role in the development of the strategy, challenging management's assumptions where appropriate and bringing the benefit of their experience in different businesses and industries. We are already making good progress against our strategy to 2021.

Board and Executive Board changes
As previously announced, Andrew Jenner, Chair of the Audit Committee, is stepping down from the Board after the 2017 AGM. Following a formal search process to find his replacement, Jeremy Townsend joined the Board on 1 September 2017. His appointment took into account the relevant sector-competence of the Audit Committee, as required by the 2016 Code. Jeremy Townsend will take over as Chair of the Audit Committee on Andrew Jenner stepping down. More details on Jeremy Townsend's appointment and induction can be found on page 55. Also with effect from 1 September 2017, I took over from Terry Miller, as Chair of the Nomination Committee.

There were a number of other directorship changes during the year. As previously announced, I became Chairman on Greg Fitzgerald stepping down from the Board and Terry Miller took on the role of Senior Independent Director, both with effect from 11 November 2016. In addition, Ken Gillespie stepped down from the Board on 31 July 2016.

Membership of the Executive Board was strengthened during the year, with Andrew Hammond (Divisional Chairman West for Linden Homes), Tom Nicholson (Divisional Chairman East for Linden Homes), and Stephen Teagle (Chief Executive, Partnerships & Regeneration) joining the Executive Board on 6 September 2016.

Board performance evaluation
The Board undertook an internal performance evaluation in April 2017 which confirmed that the Board and committees are operating effectively and have the appropriate balance of skills, knowledge and experience to draw on. An update on the 2016 evaluation, together with recommendations and actions from the 2017 evaluation, can be found on pages 51 and 52.

Succession planning
The Group continued to enact the findings of the review and refresh of the talent mapping and succession planning process commenced in 2015. Plans for succession have now gone deeper into the organisation and there is also a clearer view on the Group's talent pool.

Diversity
The Board has noted the increased focus on diversity, in particular the Hampton-Alexander Review, the Parker Report and the McGregor-Smith Review. The policy of the Nomination Committee has been to consider a diverse range of candidates, including those from backgrounds not currently represented at Board level, for positions as and when they become available, while basing recruitment decisions on merit. The Board will monitor and review both its strategy to improve inclusion and diversity and the results of that strategy and will make adjustments as necessary to promote inclusion and diversity across the Group.

Governance developments

There were a number of other key corporate governance developments during the financial year. On 3 July 2016 the new Market Abuse Regulation (MAR) came into force. As a result of the changes introduced by MAR, the Company undertook a review of its policies and procedures relating to closed periods, inside information and share dealing, updating them as necessary.

Also in July 2016, the FRC published a report into corporate culture to help raise the level of discussion and debate on the role of boards in shaping, embedding and assessing company culture, the value of culture in creating sustainable companies, and the way companies conduct themselves and interact with a broader range of stakeholders. The Board has reviewed its role in shaping the culture of the Company.

In November 2016, the Department for Business, Energy & Industrial Strategy (BEIS) published a corporate governance reform green paper covering directors' remuneration, the governance of large private companies and how best to include a wider stakeholder view in company decision-making. The Company submitted its response to the BEIS in respect of the proposed options for reform.

Annual General Meeting

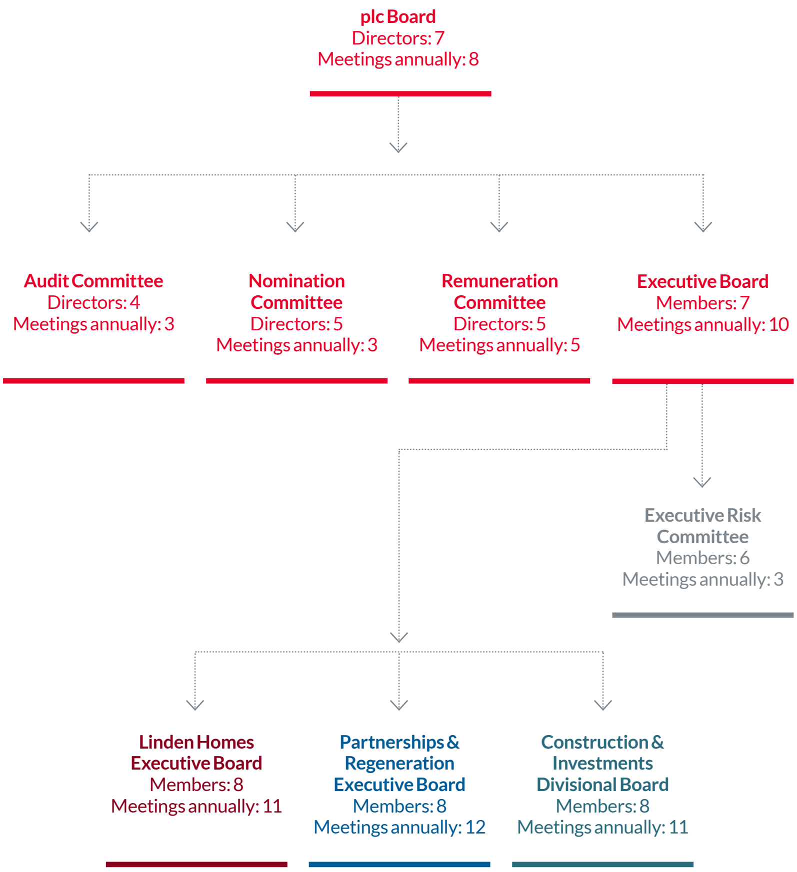
The Company will be holding its AGM on 10 November 2017 and shareholders are encouraged to attend and participate in the business to be discussed at the meeting.

I and the other Board directors look forward to meeting with shareholders at the AGM.

Peter Ventress
Chairman

Group governance structure

As at 30 June 2017



Governance review
continued

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

2016/17 Board and Committee attendance table

Number of meetings (attended/scheduled)	Board	Audit Committee	Nomination Committee	Remuneration Committee
Peter Ventress[1] Chairman	8/8	1/1	3/3	5/5
Peter Truscott Chief Executive	8/8	by invitation	by invitation	by invitation
Graham Prothero Finance Director	8/8	by invitation	n/a	n/a
Terry Miller Senior Independent Director	8/8	3/3	3/3	5/5
Andrew Jenner Non-executive Director	8/8	3/3	3/3	5/5
Ishbel Macpherson Non-executive Director	8/8	3/3	3/3	5/5
Gavin Slark Non-executive Director	8/8	3/3	3/3	5/5
Kevin Corbett General Counsel and Company Secretary	8/8	3/3	3/3	5/5
Greg Fitzgerald[2] Former Director	4/4	by invitation	1/1	by invitation
Ken Gillespie[3] Former Director	1/1	n/a	n/a	n/a

1 Peter Ventress stepped down as a member of the Audit Committee on being appointed Chairman of the Board on 11 November 2016. He attended subsequent meetings by invitation.

2 Greg Fitzgerald stepped down from the Board on 11 November 2016.

3 Ken Gillespie stepped down from the Board on 31 July 2016.

2016/17 Board focus

In addition to the items below, standing items on Board agendas include health, safety, environment and sustainability, directors' conflicts of interest, previous minutes and matters arising and Chief Executive and Finance Director reports.

The Board also held its annual strategy awayday in October 2016 where it reviewed progress against strategy to 2018, was updated on market conditions and developed and approved Group and divisional strategies to 2021.

2016

July
- **Site visit** – Queensferry Crossing
- **Presentation** – Building and Infrastructure
- **Presentation** – 2016/17 Group budget
- **Presentation** – risk review
- Board evaluation review
- Insurance renewal
- Market Abuse Regulation
- Annual Report

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

October
- **Presentation** – risk review
- **Adviser presentations** – Gleacher Shacklock and HSBC
- Budget for 2017/18
- Business plan update
- HR review

November
- **Presentation** – Health, Safety, Environment and Sustainability
- AGM
- Senior Independent Director role review

December
- **Presentation** – 2018–2021 business plan
- **Presentation** – legal update
- Project updates
- Modus Operandi of the Board

2017

February
- **Presentation** – HR
- **Presentation** – Procurement
- **Presentation** – IT
- Half year results
- Interim dividend
- Project updates
- Risk register review
- Modus Operandi of the Board

April
- **Site visit** – Shinfield Meadows
- **Presentation** – Linden Homes
- **Presentation** – Partnerships & Regeneration
- Business ethics
- Project updates
- Risk update
- Annual Report design

May
- **Presentation** – Investments
- **Presentation** – Facilities Management
- Trading update
- Results of Board performance evaluation
- Corporate Governance update

Compliance statement

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

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' Report on pages 68 to 69.

Board and Executive Board composition

Biographical summaries for each of the directors as at 30 June 2017, their respective responsibilities and their external directorships are set out on pages 46 and 47.

In line with the 2016 Code, all directors will stand for re-election at the 2017 AGM except for Andrew Jenner, who has announced his intention to step down from the Board following the 2017 AGM. Jeremy Townsend will also stand for election at the 2017 AGM. The performance of the directors continues to be effective and commitment to their respective roles is clearly demonstrated.

How the Board operates

The Board is led by the Chairman, who on appointment met the independence criteria set out in the 2016 Code and who is responsible for the Board's effectiveness. As at 30 June 2017, the Board was further comprised of four independent non-executive directors, the Chief Executive and the Finance Director.

The Board is collectively responsible for the long-term success of the Company and operates via a formal schedule of matters reserved for its decision. The Board also delegates certain matters to management; such delegations being reviewed annually. A summary of the matters reserved for the Board and the matters delegated to management is set out in the table below.

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

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

Terry Miller became the Group's Senior Independent Director on 11 November 2016, taking over from Peter Ventress following his appointment as Chairman. The Senior Independent Director was available to shareholders throughout the year. Neither Peter Ventress or Terry Miller were contacted in that capacity by shareholders during the financial year.

Other than the changes referenced, the roles and responsibilities of each of the non-executive directors, which are detailed in their individual letters of appointment, have not changed from the previous financial year. The letters of appointment are available for inspection on request at the Company's registered office and will be available immediately prior to the 2017 AGM.

Well-established Board procedures for the timely provision of quality information in advance of all Board and Committee meetings, and for the provision of independent professional advice, have remained in operation throughout the financial year. The Board continues to benefit from its established reporting mechanisms, designed to ensure crucial management and project-specific information and significant Group-wide developments are reported quickly and accurately facilitating prompt approval of further actions. Throughout the year the Board also received regular Group, divisional and business unit-specific presentations, covering all key aspects of the Group's operations.

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

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

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

Board evaluation: 2016 update and 2017 evaluation

The 2016 Board evaluation, which was externally facilitated, found that the Board was operating effectively. The findings were presented to the May 2016 Board meeting and actions were agreed by the Board to address the recommendations of the evaluation. The table below summarises the substantive recommendations made and actions undertaken during the financial year to address them:

2016 evaluation recommendations	Actions taken during the year
Transition of leaving directors	The Nomination Committee reviewed the tenure of directorships and put in place a plan to appoint a successor to Andrew Jenner whose third three-year term was due to end in January 2018.
Continue to have ongoing conversations on:	The frequency of discussions around the Group's strategy was increased to enable the strategy process to be enhanced through the skills and experience of the non-executive directors.
– long-term strategy – succession planning	Regular reporting on succession planning to the Nomination Committee has continued, with regular discussions taking place at Executive Board and divisional board level.
Continue to embed culture and ethics within the Group	Management has continued to promote the Group's Code of Conduct, 'Doing the right thing', and the topic of business ethics has been added to the agendas of every divisional and business unit board meeting.

Governance review
continued

The Group undertook an internal performance evaluation in April 2017. The directors continue to perform to the levels expected of them and demonstrate commitment to their roles, including devoting such time as is necessary to discharge their responsibilities as directors. The Chairman met with each of the non-executive directors to discuss the findings and recommendations of the evaluation before they were presented to, and approved by, the Board in May 2017, with recommendations being addressed over the forthcoming financial year.

Overall, the evaluation confirmed that the Board and its committees are operating effectively and have the appropriate balance of skills, knowledge and experience to draw on, with recommendations being made, among other matters, in relation to improving Board and committee papers, continuing to embed and develop Board relationships and undertaking an additional annual site visit to provide the Board with even greater access to operations.

Diversity

In 2013 the Board stated its commitment to addressing the expectations of the Davies Report 'Women on Boards' where appropriate and possible. Following the stepping down of Andrew Jenner after the AGM on 10 November 2017, women will hold 29% of Board positions.

During the financial year, the Group's approach to inclusion and diversity has further been enhanced with the inclusion of women on short-lists from recruitment agencies for leadership roles and the introduction of a values-based interview process. The Group has also registered as a member of the National Association of Women in Construction and signed up to the Disability Confident scheme.

Further diversity disclosures can be found in the Strategic Report on page 42.

Executive Board report

Membership of the Executive Board is detailed on pages 46 and 47.

Executive management is the responsibility of the Chief Executive who chairs the Executive Board. The Executive Board is responsible for the operational management of the Group under terms of reference delegated by the Board, which also includes delegated responsibility for making recommendations to the Board on all items included in the formal schedule of matters reserved for Board authorisation. The Executive Board receives and considers regular performance and operational reports and presentations from divisional management. The Assistant Company Secretary acts as secretary to the Executive Board. The minutes of Executive Board meetings are included as part of the Board pack.

The Executive Board meets at least 10 times a year and additional meetings are convened when necessary to consider and authorise specific operational or project matters. The Executive Board focuses on long-term strategic issues and matters of Group-wide policy, with health, safety and sustainability, business ethics and customer service as the first agenda items at every meeting, which highlights the importance of such matters to the Group. Executive responsibility for operational matters of each business has been devolved to a greater extent to the executive boards of each business, which hold at least 11 meetings per annum.

Governance policies

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

Shareholder relations

The Company continues to prioritise maintaining effective relationships with all its shareholders and seeks to engage with interested parties. The Board, and in particular the Chief Executive and Finance Director, continues to organise meetings with existing and prospective institutional shareholders.

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

The Company's AGM, held in November each year, continues to be a popular means for private shareholders to receive updates on Group performance, including a presentation from the Chief Executive. All directors of the Company were in attendance at the 2016 AGM. Arrangements for the meeting including notice period and voting arrangements followed the requirements of the 2016 Code and related best practice.

Reporting, risk, internal audit and controls

The governance review commencing on page 48 details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework, are disclosed in the Principal Risks section on pages 18 to 21.

There were no significant internal control failings or weaknesses during the year. Any matters of non-compliance with the provisions of the Group Corporate and Finance Manuals have been rectified either during the financial year or by the date of this Annual Report. A separate programme of 16 internal audits was also completed across the Group's operations and progress checks were completed against previous recommendations.

During the year, the Group undertook a reappraisal of costs to complete and recoveries from two major infrastructure joint venture projects and other legacy Construction contracts (contracted in 2014 and earlier). A thorough review process was performed to determine the anticipated liability, which resulted in the announcement of a £98.3 million one-off charge on 3 May 2017. As a result, the Group no longer takes on similar-type large infrastructure projects on fixed-price contracts and is closely monitoring the close out of its legacy positions.

Audit Committee report

The Audit Committee has primarily focused on the integrity of the financial statements and the adequacy and effectiveness of the Group's risk management and internal control framework.

Andrew Jenner
Audit Committee Chair

Committee Chair's annual statement

The Audit Committee is led by me as Chairman and is further comprised of three independent non-executive directors. Additional details on the Committee's members can be found on pages 46 and 47. The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Director of Risk & Internal Audit and the Director of Group Finance. My financial background and membership of the Institute of Chartered Accountants satisfies the 2016 Code requirement that the Committee's membership must have recent and relevant financial experience. The General Counsel and Company Secretary or his nominee acts as secretary to the Committee.

During the financial year the Committee continued to monitor and review developments in corporate governance, the integrity of the financial statements and the adequacy and effectiveness of the risk management and internal control framework of the Group, as it continues to grow each of its businesses. The Committee considers that the 2017 Annual Report and Financial Statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

As previously announced, and after nine years on the Board, I will be stepping down at the 2017 AGM in November and, in respect of the Chairmanship of the Audit Committee, handing over to Jeremy Townsend who brings a wealth of financial and property experience to the Board. Jeremy Townsend joined the Board on 1 September 2017 which has provided an opportunity for a smooth transition.

Remit and activities

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

The authorities and calendar of work remain in line with the requirements of the 2016 Code. At each meeting, Committee members take time, in the absence of executive directors, to review separately and discuss any issues meriting their attention. The table on page 54 summarises the key activities during the financial year.

The Committee also continues to meet with internal and external audit teams, without executive management present.

During the financial year, the risk and internal audit team focused on delivering its agreed calendar of audit reviews under its rolling three-year internal audit plan and on providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management. More information about the Group's principal risks, its long-term viability and its risk management and internal control systems can be found in the Principal Risks section on pages 18 to 21.

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

As disclosed in note 6 to the financial statements, no significant non-audit related services were provided by the incumbent external auditor, PricewaterhouseCoopers LLP (PwC), during the financial year, although the Group did receive non-audit-related advice and services covering general corporate matters.

Governance review
continued

Each year, the Committee assesses the effectiveness of the external audit process which includes discussing feedback from the members of the Committee and key senior management within the Group. PwC has been an auditor of the Group since its initial appointment in 2001 and retained this appointment following a competitive tender completed in 2014.

The Committee reviewed the integrity of the Group's financial statements and all formal announcements relating to the Group's financial performance. This included an assessment of each critical accounting policy, as set out in note 1, as well as review and debate over the following areas of significance:

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

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

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

Drew Smith acquisition accounting treatment: including fair value adjustments, recognition of intangible assets and goodwill and related disclosures.

Disclosure of significant transactions and Alternative Performance Measures (APMs).

Calendar of 2016/17 Committee activities and areas of focus

September 2016

- Committee review of 2015/16 full year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process
- Risk, internal audit and whistleblowing reports
- Review of 2016 UK Corporate Governance Code
- IFRS 15 (revenue recognition) update

February 2017

- Committee review of 2016/17 half year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process
- Risk, internal audit and whistleblowing reports

May 2017

- Risk, internal audit and whistleblowing reports
- Corporate governance and financial reporting update, with particular focus on the viability statement
- Approval of external audit plan
- Approval of internal audit plan
- Review of Terms of Reference and Non-Audit Fee Policy

Andrew Jenner
Audit Committee Chair

Nomination Committee report

The Nomination Committee has overseen the appointment of Jeremy Townsend and continued to monitor and oversee the succession planning process and plans themselves.

Terry Miller
Nomination Committee Chair

Committee Chair's annual statement

As previously reported, from 1 September 2017 Peter Ventress became Chair of the Nomination Committee. As Chair of the Committee at 30 June 2017, I am pleased to report on the Committee's activities during the financial year.

We are delighted to be able to welcome Jeremy Townsend to the Board of directors with effect from 1 September 2017. Upon joining the Board, Jeremy became a member of the Audit, Nomination and Remuneration Committees and, following Andrew Jenner stepping down from the Board after the 2017 AGM, will become Chair of the Audit Committee.

The appointment process for Jeremy included the drafting of a detailed job description, the use of The Zygos Partnership search consultants and formal interviews of the short-listed candidates with the non-executive and executive directors. Following an objective and transparent recruitment process, the Committee recommended the appointment of Jeremy to the Board which, after due consideration, was approved. Upon joining the Board Jeremy undertook a formal induction process, enabling him to gain a deeper understanding of the Company and introducing him to key management personnel, and also commenced a handover with the current Audit Committee Chair. We are extremely pleased that Jeremy has joined us and look forward to his contribution to the Board and committees.

Composition and remit

Membership of the Committee is detailed on pages 46 and 47. As stated above, Jeremy Townsend joined the Committee with effect from 1 September 2017. I chaired the Committee throughout the year and the General Counsel and Company Secretary acted as secretary to the Committee. The Board determined that, following the appointment of Peter Ventress as Chairman of the Board in November 2016, he should assume chairmanship of the Committee with effect from 1 September 2017.

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

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

The principal task of the Committee during the year, in addition to overseeing the process for the appointment of Jeremy Townsend, has been the alignment of Board composition with Company strategy and the continued monitoring and oversight of the previously agreed succession planning process, as well as the succession plans themselves. The Committee received updates on both the ongoing succession planning and talent mapping process at various levels within the Group, together with the individuals identified, and any development requirements necessary to ensure effective succession. Succession planning and leadership requirements, including actions being taken to identify replacements for senior management roles, will continue to be the subject of direct focus and engagement by the Committee. The Committee is also committed to embedding inclusion and diversity at Board and executive level and generally throughout the Group, and to supporting this effort through fostering and direct participation in management initiatives and programmes.

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

External consultant The Zygos Partnership, which advised on Board appointments in the year, has no other connection with the Group.

Terry Miller
Nomination Committee Chair

Remuneration Committee report

“

The Remuneration Committee was primarily focused on the formulation of the Group's Remuneration Policy for 2017 to 2020, as well as this year's implementation of the current Remuneration Policy.

Ishbel Macpherson
Remuneration Committee Chair

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

Calendar of 2016/17 Committee activities and areas of focus

Month	Activity or area of focus
July 2016	→ Salary review outcome → Update on Long Term Incentive Plan (LTIP) earnings per share (EPS) and total shareholder return (TSR) performance measures to 30 June 2016 → Review of proposed new LTIP rules → Update on 2015/16 annual bonus performance and proposal of 2016/17 annual bonus scheme → Review of Terms of Reference → Consideration of draft 2016 Directors' Remuneration Report disclosures
September 2016	→ Update on shareholder consultation → Review of LTIP EPS and TSR performance measures to 30 June 2016 → Approval of new LTIP rules → Review of 2015/16 annual bonus performance → Review of Employee Share Trust (EST) shareholding and future market purchases → Approval of the 2016 Directors' Remuneration Report
October 2016	→ Proposed grants under the LTIP → Approval of 2016/17 annual bonus scheme → Consideration of Save as You Earn (SAYE) invitation → Approval of Peter Ventress's fee as Chairman
December 2016	→ Review of Remuneration Policy for 2017 to 2020
May 2017	→ Update on 2017 AGM season → Review of Remuneration Policy for 2017 to 2020 → Group and senior management remuneration review → Outline proposals for 2017/18 annual bonus scheme → Update on existing Long Term Bonus Plan (LTBP) performance and review of proposed new LTBP → Review of Terms of Reference → Gender Pay Gap reporting → Review of EST shareholdings and future market purchases

Committee Chair's annual statement

We are delighted with the performance of Linden Homes and Partnerships & Regeneration in the financial year but it was disappointing to make a significant provision for legacy Construction contracts. Despite this, there was strong cash performance in the year, and full details of the Group's performance, including exceptional items, are included in this Annual Report.

While the profit measures in the annual bonus and the LTIP are based on adjusted profit before tax and EPS respectively, in light of the £98.3 million one-off charge relating to legacy contracts announced in May 2017, the Committee has determined that downward adjustments were necessary to the vesting of awards granted to executives under the LTIP in 2014 (and to Peter Truscott on joining in respect of forfeited awards from his previous employment which were on the same terms) and that there would be no bonus payable to executive directors in respect of the full year profit metric for the financial year just ended.

While the EPS measure under the LTIP will not vest, the Group's TSR over the three-year period ended 30 June 2017 of 28.9% resulted in partial vesting against the Construction peer group and therefore 16.5% of base awards will vest on 30 September 2017.

In respect of the annual bonus, there is a payout under the profit element which is based on performance in the first half of the financial year. Cash performance during the year has been strong and this has resulted in an overall bonus payout of 46.3% of the maximum.

Further details regarding the specific variable elements of pay received by the executive directors, based on the Group's Remuneration Policy for 2014 to 2017, can be found in the Annual Report on Remuneration on pages 62 to 67.

Looking forward, we announced a new and exciting strategy to 2021 which focuses on sustainable growth and strong returns for shareholders. The Group's new Remuneration Policy has taken into account the Group's strategy to 2021, with a small number of changes being proposed.

Remuneration Policy review

The principal work of the Committee this year has been the review of the Group's existing Remuneration Policy and the formulation of the Group's proposed Remuneration Policy for the period 2017 to 2020 (the '2017 Policy') in consultation with major shareholders. Shareholders will be invited to vote on the 2017 Policy, a copy of which is set out on pages 58 to 61, at the Group's AGM on 10 November 2017.

The Committee is aware of the increasing support for more bespoke yet simplified remuneration structures and considered these points in the drafting of the 2017 Policy. The Committee is not proposing to change the overall structure of the Group's executive remuneration at this time, although investor and other external views will be kept under review, including the option of restricted shares as an alternative to conditional share awards.

Proposed changes

As highlighted, the structure of executive remuneration will remain the same, comprising base salary, annual bonus and LTIP. The key changes proposed under the 2017 Policy are:

- LTIP: a simplification of the LTIP structure and a reduction in the level of LTIP opportunity from 200% to 150% of salary.
  - The previous LTIP was based on the concept of a base award and a double base award dependent on TSR against two peer groups and cumulative EPS performance. A key issue with this structure is its complexity and the adverse impact it has on acting as a useful incentive that can be communicated clearly to participants and shareholders. The new structure is more typical of practice in the market in that the measures are not interdependent. Furthermore, to reflect a less "geared" arrangement, a reduced grant level will apply.
- LTIP holding period and share ownership guidelines: the introduction of a two-year holding period which will apply to vested LTIP awards granted to executive directors from 2017 and an increase in share ownership guidelines to 200% of base salary for executive directors.
  - This strengthens alignment between directors and shareholders and is in line with best practice.

Application of Remuneration Policy in 2017/18

- Base salaries – increases in line with workforce.
  - The Committee has continued to monitor and review pay and conditions across the Group and, in particular, the wider executive population immediately beneath the senior team. Merit-based salary increases were awarded to all staff on review in July 2017, with an average increase in the Group's salary budget of 3%. Peter Truscott and Graham Prothero's salaries have been increased by 3% which is in line with average increases across the workforce.
- Annual bonus: the introduction of sustainability measures, including order book and landbank metrics for the 2017/18 scheme.
  - The Group manages macro-economic risk by building a stronger and longer order book and maintaining an appropriately sized landbank. Therefore, both measures will feature in the 2017/18 annual bonus. Health and safety is very important and will continue to feature as a downwards adjuster.
- LTIP: the replacement of TSR with return on net assets (RoNA) for the 2017/18 share award to support the Group's strategy of sustainable growth.
  - On balance it was felt that relative TSR was not appropriate because (i) the peer groups are small, (ii) setting appropriate outperformance factors can be difficult in this cyclical sector, and (iii) most peer companies focus on one particular business whereas Galliford Try's performance is based on three – housebuilding, regeneration and construction.
  - As set out on page 67, RoNA is increasingly important in ensuring that profit is delivered efficiently. Strong achievement on both EPS and RoNA will ultimately drive returns through share price growth and dividends (targeting 5% growth per annum).

There will be two remuneration votes, a binding vote on our new policy and an advisory vote on the rest of the remuneration report, at the November AGM and we look forward to your continued support.

Ishbel Macpherson
Remuneration Committee Chair

Remuneration Committee report
continued

Remuneration Policy

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

The 2017 Policy will take effect from 10 November 2017, subject to shareholder approval at the AGM, and is expected to be in force until the 2020 AGM.

The key changes under the 2017 Policy are:

- A reduction in the normal maximum LTIP grant level from 200% to 150% of salary.
- The introduction of a two-year LTIP holding period for awards made to executive directors from 2017.
- Share retention policy: an increase in executive directors' share ownership guidelines to 200% of base salary.

As part of the policy review we have had extensive and constructive consultation with our largest shareholders and proxy voting agencies which has helped shape the 2017 Policy.

Remuneration policy table

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Salary		
To provide a competitive and appropriate level of basic fixed pay, sufficient to attract, motivate and retain executive directors of high calibre, able to develop and execute the Group's strategy.	Normally reviewed annually, with any changes typically taking effect from 1 July. The Committee sets salaries taking into consideration pay and employment conditions across the Group, the economic environment, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels among relevant housebuilder and construction peers and, other companies of broadly similar size and complexity. The Committee reserves the right to reduce salary levels (and has done so in the past) if the circumstances warrant it.	When reviewing salaries, both Group and individual performance are considered. While there is no prescribed maximum, the Committee's policy on salary increases for executive directors is for increases to be broadly in line with the average across the workforce, unless there is a promotion or material change in role or business circumstances in which case increases may be higher. Salaries for the year ahead are set out in the Annual Report on Remuneration.
Benefits		
To provide cost-effective and market-competitive benefits.	Benefits provided to executive directors may include entitlements to a Company car or cash equivalent allowance, private medical and permanent health insurance, and life assurance. The benefits provided may be subject to minor amendment from time to time by the Committee. Where a director is asked to relocate, relocation (or related) allowances may be provided. Executives may also be reimbursed for any reasonable expenses (and any income tax payable thereon) incurred in performance of their duties.	The cost of benefit provision varies from year to year, depending on the cost to the Group, and there is no prescribed maximum limit. Benefit costs are monitored and controlled to ensure that they remain appropriate and represent a small element of total remuneration costs.
Pension		
To provide a contribution towards retirement.	The executive directors may each receive contributions to a money purchase pension scheme or salary supplement in lieu of Company pension contributions (or a combination of both).	Up to 20% of basic salary.
Annual Bonus Plan		
Rewards the achievement of stretching annual goals that support the Group's annual and strategic objectives. Compulsory deferral of part of the bonus into shares provides alignment with shareholders.	Executive directors and selected senior management, subject to invitation and approval by the Committee, may participate in the Annual Bonus Plan. For executive directors, two thirds of any bonus earned in excess of 50% of salary is required to be deferred into restricted shares. Although beneficially held by the participants, the restricted shares are legally retained by the trustee of the Galliford Try EST for three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. The Committee operates recovery and withholding provisions within the Annual Bonus Plan, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct.	The maximum opportunity is 150% of salary for the Chief Executive and 100% of salary for other executive directors. Dependent on achieving specified financial (no less than 50% of the bonus) and strategic or non-financial targets. The Committee may, at its discretion, acting fairly and reasonably, adjust bonus outcomes if it considers the payout is inconsistent with the Company's underlying performance during the year. For the avoidance of doubt this can be to zero and bonuses may not exceed the maximum levels detailed above. Any use of such discretion in favour of executive management would be subject to shareholder consultation and detailed in the Annual Report on Remuneration. At least half of the annual bonus opportunity may be earned for on-target performance. For financial elements, bonuses start to be earned from 0% of salary for achieving threshold performance.

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Long Term Incentive Plan (LTIP)		
Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Making of annual awards aids retention.	Executive directors may be granted awards under the rules of the 2016 LTIP. The LTIP provides for awards of free shares in the form of nil or nominal cost options or conditional awards which vest dependent on the achievement of performance conditions and continued service. For awards granted to executive directors from 2017, any share awards that vest (after allowing for the sale to cover any tax liabilities) are subject to a two-year holding period during which time they cannot be sold (unless exceptional circumstances apply). The LTIP provides clawback and malus powers to the Committee, which can facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct. Dividends may accrue on LTIP awards over the vesting and holding periods and, subject to the discretion of the Committee, be paid out either as cash or shares on vesting, in respect of the number of shares that have vested.	Measures are chosen to provide alignment with the Company's medium term objectives and may include challenging financial targets such as earnings growth or return on net assets. The Committee may vary the measures and targets that are included in the plan and the weightings between them from year to year. Any material changes to the choice of measures would be subject to prior consultation with the Company's major shareholders. Details of performance conditions for the awards to be granted during the year are provided on page 67. The Committee may, at its discretion, acting fairly and reasonably, adjust LTIP vesting outcomes if it considers the payout is inconsistent with the Group's underlying performance over the performance period. For the avoidance of doubt this can be to zero and vesting may not exceed the maximum levels detailed below. Any use of such discretion would be subject to shareholder consultation if to the benefit of the executive management and detailed in the Annual Report on Remuneration. Under the 2016 LTIP rules, the maximum value that may be granted in any financial year to any individual is 200% of salary. For executive directors, the maximum grant level over the life of this policy has been set at 150% of basic annual salary as at the award date. Up to 25% of the relevant part of the award may vest for achieving threshold performance.
All-employee schemes		
To encourage employee share participation.	The Group may from time to time operate tax-approved share plans, such as an approved SAYE scheme for the benefit of all staff, for which executive directors could be eligible.	The schemes are subject to the limits set by HM Revenue & Customs and may be further limited at the Committee's discretion.
Shareholding guidelines		
To ensure the interests of the executive directors are aligned to those of shareholders.	The Group's share retention policy requires executive directors to build and maintain a shareholding equivalent in value to at least 200% of basic salary. Executive directors are required to retain a minimum of half the after tax number of vested share awards (deferred bonus and LTIP) until the guideline is met. The Committee will assess the guideline annually and take into account vesting levels and personal circumstances when assessing progress against the guideline.	Not applicable.
Non-executive fees		
To provide a competitive and appropriate level of fees sufficient to attract, motivate and retain a Chairman and non-executive directors of high calibre.	The Chairman is paid a single fixed fee. The remaining non-executive directors are paid a basic fee. Non-executives chairing a Board Committee and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed periodically by the Committee and Chief Executive for the Chairman, and by the Chairman and executive directors for the non-executive directors. Fees are set taking into consideration market levels in comparably sized FTSE companies and relevant housebuilder and construction peers, the time commitment and responsibilities of the role and the experience and expertise required. Non-executive directors, including the Chairman, are entitled to reimbursement of business expenses reasonably incurred in performing their duties (and any personal tax that may become payable). Non-executive directors cannot participate in any of the Group's annual bonus or share plans and are not eligible for any pension entitlements from the Group. The Chairman is eligible to participate in the Group's medical assurance plan.	The Committee and the executive directors are guided by the general pay increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility or time commitments. Current fee levels are disclosed on page 67.

Remuneration Committee report
continued

Notes to the policy table

The Committee selects financial and strategic measures (such as underlying profit, cash flow and RoNA) that are key performance indicators for the business to determine payouts under the annual bonus and LTIP. The Committee will select for long-term incentives a combination of measures that provide a good focus on the outcomes of Group strategy, together with sustainable improvements in long-term profitability. The Committee reviews the annual bonus and LTIP measures at the start of each year and targets are set taking into account the budget, strategic plan and investors' expectations.

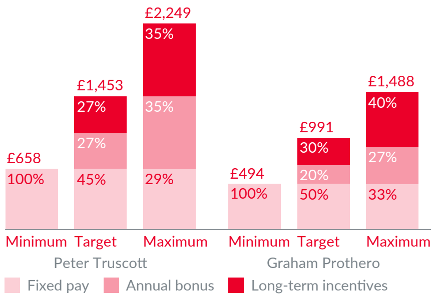
All staff throughout the Group participate in an annual bonus scheme, with targets linked to Group performance and/or the performance of their particular responsibilities or business unit. The scope and extent of these schemes vary by seniority and business sector. There are, however, some differences in the structure of the Remuneration Policy for the executive directors (as set out below) compared to that for the broader employee base within the Group, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. The Remuneration Policy for the executive directors places a greater weight on performance-based variable pay through the LTIP. This ensures the remuneration of the executives is aligned with the performance of the Group and therefore the interests of shareholders.

The individualised potential executive reward charts for 2017/18 set out to the right have been prepared using the following assumptions:

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

The chart below is indicative only, as share price movement and dividend accrual have been excluded. Salary levels are based on those applying on 1 July 2017. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2017. Executive directors can participate in all employee share schemes on the same basis as other employees but, for simplicity, the value that may be received from participating in these schemes has been excluded.

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



Discretions retained by the Committee in operating incentive plans

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

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

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

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

Policy on recruitment

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

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

Policy on recruitment

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

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

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

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

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2017 are detailed below:

	Contract date[1]	Notice period [2,3] (months)
Non-executive directors		
Peter Ventress	30 April 2015	6
Andrew Jenner	1 January 2009	6
Ishbel Macpherson	1 February 2014	6
Terry Miller	1 February 2014	6
Gavin Slark	13 May 2015	6
Executive directors		
Peter Truscott	30 April 2015	12
Graham Prothero	18 June 2012	12

1 Contract dates shown are the directors' initial contract as an executive or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointments are subject to a rolling notice period as stated. All serving directors apart from Andrew Jenner, who is retiring, will stand for re-election at the 2017 AGM.

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

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

Executive directors' service contracts are available at the Company's registered office and will be available for inspection at the 2017 AGM.

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

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

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

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

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

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

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

Legacy arrangements

Authority is contained within the 2014 Policy and the 2017 Policy for the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or vesting and exercise of a past LTIP award) that have been disclosed to shareholders in previous Directors' Remuneration Reports.

External directorships

With prior written approval of the Board in each case, executive directors are permitted to accept external appointments as non-executive directors and retain any associated fees.

Shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Remuneration Policy or individual executive salary packages. In July 2016 the Committee wrote to major institutional shareholders inviting views and comments on the proposed new LTIP rules and, in June 2017, the Committee consulted with major institutional shareholders on the 2017 Policy and on the implementation of the current policy in respect of the year ended June 2017.

Certain sections of the Annual Report on Remuneration from page 62 to 67 have been subject to audit.

How the views of employees have been taken into account

The Company, in line with market practice, does not currently actively consult with employees on executive remuneration. The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors. For example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Company.

Remuneration Committee report
continued

Annual Report on Remuneration

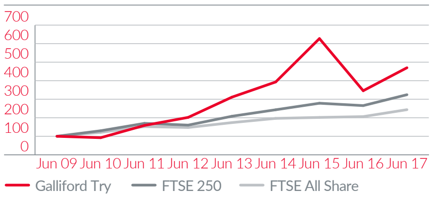
Recent Group performance

The Group delivered strong underlying performance during the year. The closing mid-market quotation for the Company's shares on 30 June 2017 was £11.61 (2016: £9.13). The high and low during the year were £15.83 and £7.85 respectively (2016: £18.13 and £8.58).

Comparative TSR performance over the last three financial years, reflecting share price movements plus dividends reinvested, ranked the Company below ninth place and in fourth place against its dual comparator groups drawn from the housebuilding and construction industries.

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

Total Shareholder Return
Value (£) (rebased)



Source: Datastream (Thomson Reuters)

This graph shows the value, by 30 June 2017, of £100 invested in Galliford Try on 30 June 2009, compared with the value of £100 invested in the FTSE 250 and FTSE All Share Indices on the same date.

Pre-exceptional profit before tax, pre-exceptional earnings per share and total dividend per share growth for the financial year ended on 30 June 2017 were 9%, 10% and 17% against the prior year respectively. Those increases compare to a 1.69% annualised increase in total Group remuneration to £294.8 million, for the year ended 30 June 2017. Profit before tax and earnings per share reduction for the financial year ended on 30 June 2017 were 57% and 55% against the prior year respectively.

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

	Year ended 30 June								
	2010	2011	2012	2013	2014	2015	2016[2]		2017
							Chairman	**Chief Executive**	
Total remuneration (£000) [1]	1,020	2,559	2,468	4,114	3,212	2,811	**1,262**	**1,461[3]**	**1,046**
Annual bonus (% of maximum)	98%	94%	88%	94%	97%	79%	**74%**	**74%**	**46.3%**
LTIP (% of maximum)	0%	75%	93%	87%	63%	63%	**47%**	–	**16.5%**

1 LTIP value estimated based on average share price of £13.02 in the last quarter of the financial year (1 April 2017 to 30 June 2017).

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

3 Single remuneration figure for Peter Truscott includes the value of compensatory bonus payments and LTIP awards made during the year as further explained in the table below.

Directors' remuneration and single figure annual remuneration

The remuneration of the directors serving during the financial year under the 2014 Policy, together with 2016 comparative figures, was as follows:

	Salary and fees £000		Annual bonus £000		Taxable benefits[1] £000		Pensions[2] £000		LTIP[3] £000		Sharesave £000		Total £000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016[4]	**2017**	2016	**2017**	2016
Executive directors														
Peter Truscott[5]	**515**	375	**357**	709	**22**	9	**103**	75	**49**	293	**–**	–	**1,046**	1,461
Graham Prothero	**386**	375	**179**	271	**17**	16	**77**	75	**60**	405	**–**	–	**719**	1,142
Non-executive directors														
Andrew Jenner	**47**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	47
Ishbel Macpherson	**47**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	47
Terry Miller	**50**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	47
Gavin Slark	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
Peter Ventress[6]	**146**	69	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**146**	69
Former directors														
Greg Fitzgerald[7]	**70**	369	**–**	300	**–**	23	**–**	55	**47**	533	**–**	–	**117**	1,280
Ken Gillespie[8]	**34**	390	**15**	227	**–**	13	**7**	78	**52**	399	**–**	33	**108**	1,140

1 Includes the value of benefits such as car allowance and medical insurance.

2 This is a salary supplement paid to the directors in lieu of direct pension contributions.

3 Estimate based on average price of £13.02 for the last quarter of the financial year (1 April 2017 to 30 June 2017). Pursuant to the 2014 LTIP, 3,776, 4,603, 3,632 and 4,031 shares, respectively, will vest to Peter Truscott, Graham Prothero, Greg Fitzgerald and Ken Gillespie on 30 September 2017.

4 LTIP figures reported in 2016 for that year were based on an estimated share price. These have now been updated with the actual share price as at the date of vesting of £13.26, excluding the LTIP figure for Peter Truscott, which was based on the actual share price on the date of vesting (£13.12).

5 As disclosed in last year's report, Peter Truscott joined the Group on 1 October 2015 and his remuneration in 2016, including previous employment forfeited bonus and performance share plan awards, was pro-rated accordingly. The 2016 bonus figure for Peter Truscott in this table is an aggregate figure which includes: (i) a payment of circa £406,000 under the Group's annual bonus; and (ii) a compensatory payment of £303,396 in lieu of forfeited Taylor Wimpey plc bonus for the period 1 January to 30 September 2015 as described in last year's report.

6 Peter Ventress joined the Board on 30 April 2015 and became Chairman on 11 November 2016.

7 Greg Fitzgerald retired on 11 November 2016 and his remuneration has been pro-rated accordingly.

8 Ken Gillespie stepped down from the Board on 31 July 2016 and retired on 28 February 2017. The values set out in the table above reflect his pay as an executive director.

2017 Annual bonus outcome

For the financial year to 30 June 2017, the annual bonus measures, targets and performance against those targets are set out in the table below. Senior management was subject to similar targets, which were applied to their respective divisional or business unit performance. The bonus outcome was subject to a scale back if certain non-financial targets in relation to health and safety were not achieved.

	Performance target				
Measure	Threshold (% of maximum bonus)	On-target (% of maximum bonus)	Maximum (% of maximum bonus)	Actual performance	Payout % of bonus maximum
Group targets					
Pre-exceptional full year Group profit before tax	£150m (0%)	£155.8m (25%)	£161.67m (50%)	£157.0m[2]	0%
Pre-exceptional half year Group profit before tax	£52.5m (0%)	£54.6m (5%)	£56.6m (10%)	£63.0m	10%
Group cash management[1]	(24%)	(24%)	(40%)	36.3%	36.3%
Total payout (% of maximum bonus)	**24%**	**54%**	**100%**		**46.3%**

1 Cash management related to monthly month end cash/debt figures in accordance with a predetermined cash budget schedule. 2% is earned based on the month end cash figures in accordance with the budget with a further 1% at each month end (except for June and December when 3% could be earned) for meeting the stretch target being 10% improvement on cash budget with a further increment in December 2016 and June 2017. The average monthly month end target was £261.47 million net debt compared to an achieved average of £239.78 million.

2 Actual performance refers to a notional profit before tax figure of £157.0 million, being the sum of reported profits before tax of £58.7 million and £98.3 million, being the one-off charge relating to legacy contracts announced in May 2017.

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

While the full year pre-exceptional profit before tax targets were partially achieved during the year, the Committee considered the impact of the £98.3 million one-off charge resulting from the write down of legacy contracts in the year as announced by the Company on 3 May 2017. Reflecting the significant reduction to the statutory profit outcome this year, the Committee felt it was appropriate to use its discretion to adjust the full year profit before tax element of the bonus downwards and therefore there will be nil payout under this element of the bonus scheme. The half year profit target and actual profit performance were not impacted by the one-off charge and will payout in full. The month end cash balances were above target for each month and in most cases exceeded the stretch target of 10% improvement. As a result of this strong cash performance over the course of the entire year, the total bonus payable for the year was 46.3% of maximum.

A health and safety bonus deductor was also considered, based on a health and safety matrix in force across the entire Group that could reduce bonus by specified percentages relating to the number of accidents, incidents and other reportable events. The Committee decided that these targets were met to the extent shown in the table above and has decided to revisit health and safety performance in the year ending 30 June 2018, following the outcome of the investigations into the two fatalities which occurred in the year.

The Committee determined that in respect of the year to 30 June 2017, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2016/17 (£000)	Cash (£000)	Shares (£000)
Peter Truscott	81	150	357	291	66
Graham Prothero	54	100	179	179	–
Ken Gillespie[1]	54	100	15	15	–

1 Ken Gillespie stepped down from the Board on 31 July 2016 and retired on 28 February 2017. The above value reflects the bonus earned as an executive director for the one month period of the year.

Two-thirds of the bonus earned in excess of the 50% of salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the allocated restricted shares are legally retained by the EST for a period of three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation.

LTIP awards vesting in September 2017

The LTIP awards granted to Peter Truscott on 21 October 2015, which was a replacement award for forfeiting Taylor Wimpey plc long-term performance awards, and to Graham Prothero, Greg Fitzgerald and Ken Gillespie on 30 September 2014 were based on TSR and EPS performance over the three years to 30 June 2017. 50% of the base award was based on EPS performance and vesting of up to 75% of the base award was based on TSR performance against each of a housebuilding group and construction group.

EPS performance

Measure	% of base award	Threshold condition (15% vesting)	Stretch condition (100% vesting)	Maximum condition	Actual	% of base award vesting
Cumulative notional EPS	50%	334 pence	408 pence	n/a	402.8 pence[1]	0%

1 Adjusted basic EPS includes basic EPS for the year ended 30 June 2017 based on a notional profit before tax figure of £157.0 million, being the sum of reported profit before tax of £58.7 million and £98.3 million, being the one-off charge relating to legacy contracts announced in May 2017.

As set out above, on 3 May we announced a reappraisal of costs to complete certain construction contracts resulting in a £98.3 million one-off charge for the 2016/17 financial year. 50% of the base award granted in October 2015 was based on adjusted basic EPS which is not impacted by the £98.3 million one-off charge. Notwithstanding this, to reflect the significantly lower statutory EPS outcome this year (59.1p) and the impact on the share price, the Committee has exercised its downward discretion and determined that none of the EPS element should vest. Had adjusted basic EPS been used, this would have resulted in near full vesting for this element.

Remuneration Committee report
continued

TSR performance

	Measure	% of base award	Threshold condition (10% vesting)	Stretch condition (33.3% vesting)	Maximum condition (100% vesting)	Actual	% of base award vesting[1]
TSR v Construction		75%	Median	Median + 24%	Median + 75%	28.9% (median +12.3%)	16.5%
TSR v Housebuilders		75%	Median	Median + 24%	Median + 75%	28.9% (below median)	0%

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

As a result of TSR performance, 16.5% of the base award will vest on 30 September 2017. The Committee considers that the revised, lower vesting outcome is a more accurate reflection of the Group's performance over the three year period.

Directors' share plan interests

Further detail regarding the proportion of LTIP awards subject to the three-year performance period ending 30 June 2017, and vesting in September 2017, is given in the preceding table on page 63. Outstanding awards held by directors are detailed in the table below.

Director	Plan	Date	Share price at grant	Base award quantum at 1 July 2016	Awarded	Face value of award[3] £000	Vested (93.4% of base awards for LTIP)	Lapsed	**Base award quantum at 30 June 2017**	Value of awards vested during financial year £000	Actual or anticipated vesting date
Peter Truscott	Long Term Incentive Plan[1,2]	21.10.15	£16.43	22,884	–	752	–	–	**22,884**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	26,400	–	917	–	–	**26,400**	–	25.09.18
	2016 Long Term Incentive Plan	16.11.16	£12.88	–	39,984	1,030	–	–	**39,984**	–	16.11.19
	Annual Bonus Plan	23.09.16	£12.516	–	11,655	–	–	–	**11,655**	–	23.09.19
Graham Prothero	Long Term Incentive Plan[1]	30.09.13	£10.40	32,690	–	680	30,532	2,158	–	405	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	27,902	–	697	–	–	**27,902**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	21,601	–	750	–	–	**21,601**	–	25.09.18
	2016 Long Term Incentive Plan	16.11.16	£12.88	–	29,988	773	–	–	**29,988**	–	16.11.19
	Annual Bonus Plan	30.09.13	£10.40	2,971	–	–	2,971	–	–	39	30.09.16
	Annual Bonus Plan	30.09.14	£12.31	8,572	–	–	–	–	**8,572**	–	30.09.17
	Annual Bonus Plan	25.09.15	£16.81	4,073	–	–	–	–	**4,073**	–	25.09.18
	Annual Bonus Plan	23.09.16	£12.516	–	4,455	–	–	–	**4,455**	–	23.09.19
	Sharesave	21.10.15	Exercise price £13.72	1,500	–	–	–	1,500	–	–	01.01.21
	Sharesave	01.10.16	Exercise price £10.40	–	1,546	–	–	–	**1,546**	–	01.01.22
Greg Fitzgerald	Long Term Incentive Plan[1]	30.09.13	£10.40	51,690	–	1,075	40,232	11,458	–	533	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	44,035	–	1,100	–	–	**44,035**	–	30.09.17
Ken Gillespie	Long Term Incentive Plan[1]	30.09.13	£10.40	32,202	–	670	30,076	2,126	–	399	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	27,485	–	687	–	–	**27,485**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	22,465	–	780	–	–	**22,465**	–	25.09.18
	Annual Bonus Plan	30.09.13	£10.40	6,866	–	–	6,886	–	–	91	30.09.16
	Annual Bonus Plan	30.09.14	£12.31	4,665	–	–	4,665	–	–	71	28.02.17
	Annual Bonus Plan	25.09.15	£16.81	5,445	–	–	5,445	–	–	83	28.02.17
	Annual Bonus Plan	23.09.16	£12.516	1,695	–	–	1,695	–	–	26	28.02.17
	Sharesave	21.10.15	Exercise price £13.72	900	–	–	–	–	900	–	01.01.19

1 Each LTIP award is a provisional allocation of a number of shares which is equal in value as at the date of grant to 100% of the individual's basic salary as at the date of grant. The award is subject to performance conditions over a three-year period as described on page 65.

2 Two awards in respect of forfeited 2013 and 2014 Taylor Wimpey Performance Share Plan awards were made to Peter Truscott on appointment. The value of the awards forfeited was determined by the Committee based on an average of the Taylor Wimpey plc and Galliford Try plc share prices in a five-day period prior to the announcement of Peter Truscott's appointment to the Group. The first award vested on 18 April 2016 and the second award of 22,884 Galliford Try plc shares, representing Taylor Wimpey awards made in 2014, shall vest on 30 September 2017, subject to the same performance conditions as awards made in 2014 under the Galliford Try plc LTIP.

3 The face values of the LTIP awards are calculated on the basis of the share price at grant of a base award, and assumes maximum vesting at 200% of award, as per the rules of the LTIP.

Awards granted during the year

On 16 November 2016, conditional LTIP awards were made to Peter Truscott and Graham Prothero. The awards had base values of 100% of base salary and a maximum opportunity of 200% of the respective base awards. The performance conditions attached to these awards and awards made in September 2015 are as follows:

Date of grant	Performance conditions	Comparator group
September 2015	→ Vesting based on TSR and underlying EPS performance over the three years to 30 June 2018. → Vesting of up to 50% of the base award will be based on underlying EPS performance. 15% will vest for aggregate EPS of 410 pence over the period, increasing to 50% vesting for aggregate underlying EPS of 500 pence. → Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of construction companies on the same basis as for housebuilding companies. → 7.5% vests for median performance against each comparator group, increasing to 25% vesting if the Company's TSR is 24% (8% per annum) higher than that of the median ranked comparator company. → Vesting can increase to a maximum of 75% of base award for achieving a TSR that is 75% (25% per annum) higher than the median ranked comparator company. Any vesting above 25% also requires the maximum EPS target (500 pence) to have been achieved.	**Housebuilding** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; Crest Nicolson Holdings plc; M J Gleeson plc; Persimmon plc; Redrow plc; and Taylor Wimpey plc. **Construction** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.
November 2016	→ Vesting based on TSR and underlying EPS performance over the three years to 30 June 2019. → Vesting of up to 50% of the base award will be based on underlying EPS performance. 15% will vest for aggregate EPS of 489 pence over the period, increasing to 50% vesting for aggregate EPS of 568 pence. → Vesting of up to 75% of the base award based on the same TSR and underlying EPS conditions for the 2015 awards for each of the housebuilding and construction comparator groups.	**Housebuilding** Barratt Developments plc; Bellway plc; Bovis Homes Group plc; Countryside plc; Crest Nicolson Holdings plc; McCarthy & Stone plc; M J Gleeson plc; Persimmon plc; Redrow plc; Taylor Wimpey plc; and The Berkeley Group Holdings plc. **Construction** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.

The EPS measures attached to the 2015 and 2016 LTIP awards are based on cumulative targets and the Committee has carefully considered how to treat these awards in light of the £98.3 million one-off charge. After considerable debate and following a thorough consultation with major shareholders and shareholder bodies, the Committee believes that it is appropriate to revert to using the pre-exceptional EPS figure (ie excluding the one-off charge) when determining the vesting of these awards because (i) the two significant legacy contracts were entered into before Peter Truscott became Chief Executive in 2015 and since his arrival and as set out in our strategy, the Company is no longer undertaking similar-type large infrastructure projects on fixed-price contracts, (ii) the Committee believes it is essential that there is some incentive in place for management in 2018 and 2019, and (iii) the impact of the one-off charge has already had a significant negative impact on the bonus outturn for 2016/17 and the LTIP vesting based on performance to 30 June 2017.

Directors' share interests

As at 30 June 2017, the directors held the following beneficial, legal and unvested annual bonus plan interests in the Company's ordinary share capital:

	Legally owned[1]					Total	
Director	30.6.17	30.6.16	LTIP (unvested)	Deferred bonus awards (unvested)	Sharesave	30.6.17	% of salary held under share ownership guidelines[2]
Executive directors							
Peter Truscott	11,821	11,821	89,268	11,655	–	112,744	53%
Graham Prothero	44,558	44,558	79,491	17,100	1,546	142,695	185%
Non-executive directors							
Andrew Jenner	1,000	13,433	–	–	–	1,000	n/a
Ishbel Macpherson	2,125	2,125	–	–	–	2,125	n/a
Terry Miller	200	200	–	–	–	200	n/a
Gavin Slark	1,200	1,200	–	–	–	1,200	n/a
Peter Ventress	4,250	4,250	–	–	–	4,250	n/a
Former directors							
Greg Fitzgerald	0	806,146	44,035	–	–	44,035	n/a
Ken Gillespie	87,922[3]	167,922	49,950	–	900	138,772	n/a

1 Either held by the individual or connected persons.

2 The share ownership guideline is proposed to increase from 150% of salary to 200% of salary upon approval of the 2017 Policy. As at 30 June 2017, Peter Truscott had a shareholding representing 53% and Graham Prothero had a shareholding representing 185% of their respective base salaries. The shareholding policy is set out on page 59.

3 Ken Gillespie's shareholding is based on the number of shares held at the time of leaving the Company.

There were no changes in the directors' interests from 30 June 2017 to the date of this Annual Report.

External directorships

Graham Prothero joined the Board of Marshalls plc on 10 May 2017 as a Non-executive Director and retained an annual fee of £7,447. Greg Fitzgerald, who retired from the Board on 11 November 2016, was a Non-executive Director of the NHBC until 31 July 2016 and was Chairman of Ardent Hire Solutions Limited. He retained annual fees of £3,417 and £68,275 respectively. Ken Gillespie, who retired from the Board on 31 July 2016, was a non-fee-earning Director of the Scottish Contractors Group, a non-profit industry body.

Remuneration Committee report
continued

Payments for loss of office

Ken Gillespie

On 25 February 2016, we announced that Ken Gillespie (Chief Operating Officer) had indicated his intention to retire and that he would be stepping down from the Board on 31 July 2016. He remained as an employee and left Galliford Try on 28 February 2017. Ken received his salary, benefits and pension benefits in the normal way until his leaving date and did not receive a payment in lieu of notice. His bonus for the financial year 2016/17 was pro-rated and his LTIP awards will vest at the normal date, subject to performance and time pro-rating. Restricted shares granted under the Annual Bonus Plan in September 2014, September 2015 and September 2016 vested in full on 28 February 2017.

Greg Fitzgerald

Greg Fitzgerald received his fee until his retirement on 11 November 2016. Greg received no payment in lieu of office or any payments for loss of office. As a retiree, Greg was treated as a good leaver in respect of his outstanding LTIP awards and these will vest at the normal vesting date subject to performance and time pro-rating. As disclosed in last year's report, Greg received his full annual bonus for the year ended 30 June 2016 in cash. Greg did not participate in the annual bonus for the year ended 30 June 2017. Also as disclosed in last year's report, restricted shares granted under the Annual Bonus Plan in September 2013, September 2014 and September 2015 vested in full on 31 December 2015, when Greg stepped down as Executive Chairman.

Percentage change in remuneration of Chief Executive and across workforce for 2016/17

% change	Average across workforce	Chief Executive
Salary	5.2%	3.0%
Bonus	27%[1]	(12.0)
Benefits	9.5%[2]	10.5%

1 Based on comparison of average aggregate bonus awards divided by average numbers of staff.

2 Based on comparison of cost to the Group of benefits for the tax years ended in April 2016 and April 2017. Peter Truscott's taxable benefits for the full tax year ended April 2016 would have been £19,200.

Relative importance of spend on pay

	2015/16	**2016/17**	% change
Total overall spend on pay (£m)	289.9	**294.8**	1.7
Dividends (£m)	67.9	**79.4**	16.9
Share buyback (£m)	–	**–**	–
Pre-exceptional Group profit before tax (£m)	135.0	**147.6**	9.3
Pre-exceptional Group corporation tax expense (£m)	26.1	**27.4**	5.0
Pre-exceptional effective tax rate (%)	19.3	**18.6**	(3.6)

The equivalent total overall spend on pay in 2017 is disclosed in note 4 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £53,500 per annum as at 30 June 2017 (2016: £50,900).

Composition of Remuneration Committee and attendance

Membership of the Committee is detailed on pages 46 and 47. The Committee was chaired by Ishbel Macpherson throughout the year. During the financial year the other members were Andrew Jenner, Terry Miller, Gavin Slark and Peter Ventress. The General Counsel and Company Secretary acts as secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the non-executives meeting without executive management present. No director, or the General Counsel and Company Secretary, is present when his or her own remuneration is being considered.

Remuneration advice and advisers

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

New Bridge Street (NBS) is the Committee's sole remuneration consultant, having been appointed by the Committee in January 2011 following a competitive tender. Services provided to the Committee by NBS encompassed remuneration guidance, regulatory guidance and share plan-related consultancy. Fees paid to NBS for services provided to the Committee during the financial year were £61,300 (2016: £51,123).

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

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

Employee Share Trust and dilution

The EST is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year, the EST purchased 151,248 shares in the market at an average price of £13.33, which resulted in a balance held at 30 June 2017 of 369,240 shares.

Including the purchase of shares, the Group provided net additional funds to the EST during the financial year of £2,016,091.58, by extending the existing EST loan facility.

In issuing only 16,034 new shares during or since the financial year, the Company has complied with the dilution guidelines of the Investment Association. Applying the guidelines, the Group has 6.86% headroom against 'the 10% in 10 years' rule and 3.7% headroom against the '5% in 10 years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration Report

The Committee takes account of annualised shareholder voting trends in connection with the Directors' Remuneration Report votes. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration Report during the last five AGMs are as follows: 99.68% (2016), 99.26% (2015), 99.46% (2014), 98.52% (2013) and 99.16% (2012). Votes withheld in each of those years represented: 0.50% (2016), 2.21% (2015), 0.32% (2014), 3.16% (2013) and 2.78% (2012). In 2016, 0.32% of the votes cast were against the Directors' Remuneration Report.

In 2014 shareholders voted in support of the 2014 Policy by 98.13% in favour, with 0.08% of votes withheld. A further resolution in respect of the 2017 Policy will be proposed at the 2017 AGM.

In 2016, shareholders voted on the renewal of the Long Term Incentive Plan. Shareholders voted in support of the 2016 LTIP by 95.67% in favour, with 0.77% of votes withheld.

Forward-looking implementation of Policy

Base salaries

At the 2017 salary review completed in May, the directors carefully scrutinised pay and employment conditions across the Group. Against the backdrop of strong underlying financial performance, industry-wide salary increases and a need to continue to retain key operational staff to deliver the strategy to 2021, the overall pay budget increased by 3%.

With effect from 1 July 2017, Peter Truscott was awarded an annual salary increase of 3% (£15,450) to £530,450. Graham Prothero was awarded an annual salary increase of 3% (£11,600) to £397,850. These increases were in line with the average pay increase across the workforce.

Annual bonus

The Committee has decided that for the financial year to 30 June 2018, the existing bonus structure remains appropriately aligned to corporate strategy. It will therefore remain in its current form, with an opportunity of 150% of salary for the Chief Executive and an opportunity of 100% of salary for the Group Finance Director.

One of the key risks facing Galliford Try is the macro-economic environment and the possibility of an economic downturn. The Group manages the impact of this risk by building a stronger and longer construction order book and maintaining an appropriately sized landbank. Therefore, the Committee feels it is appropriate for both the construction order book and landbank to feature in the 2017/18 bonus plan together with underlying profit before tax and cash management which will continue to determine the majority of the annual bonus. Accordingly, 50% will be based on underlying Group profit before tax (10% in respect of the half year), 25% on Group cash management, 12.5% on landbank and 12.5% on Construction order book.

Health and safety continues to be a top priority. Maintaining a strong health and safety record will continue to feature in the bonus plan as a downwards adjuster, enabling bonuses to be reduced by up to 10% in the event that the Group's record is not at the required standard or, for the current financial year, depending on the outcome of the investigations into the two fatalities in the year ended June 2017.

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

LTIP

The Committee has considered the 2017 LTIP metrics carefully and has decided to replace relative TSR with RoNA. Sustainable profit growth continues to be our key focus and, as set out in our February 'Strategy to 2021' presentation, RoNA is increasingly important in ensuring that profit is delivered efficiently. Strong achievement on both underlying EPS and RoNA should ultimately drive returns through share price growth and dividends (targeting 5% per annum growth).

While the Committee can see the merits of a relative TSR condition, on balance, it felt that the measure was not appropriate due to the small size of the peer groups, the subjectivity involved in setting appropriate outperformance factors, and the lack of true peers given the Group's focus on construction, regeneration and housebuilding (unlike peers who tend to focus on only one of these).

Vesting of awards granted under the LTIP for the 2017/18 financial year will be based two-thirds on underlying EPS and one-third on RoNA performance over the three years to 30 June 2020 as follows:

- 25% of the EPS element will vest if underlying EPS is 186.8 pence for the 2019/20 financial year, increasing to full vesting for underlying EPS of 228.4 pence or more. Vesting will be determined on a straight-line basis between threshold and maximum.
- 25% of the RoNA element will vest if RoNA is 32.0% for the 2019/20 financial year, increasing to full vesting for RoNA of 35.4% or more. Vesting will be determined on a straight-line basis between threshold and maximum.

All-employee share schemes

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

Chairman and non-executive fees

Until his retirement on 11 November 2016, the fee level for Greg Fitzgerald was £190,000 per annum, together with membership of the Group's medical assurance plan. The fee level for Peter Ventress on becoming Chairman on Greg Fitzgerald stepping down remained the same. Peter Ventress received no benefits in connection with his position, other than membership of the Group's medical insurance plan.

The standard non-executive fee remained at £40,000 per annum throughout the financial year. From 1 July 2017, the fee increased by 3% to £41,200. The fee supplement for the three chairs of Board committees and for the Senior Independent Director also increased by 3% from £7,500 to £7,725 and from £4,000 to £4,120 respectively, also with effect from 1 July 2017.

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

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

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

For and on behalf of the Board

Ishbel Macpherson
Remuneration Committee Chair

13 September 2017

Directors' report

The directors present their Annual Report and audited financial statements for the Group for the year ended 30 June 2017.

Principal activities

Galliford Try is a leading housebuilding, regeneration and construction group, primarily operating in the UK. Galliford Try plc, registered in England and Wales with company number 00836539, is the Parent Company of the Group. More detailed information regarding the Group's activities during the year under review, and its future prospects, is provided on pages 1 to 45. The principal subsidiaries and joint ventures operating within the Group's divisions are shown in notes 13 and 37 to the financial statements.

Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. This can be found on pages 1 to 45.

The Strategic Report contains, where appropriate, an indication of the directors' view on likely future developments in the business of the Group.

The Corporate Governance Report on pages 48 to 55 is a statement for the purposes of Disclosure and Transparency Rule 7.2.1.

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

Results, dividends and capital

The pre-exceptional profit for the year, net of tax, of £120.2 million is shown in the consolidated income statement on page 76. The directors have recommended a final dividend of 64.0 pence per share, which together with the interim dividend of 32.0 pence declared in February, results in a total dividend for the financial year of 96.0 pence. The total dividend for the financial year will distribute a sum of £79.4 million. Subject to approval by shareholders in general meeting, the final dividend will be payable on 22 November 2017, to shareholders on the register at close of business on 27 October 2017.

Please refer to page 24 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50 pence. The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the main market of the London Stock Exchange. At 30 June 2017, the Company had 82,888,046 ordinary shares in issue (2016: 82,872,012).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities are set out in 2016 AGM notice. Resolutions to be proposed at the 2017 AGM will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of AGM sent separately to shareholders. Other than usual activity in connection with the Group's share plans, no shares have been issued or purchased by the Company under the relevant authorities either during the financial year or to the date of this Annual Report.

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

There are no securities carrying specific rights with regard to control of the Company, with the exception that the EST holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of any shares so held. The EST currently holds 0.45% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards (2016: 0.65%).

Articles of Association

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

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

Significant direct and indirect holdings

As at 13 September 2017, being the date of this Annual Report, the Company had been made aware, pursuant to the FCA's Disclosure and Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
Standard Life Aberdeen plc	5,996,285	7.23
Brewin Dolphin Limited	4,293,613	5.18
BlackRock, Inc	4,171,625	5.03

There were no material changes in any of the significant holdings between the financial year end and the date of this Annual Report.

Change of control provisions

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

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

The agreements governing the Group's joint ventures all have appropriate change of control provisions, none of which is material in the context of the wider Group.

Board and directors' interests and indemnities

Summary biographies of the Board directors as at 30 June 2017 are on pages 46 and 47. During the year, Ken Gillespie and Greg Fitzgerald stepped down from the Board on 31 July 2016 and 11 November 2016 respectively. On 1 September 2017, Jeremy Townsend joined the Board as a Non-executive Director. Andrew Jenner has announced that he will not be standing for re-election at the 2017 AGM on 10 November 2017.

There have been no other changes to the Board, either during or since the financial year end.

With effect from 6 September 2016, Andrew Hammond (Divisional Chairman West for Linden Homes), Tom Nicholson (Divisional Chairman East for Linden Homes), and Stephen Teagle (Chief Executive, Partnerships and Regeneration) joined the Executive Board.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 65, and details of executive directors' service contracts and non-executive directors' letters of appointment can be found on page 61.

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, conflicts of interest are reviewed and, as necessary, authorised by the Board on an annual basis. Details of Directors' and Officers' Liability Insurance and qualifying third party indemnities are given on page 51 of the Corporate Governance Report.

Employees

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of sex, race, age, ethnicity, disability or marital status. We value everyone as an individual, recognising that everyone is different and has different needs at work. We respect people's differences and treat everyone with dignity and respect. We aim to create a culture in which everyone feels valued as an individual and is motivated to give their best in their jobs.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We carry out regular workplace assessments and provide occupational health checks and advice to support both employees and line managers. Appropriate arrangements are made for the continued training and employment, career development and promotion of disabled persons. If members of staff become disabled, the Group endeavours to continue employment, either in the same or alternative position with appropriate retraining being given if necessary.

Employee engagement and consultation is encouraged through the use of regular informal discussions and feedback, formal annual appraisals, business unit staff forums and periodic employee surveys.

Further information on the Group's employees, employment practices and employee involvement is provided in the Strategic Report on pages 1 to 45 and the Remuneration Policy and Report on pages 56 to 67. Information on the Group's approach to environmental, social and community matters, including a consideration of the impact of the Group's business on the environment, is provided in the Strategic Report on pages 44 and 45.

Significant agreements

Except for the agreements underpinning the Group's revolving credit facility and its debt private placement, there are no persons with which it has contractual or other arrangements which are essential to its business.

Charitable and political donations

For information regarding charitable donations made in time or materials please refer to the Strategic Report on page 45.

It is Group policy to avoid making political donations of any nature and accordingly none were made during the year. The Group notes the wide application of Part 14 of the Companies Act 2006, but does not consider the housebuilding and construction industry bodies of which it is a member to be political organisations for the purposes of the Act.

Emissions

Details of the Group's carbon dioxide emissions for the financial year have been included on page 44 and are included by reference in this report.

Creditor payment policy

Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. In November 2013, the Group became a signatory to the Prompt Payment Code which contains, among other things, commitments to pay suppliers within agreed contract terms.

Financial instruments

Further information regarding the Group's financial instruments including interest rate hedges, related policies and a consideration of its liquidity and other financing risks can be found in the financial review from page 22, and in note 26 to the financial statements.

Important developments since year end

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2017.

Going concern

In accordance with the Financial Reporting Council's Guidance on Going Concern and Liquidity published in 2009, the requirements of the UK Corporate Governance Code and Listing Rule 9.8.6R(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. It is therefore justified in using the going concern basis in preparing these financial statements.

Independent auditor

Each of the directors at the date of approval of this Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

A resolution is to be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company, at a rate of remuneration to be determined by the Audit Committee.

AGM

The AGM will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on 10 November 2017 at 10.00 am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code and as further described on pages 53 and 54, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval of Report

This Directors' Report, the Strategic Report on pages 1 to 45 and the Corporate Governance and Directors' Remuneration Reports on pages 48 to 67, were approved by the Board of directors on 13 September 2017.

For and on behalf of the Board

Kevin Corbett
General Counsel and Company Secretary

13 September 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 46 and 47, confirms that to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 1 to 45 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Peter Truscott
Chief Executive

13 September 2017

Forward looking statements
Forward looking statements have been made by the directors in good faith using information up until the date on which they approved this Annual Report. Forward looking statements should be regarded with caution due to uncertainties in economic trends and business risks. The Group's businesses are generally not affected by seasonality.

Independent auditor's report

to the members of Galliford Try plc

Report on the financial statements

Our opinion

In our opinion Galliford Try plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise:

- the balance sheets as at 30 June 2017;
- the consolidated income statement and the consolidated statement o f comprehensive income, the statement of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2016 to 30 June 2017.

Our audit approach

Materiality

- Materiality for Group financial statements of £7,380,000 (2016: £6,750,000) which represents 5% of profit before tax and exceptional items.
- Materiality for Company financial statements of £7,380,000 (2016: £6,750,000) which represents 1% of total assets, capped at the materiality of the Group financial statements.

Audit scope

- The Group is structured in six principal segments, being Linden Homes, Partnerships & Regeneration, Building, Infrastructure, PPP Investments and Central. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these reporting units. Of the Group's six reporting units, we identified the following legal entities required a full scope audit; Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc, which in our view, required an audit of their entire financial information, either due to their size or their risk characteristics. In addition to this we performed work over specific balances in other Group entities, which in our view, required an audit of such balances, either due to their size or their risk characteristics.
- Taken together, the reporting units in scope accounted for 94% of Group revenue and 85% of Group profit before tax.

Key audit matters

- Fraud in revenue recognition (Group).
- Linden Homes developments may not be appropriately valued (Group).
- Construction contracts may not be appropriately valued (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditor's report

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition	
Most businesses face a risk of fraud in revenue recognition. Construction contract accounting is inherently complex and we focused on this area because there is judgement involved in estimating the costs to complete of projects which increases the inherent risk of fraud. Revenue from fixed-price construction contracts is recognised based upon management's assessment of the value of works carried out considering performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. Profit is not recognised until the outcome of the contract is reasonably certain. Revenue recognition in Linden Homes is based on legal completion in respect of private house sales and unconditional exchange of contracts in respect of land sales. Refer to note 1 Accounting Policies on pages 82 and 83 of the Annual Report and the Audit Committee Report on pages 53 and 54 of the Annual Report.	→ For construction contract revenue, we identified and assessed key judgements inherent in the estimation of significant construction contract projects, by validating stage-of-completion and costs to completion on significant projects using surveyors' latest valuations, as well as evaluating the final outcome on projects completed in the year in relation to previous estimates made. → We agreed revenue recognised on a sample of major projects to supporting documentation such as customer contracts and signed variations. → We tested the timing of construction contract revenue recognition, taking into account contractual obligations, the percentage of the contract completed, third-party certifications and the timing of cash receipts. → For Linden Homes' revenue, we tested a sample of sales by examining legal completion documents. We also considered the stage of completion of affordable housing sales through review of surveyors valuations where appropriate. → We performed data analysis to identify potentially unusual journal entries impacting revenue and performed testing on those items. → We found no material misstatements from our testing.
Linden Homes developments may not be appropriately valued	
The valuation of developments is dependent upon the correct estimation and allocation of common costs on Linden Homes' sites. Common costs are allocated proportionately across the site using projected site margin to give a common gross profit margin on all units on that site, therefore changes in the total common costs incurred on a site over the life of the development can cause the profit margin to fluctuate. Older or slower-moving developments can be an indication of potential impairment. Refer to note 1 Accounting Policies on page 85 of the Annual Report and the Audit Committee Report on pages 53 and 54 of the Annual Report.	→ We identified and tested the operating effectiveness of key controls around the purchase and payable cycle including review and approval of costs to specific projects, and review of performance by project including costs to date and variation of cost to complete. → We recalculated, for a sample of sites, the release to costs of sales and remaining work in progress balance to ensure they have been appropriately updated for costs incurred and expected costs to complete. → We performed a review of site margins for all major sites to identify those with low or eroding margins, for example due to specific issues or underperformance. We discussed the identified sites with management, including the consideration of the level of provisions held against these sites and corroborated the explanations with other external evidence to support the carrying value of inventory. → We agreed a sample of costs incurred on sites, including common costs, to supporting documentation. → We evaluated the ageing of developments and investigated large, older and slower-moving items by obtaining and corroborating explanations for the levels of provisions held against such developments. → We found no material misstatements from our testing.
Construction contracts may not be appropriately valued	
The valuation of amounts recoverable on construction contracts is dependent on judgements around stage of completion and remaining costs to complete, as well as the associated provisions. In a number of the Group's projects there are assumptions within either revenue or cost of sales regarding recovery of contractual entitlement from clients, designers, subcontractors or insurers, and value can be recorded within work in progress which is not yet certified or formally agreed. Provisions are recorded by the Group where risk of recovery is considered significant. Refer to note 1 Accounting Policies on pages 82 and 83 of the Annual Report and the Audit Committee Report on pages 53 and 54 of the Annual Report.	→ We assessed the evidence provided by management regarding recovery of the un-agreed value on projects. This included external expert and legal advice and correspondence from clients, subcontractors and insurers. We considered the adequacy of provisions held. → We identified and assessed a sample of key judgements inherent in estimation of significant projects, particularly around stage of completion, costs to complete and provisions on loss-making contracts through our testing of contract review meetings, reading correspondence with the customer and sub-contractors, and obtaining audit evidence on client/subcontractor disputes and insurance claims. → We compared the final outcome on projects completed in the year to previous estimates made on those projects to assess the reliability of management's estimates. → We tested whether valid contractual agreements or other documentation were in place to support a sample of balances. → We identified, and obtained and corroborated explanations for, unusual fluctuations in margins on significant projects. → We found no material misstatements from our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In identifying these areas of focus and in ensuring that we performed enough work to be able to give an opinion on the financial statements as a whole, we took into account: the segmental structure of the Group; the accounting processes and controls; and the industry in which the Group operates, and tailored the scope of our audit accordingly. The Group is structured in six principal segments, being Linden Homes, Partnerships & Regeneration, Building, Infrastructure, PPP Investments and Central. The Group financial statements are a consolidation of these six segments in total. The business segmental reporting also reflects the Group's management and internal reporting structure.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these segments. Of the Group's six reporting units, we identified the following legal entities required a full scope audit; Linden Limited, Galliford Try Building Limited, Galliford Try Infrastructure Limited, Galliford Try Partnerships Limited and Galliford Try plc, which in our view, required an audit of their entire financial information, either due to their size or their risk characteristics. In addition to this we performed work over specific balances in other Group entities, which in our view, required an audit of such balances, either due to their size or their risk characteristics. Taken together, the reporting units in scope accounted for 94% of Group revenue and 85% Group profit before tax.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole. The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included assessment of the valuation of goodwill and legacy defined benefit pension scheme balances.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£7,380,000 (2016: £6,750,000).	£7,380,000 (2016: £6,750,000).
How we determined it	5% of profit before tax and exceptional items.	1% of total assets, capped at the materiality of the Group financial statements.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a trading group of companies.	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a non-trading holding entity.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,700,000 and £7,000,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £369,000 (Group audit) (2016: £300,000) and £369,000 (Company audit) (2016: £300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent auditor's report

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 18 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 19 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 70, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 53 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditor.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 70, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 27 October 2000 to audit the financial statements for the year ended 30 June 2001 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ended 30 June 2001 to 30 June 2017.

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 September 2017

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

Consolidated income statement

for the year ended 30 June 2017

	Notes	2017 Pre-exceptional items £m	2017 Exceptional items £m (note 3)	2017 Total £m	2016 Total £m
Group revenue	2	2,704.5	(42.4)	2,662.1	2,494.9
Cost of sales		(2,407.0)	(45.5)	(2,452.5)	(2,223.2)
Gross profit		297.5	(87.9)	209.6	271.7
Administrative expenses		(152.1)	(1.0)	(153.1)	(152.3)
Profit on disposal of property plant and equipment	6	0.1	–	0.1	5.2
Share of post tax profits from joint ventures	14	14.0	–	14.0	19.2
Profit/(loss) before finance costs		159.5	(88.9)	70.6	143.8
Profit/(loss) from operations	2	171.2	(88.9)	82.3	157.5
Share of joint ventures' interest and tax		(8.5)	–	(8.5)	(9.4)
Amortisation of intangibles	10	(3.2)	–	(3.2)	(4.3)
Profit/(loss) before finance costs		159.5	(88.9)	70.6	143.8
Finance income	5	5.3	–	5.3	7.6
Finance costs	5	(17.2)	–	(17.2)	(16.4)
Profit/(loss) before income tax	6	147.6	(88.9)	58.7	135.0
Income tax expense	7	(27.4)	17.4	(10.0)	(26.1)
Profit/(loss) for the year	30	120.2	(71.5)	48.7	108.9
Earnings per share					
– Basic	9	145.8p		59.1p	132.5p
– Diluted	9	145.0p		58.7p	131.3p

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Notes	2017 £m	2016 £m
Profit for the year		**48.7**	108.9
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Actuarial losses recognised on retirement benefit obligations	31	**(5.0)**	(11.9)
Deferred tax on items recognised in equity that will not be reclassified	7 & 25	**(0.2)**	1.0
Current tax through equity	7	**2.8**	2.3
Total items that will not be reclassified to profit or loss		**(2.4)**	(8.6)
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges:			
– Movement arising during the financial year	26	**3.2**	(5.4)
– Reclassification adjustments for amounts included in profit or loss	26	**(0.7)**	1.2
Deferred tax on items recognised in equity that may be reclassified	7	**(0.4)**	(1.0)
Total items that may be reclassified subsequently to profit or loss		**2.1**	(5.2)
Other comprehensive expense for the year net of tax		**(0.3)**	(13.8)
Total comprehensive income for the year		**48.4**	95.1

Balance sheets

at 30 June 2017

	Notes	Group 2017 £m	Group 2016 £m (Restated – note 1)	Company 2017 £m	Company 2016 £m
Assets					
Non-current assets					
Intangible assets	10	**18.8**	16.7	**–**	–
Goodwill	11	**160.3**	135.5	**–**	–
Property, plant and equipment	12	**16.2**	19.1	**–**	–
Investments in subsidiaries	13	**–**	–	**130.5**	69.4
Investments in joint ventures	14	**31.4**	24.8	**–**	–
PPP and other investments	15	**25.0**	16.9	**–**	–
Trade and other receivables	19	**111.7**	75.8	**–**	–
Deferred income tax assets	25	**2.0**	2.2	**1.3**	1.4
Total non-current assets		**365.4**	291.0	**131.8**	70.8
Current assets					
Inventories	16	**0.6**	0.1	**–**	–
Developments	17	**722.6**	820.8	**–**	–
Trade and other receivables	19	**809.5**	718.0	**193.9**	252.8
Current income tax assets		**–**	–	**0.8**	3.5
Cash and cash equivalents	20	**765.8**	599.8	**566.5**	498.4
Total current assets		**2,298.5**	2,138.7	**761.2**	754.7
Total assets		**2,663.9**	2,429.7	**893.0**	825.5
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	23	**(562.4)**	(433.8)	**–**	–
Trade and other payables	21	**(1,220.1)**	(1,059.2)	**(304.1)**	(270.0)
Current income tax liabilities		**(6.1)**	(12.2)	**–**	–
Provisions for other liabilities and charges	22	**(0.3)**	(0.3)	**–**	–
Total current liabilities		**(1,788.9)**	(1,505.5)	**(304.1)**	(270.0)
Net current assets		**509.6**	633.2	**457.1**	484.7
Non-current liabilities					
Financial liabilities					
– Borrowings	23	**(196.2)**	(174.7)	**(196.0)**	(171.6)
– Derivative financial liabilities	26	**(2.0)**	(4.5)	**(2.0)**	(4.5)
Retirement benefit obligations	31	**(3.2)**	(4.3)	**–**	–
Other non-current liabilities	24	**(96.9)**	(139.1)	**–**	–
Provisions for other liabilities and charges	22	**(1.2)**	(1.6)	**–**	–
Total non-current liabilities		**(299.5)**	(324.2)	**(198.0)**	(176.1)
Total liabilities		**(2,088.4)**	(1,829.7)	**(502.1)**	(446.1)
Net assets		**575.5**	600.0	**390.9**	379.4
Equity					
Ordinary shares	27	**41.4**	41.4	**41.4**	41.4
Share premium	27	**194.5**	194.4	**194.5**	194.4
Other reserves	29	**4.8**	4.8	**3.0**	3.0
Retained earnings	30	**334.8**	359.4	**152.0**	140.6
Total shareholders' equity		**575.5**	600.0	**390.9**	379.4

The profit for the Parent Company for the year was £82.4 million (2016: £74.2 million).

The financial statements on pages 76 to 121 were approved and authorised for issue by the Board on 13 September 2017 and signed on its behalf by:

Peter Truscott
Chief Executive

Graham Prothero
Finance Director

Galliford Try plc
Registered number: 00836539

Consolidated and Company statements of changes in equity

for the year ended 30 June 2017

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 1 July 2015		41.1	191.8	4.8	331.5	569.2
Profit for the year		–	–	–	108.9	108.9
Other comprehensive (expense)		–	–	–	(13.8)	(13.8)
Total comprehensive income for the year		–	–	–	95.1	95.1
Transactions with owners:						
Dividends	8	–	–	–	(59.3)	(59.3)
Share-based payments	28	–	–	–	4.0	4.0
Purchase of own shares	30	–	–	–	(11.9)	(11.9)
Issue of shares	27	0.3	2.6	–	–	2.9
At 30 June 2016		41.4	194.4	4.8	359.4	600.0
Profit for the year		**–**	**–**	**–**	**48.7**	**48.7**
Other comprehensive (expense)		**–**	**–**	**–**	**(0.3)**	**(0.3)**
Total comprehensive income for the year					**48.4**	**48.4**
Transactions with owners:						
Dividends	8	**–**	**–**	**–**	**(72.8)**	**(72.8)**
Share-based payments	28	**–**	**–**	**–**	**1.8**	**1.8**
Purchase of own shares	30	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Issue of shares	27	**–**	**0.1**	**–**	**–**	**0.1**
At 30 June 2017		**41.4**	**194.5**	**4.8**	**334.8**	**575.5**
Company statement						
At 1 July 2015		41.1	191.8	3.0	137.7	373.6
Profit for the year		–	–	–	74.2	74.2
Other comprehensive (expense)		–	–	–	(4.1)	(4.1)
Total comprehensive income		–	–	–	70.1	70.1
Transactions with owners:						
Dividends	8	–	–	–	(59.3)	(59.3)
Share-based payments	28	–	–	–	4.0	4.0
Purchase of own shares	30	–	–	–	(11.9)	(11.9)
Issue of shares	27	0.3	2.6	–	–	2.9
At 30 June 2016		41.4	194.4	3.0	140.6	379.4
Profit for the year		**–**	**–**	**–**	**82.4**	**82.4**
Other comprehensive income		**–**	**–**	**–**	**2.0**	**2.0**
Total comprehensive income		**–**	**–**	**–**	**84.4**	**84.4**
Transactions with owners:						
Dividends	8	**–**	**–**	**–**	**(72.8)**	**(72.8)**
Share-based payments	28	**–**	**–**	**–**	**1.8**	**1.8**
Purchase of own shares	30	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Issue of shares	27	**–**	**0.1**	**–**	**–**	**0.1**
At 30 June 2017		**41.4**	**194.5**	**3.0**	**152.0**	**390.9**

Statements of cash flows

for the year ended 30 June 2017

	Notes	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Cash flows from operating activities					
Continuing operations					
Pre-exceptional profit before finance costs		**159.5**	143.8	**81.3**	72.6
Exceptional items	3	**(88.9)**	–	**–**	–
Profit before finance costs		**70.6**	143.8	**81.3**	72.6
Adjustments for:					
Depreciation and amortisation	12 & 10	**6.6**	8.6	**–**	–
Profit on sale of property, plant and equipment	6	**(0.1)**	(5.2)	**–**	–
Profit on sale of subsidiaries		**(2.6)**	–	**–**	–
Profit on sale of PPP and other investments	15	**–**	(0.5)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(81.9)**	(75.7)
Share-based payments	28	**1.8**	4.0	**0.8**	3.0
Share of post-tax profits from joint ventures	14	**(14.0)**	(19.2)	**–**	–
Movement on provisions		**(0.4)**	(0.4)	**–**	–
Other non-cash movements		**0.3**	0.4	**–**	–
Net cash generated from/(used in) operations before pension deficit payments and changes in working capital		**62.2**	131.5	**0.2**	(0.1)
Deficit funding payments to pension schemes	31	**(6.4)**	(6.6)	**–**	–
Net cash generated from/(used in) operations before changes in working capital		**55.8**	124.9	**0.2**	(0.1)
(Increase)/decrease in inventories		**(0.5)**	0.2	**–**	–
Decrease/(increase) in developments		**107.3**	(7.5)	**–**	–
(Increase) in trade and other receivables		**(118.9)**	(54.0)	**–**	–
Increase/(decrease) in trade and other payables		**85.5**	46.1	**(0.9)**	(1.5)
Net cash generated from/(used in) operations		**129.2**	109.7	**(0.7)**	(1.6)
Interest received		**5.3**	7.6	**–**	–
Interest paid		**(15.3)**	(14.6)	**–**	–
Income tax (paid)/received		**(12.9)**	(25.3)	**3.5**	1.7
Net cash generated from operating activities		**106.3**	77.4	**2.8**	0.1
Cash flows from investing activities					
Dividends received from joint ventures	14	**7.4**	3.6	**–**	–
Acquisition of PPP and other investments	15	**(8.6)**	(6.6)	**–**	–
Proceeds from PPP and other investments	15	**0.5**	1.2	**–**	–
Proceeds from disposal of subsidiaries		**2.6**	–	**–**	–
Purchase of intangible assets	10	**–**	(0.1)	**–**	–
Business combinations	35	**(12.8)**	–	**–**	–
(Debt) acquired with acquired subsidiary undertakings		**(2.8)**	–	**–**	–
Loan with subsidiary companies		**–**	–	**33.7**	34.1
Dividends received from subsidiary undertakings		**–**	–	**81.9**	75.7
Acquisition of property, plant and equipment	12	**(5.1)**	(7.8)	**–**	–
Proceeds from sale of property, plant and equipment	12	**0.7**	10.4	**–**	–
Net cash (used in)/generated from investing activities		**(18.1)**	0.7	**115.6**	109.8
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	27	**0.1**	2.9	**0.1**	2.9
Purchase of own shares	30	**(2.0)**	(11.9)	**(2.0)**	(11.9)
Increase/(decrease) in borrowings	23	**23.9**	(8.4)	**24.4**	0.7
Dividends paid to Company shareholders	8	**(72.8)**	(59.3)	**(72.8)**	(59.3)
Net cash (used in) financing activities		**(50.8)**	(76.7)	**(50.3)**	(67.6)
Net increase in cash and cash equivalents		**37.4**	1.4	**68.1**	42.3
Cash and cash equivalents at 1 July	20	**166.3**	164.9	**498.4**	456.1
Cash and cash equivalents at 30 June	20	**203.7**	166.3	**566.5**	498.4

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try plc (the 'Company') is a public limited company incorporated, listed and domiciled in England and Wales. The address of the registered office is Galliford Try plc, Cowley Business Park, Cowley, Uxbridge, UB8 2AL. Galliford Try is a housebuilding, regeneration and construction group (the 'Group').

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The amounts stated are denominated in millions (£m).

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of PPP and other investments, retirement benefit obligations, share-based payments and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRS IC, and endorsed by the EU, relevant to its operations and effective on 1 July 2016, other than updating its policy on timing of recognition of conditional land acquisitions as set out in the inventories and developments policy below.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement and statement of comprehensive income. The profit for the Parent Company for the year was £82.4 million (2016: profit £74.2 million).

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2016 are listed below. The new amendments had no significant impact on the Group's results other than certain revised disclosures.

- Annual improvements 2014.
- Amendement to IFRS 11 'Joint arrangements on an acquisition of an interest in a joint operation' (effective 1 January 2016).
- IFRS 14 'Regulatory deferral accounts' (effective 1 January 2016).
- Amendment to IAS 16 'Property, plant and equipment' (effective 1 January 2016).
- Amendment to IAS 38 'Intangible assets' (effective 1 January 2016).
- Amendments to IAS 27 'Separate financial statements' on equity accounting (effective 1 January 2016).
- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative (effective 1 January 2016).

New standards, amendments and interpretations issued but not effective or yet to be endorsed by the EU are as follows:

- Amendments to IAS 7 'Statement of cash flows' (effective 1 January 2017).
- Amendments to IAS 12 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017).
- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018).
- IFRS 9 'Financial instruments' (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' and subsequent amendments/clarifications (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).
- Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (effective 1 January 2018).
- Amendment to IAS 40 'Investment property' relating to transfers of investment property (effective 1 January 2018).
- Annual improvements 2014-2016 (effective 1 January 2017).

The Group is currently reviewing the impact of IFRS 9, IFRS 15 and IFRS 16 to determine both the accounting and disclosure implications. Initial impact assessments are underway in respect of each standard.

The Group has yet to assess the full impact of the remainder of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Group.

In 2016, the IFRS Interpretations Committee released an update in respect of IAS32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. As the Group maintains separate bank accounts with both cash and overdrawn balances, the Group's consolidated financial statements have been prepared without offsetting these balances with positive cash balances included within cash and cash equivalents (see note 20) and overdrawn balances included within financial liabilities – current borrowings (see note 23). This had the effect of increasing both cash and cash equivalents and bank overdrafts by £562.1 million at 30 June 2017. The Group has restated its 30 June 2016 financial statements with the cash and cash equivalent and bank overdrafts balances increasing by £433.5 million.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Notes to the consolidated financial statements

1 Accounting policies (continued)
Critical accounting estimates and judgments (continued)
Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Impairment of goodwill and intangible assets
The determination of the value of any impairment of goodwill and intangible assets requires an estimation of the value in use of the Cash Generating Units (CGUs) to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these CGUs, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the goodwill impairment review calculations and sensitivity analysis performed are included in note 11.

(ii) Estimation of costs to complete and contract provisions
In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation, as does the assessment of a development's valuation. However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions. Amounts recoverable on construction contracts are disclosed in note 18.

(iii) Retirement benefit obligation valuations
In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The Group is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 31.

Basis of consolidation
The Group financial statements incorporate the results of Galliford Try plc, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities over which the Group has control. The exposure or right to variable returns from its involvement with an investee, and the ability to influence those returns, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

In addition to total performance measures, the Group discloses additional information including profit from operations and, if applicable, performance before exceptional items and earnings per share before exceptional items. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under IFRS, and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

Exceptional items
Exceptional items are material non-recurring items of income and expense which the Group believes should be separately disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses and property, plant and equipment, material one-off losses on contracts, cost of restructuring and reorganisation of businesses, acquisition costs, asset impairments and pension fund settlements and curtailments. The Group also classifies certain inventory provision reversals as exceptional to the extent that they relate to provisions previously recognised as exceptional losses.

Segmental reporting
Segmental reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

Revenue and profit
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under jointly controlled operations and the disposal of equity investments by our PPP Investments division.

Revenue and profit are recognised as follows:

(i) Housebuilding and land sales
Revenue from private housing sales is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised on a site by site basis by reference to the expected result of each site. Contracting development sales for affordable housing are accounted for as construction contracts.

(ii) Facilities Management contracts
Revenue is recognised on an accruals basis once the service has been performed, with reference to value provided to the customer. Profit is recognised by reference to the specific costs incurred relating to the service provided.

1 Accounting policies (continued)

Revenue and profit (continued)

(iii) Construction contracts

Revenue comprises the value of construction executed during the year and contracting development sales for affordable housing. The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

(a) Fixed-price contracts – revenue is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Profit is not recognised in the income statement until the outcome of the contract is reasonably certain. Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group are not recognised in the income statement until the outcome is capable of being reliably measured. Provision will be made against any potential loss as soon as it is identified.

(b) Cost plus contracts – revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once the outcome is virtually certain. Profit is recognised on a constant margin throughout the life of the contract. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on construction contracts and payments on account on construction contracts are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate.

Housing grants and government funding

Grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The grants are recognised in the income statement over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Interest bearing loans received from the government, for example under the Homes & Communities Agency (HCA) programmes, are recorded at proceeds plus accrued interest and reported within Financial Liabilities – Borrowings.

Grants and government funding received by the Group include direct capital grant funding awards under the HCA's Affordable Homes Programme; Infrastructure loan finance under the Large Sites Infrastructure Fund; and equity loans provided to house buyers under the Help to Buy home ownership initiative.

Bid costs for PFI/PPP contracts

Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Group has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain. Costs that are carried on the balance sheet are included within amounts recoverable on construction contracts, within trade and other receivables.

Rent receivable

Rental income represents income obtained from the rental of properties and is credited to revenue within the income statement on a straight-line basis over the period of the operating lease.

Interest income and expense

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Income tax

Current income tax is based on the taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the exception of the initial recognition of goodwill arising on an acquisition. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the statement of comprehensive income or to equity, when it is charged or credited there.

Notes to the consolidated financial statements

1 Accounting policies (continued)

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event, by considering the net present value of future cash flows. For purposes of testing for impairment, the carrying value of goodwill is compared to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is charged immediately to the income statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets
Intangible assets include brands, customer contracts and customer relationships acquired on acquisition of subsidiary companies, and computer software developed by the Group. The intangible assets are reviewed for impairment at least annually or when there is a triggering event. Intangible assets are stated at cost less accumulated amortisation and impairment. Cost is determined at the time of acquisition as being directly attributable costs or, where relevant, by using an appropriate valuation methodology.

Intangible assets are being amortised over the following periods:

(a) brand – on a straight-line basis over four to 10 years;

(b) customer contracts – in line with expected profit generation, varying from one to nine years;

(c) customer relationships – on a straight-line basis over a period which varies from three to five years; and

(d) computer software – once the software is fully operational, amortisation is on a straight-line basis over up to 10 years.

Property, plant and equipment
All property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings comprise mainly offices.

Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation, applied on a straight line basis, are as follows:

Freehold buildings	2% on cost
On cost or reducing balance:	
Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

Repairs and maintenance expenditure is expensed as incurred on an accruals basis.

Joint ventures and joint operations
The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and these parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Unrealised gains on transactions with the Group's joint ventures are eliminated to the extent of the Group's interest in the joint venture. Accounting policies of joint ventures have been changed on consolidation where necessary, to ensure consistency with policies adopted by the Group. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

A joint operation is a joint arrangement that the Group undertakes with third parties whereby those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of profits and losses in the consolidated income statement. The Group recognises its share of associated assets and liabilities in the consolidated balance sheet.

PPP and other investments
PPP and other investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at cost.

The Group operates schemes under which part of the agreed sales price for a residential property can be deferred for up to 25 years. The fair value of these assets is calculated by taking into account forecast inflation in property prices and discounting back to present value using the effective interest rate. Provision is also made for estimated default to arrive at the initial fair value. The unwinding of the discount included on initial recognition at fair value is recognised as finance income in the year.

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

1 Accounting policies (continued)

Inventories and developments

Inventories and developments are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value. On initial recognition, land is included within developments at its fair value, which is its cost to the Group.

Land inventory is recognised at the time a liability is recognised which is on unconditional exchange of contract or once the acquisition has completed.

Where a development is in progress net realisable value is assessed by considering the expected future revenues and the total costs to complete the development, including direct costs and directly attributable overheads. To the extent that the Group anticipates selling a development in its current state, then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are included for purposes of cash flow movements and the cash flow statement.

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant. Cash held in escrow accounts is classified as a short-term deposit where the escrow agreement allows the balance to be converted to cash, if replaced by a bond repayable on demand.

Bank and other borrowings

Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value net of transaction costs incurred. Such borrowings are subsequently stated at amortised cost, with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement, using the effective interest rate method. Refinancing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land) and, in due course, to cost of sales in the income statement.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Derivative financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provision of the instrument.

The Group uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments that are designated and effective as cash flow hedges, comprising interest rate swaps, are measured at fair value. The effective portion of changes in the fair value is recognised directly in reserves. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. Any gains or losses relating to an ineffective portion are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

Derivative financial instruments that do not qualify for hedge accounting are initially accounted for and measured at fair value at the point the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the income statement.

Notes to the consolidated financial statements

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Retirement benefit obligations

For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

For defined benefit schemes, the cost of providing benefits is calculated annually by independent actuaries using the projected unit method. The retirement benefit asset/(obligation) recognised in the balance sheet represents the excess/(deficit) of the fair value of the schemes' assets over the present value of scheme liabilities, with a net asset recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Accounting for Employee Share Ownership Plan

Own shares held by the Galliford Try Employee Share Trust (the 'Trust') are shown, at cost less any permanent diminution in value, as a deduction from retained earnings. The charge made to the income statement for employee share awards and options is based on the fair value of the award at the date of grant, spread over the performance period. Where such shares subsequently vest to the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in equity.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Equity instruments

Equity instruments, such as ordinary share capital, issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Consideration paid for shares in the Group held by the Trust are deducted from total equity.

Investments in subsidiaries

The Company's investments in subsidiaries are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment annually.

2 Segmental reporting

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

The Chief Operating Decision-Makers (CODM) have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes; Partnerships & Regeneration; Construction, including Building and Infrastructure; and PPP Investments. The business of each segment is described in the Strategic Report.

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

2 Segmental reporting (continued)

Primary reporting format – business segments

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2017								
Pre-exceptional Group revenue and share of joint ventures' revenue	937.4	330.2	1,014.1	555.2	1,569.3	25.0	0.7	2,862.6
Exceptional items (see note 3)	–	–	–	(42.4)	(42.4)	–	–	(42.4)
Group revenue and share of joint ventures' revenue	937.4	330.2	1,014.1	512.8	1,526.9	25.0	0.7	2,820.2
Share of joint ventures' revenue	(132.6)	(10.8)	(0.8)	–	(0.8)	(13.9)	–	(158.1)
Group revenue	804.8	319.4	1,013.3	512.8	1,526.1	11.1	0.7	2,662.1
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	148.9	14.0	(12.1)	11.1	(1.0)	2.3	(15.5)	148.7
Share of joint ventures' profit	21.4	0.9	0.1	–	0.1	0.1	–	22.5
Pre-exceptional profit/(loss) from operations *	170.3	14.9	(12.0)	11.1	(0.9)	2.4	(15.5)	171.2
Exceptional items (see note 3)	–	–	–	(87.9)	(87.9)	–	(1.0)	(88.9)
Share of joint ventures' interest and tax	(8.0)	(0.4)	–	–	–	(0.1)	–	(8.5)
Profit/(loss) before finance costs, amortisation and taxation	162.3	14.5	(12.0)	(76.8)	(88.8)	2.3	(16.5)	73.8
Finance income	4.2	0.7	–	0.2	0.2	–	0.2	5.3
Finance (costs)	(44.5)	(3.1)	(0.2)	(0.8)	(1.0)	(0.8)	32.2	(17.2)
Profit/(loss) before amortisation and taxation	122.0	12.1	(12.2)	(77.4)	(89.6)	1.5	15.9	61.9
Amortisation of intangibles	(0.9)	(0.2)	(1.0)	–	(1.0)	–	(1.1)	(3.2)
Profit before taxation	121.1	11.9	(13.2)	(77.4)	(90.6)	1.5	14.8	58.7
Income tax expense								(10.0)
Profit for the year								48.7
Year ended 30 June 2016								
Pre-exceptional Group revenue and share of joint ventures' revenue	840.8	300.6	1,013.8	489.6	1,503.4	25.0	0.6	2,670.4
Exceptional items	–	–	–	–	–	–	–	–
Share of joint ventures' revenue	(132.3)	(15.5)	(0.7)	(9.8)	(10.5)	(17.2)	–	(175.5)
Group revenue	708.5	285.1	1,013.1	479.8	1,492.9	7.8	0.6	2,494.9
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	120.8	9.6	8.9	6.8	15.7	(1.4)	(15.8)	128.9
Share of joint ventures' profit	26.4	2.1	0.1	–	0.1	–	–	28.6
Pre-exceptional profit/(loss) from operations*	147.2	11.7	9.0	6.8	15.8	(1.4)	(15.8)	157.5
Share of joint ventures' interest and tax	(8.7)	(0.7)	–	–	–	–	–	(9.4)
Profit/(loss) before finance costs, amortisation and taxation	138.5	11.0	9.0	6.8	15.8	(1.4)	(15.8)	148.1
Finance income	6.4	0.3	–	0.5	0.5	0.8	(0.4)	7.6
Finance (costs)	(46.6)	(0.8)	(0.2)	–	(0.2)	(1.1)	32.3	(16.4)
Profit/(loss) before amortisation and taxation	98.3	10.5	8.8	7.3	16.1	(1.7)	16.1	139.3
Amortisation of intangibles	(1.0)	–	(2.2)	–	(2.2)	–	(1.1)	(4.3)
Profit before taxation	97.3	10.5	6.6	7.3	13.9	(1.7)	15.0	135.0
Income tax expense								(26.1)
Profit for the year								108.9

* Pre-exceptional profit from operations is stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax and taxation.

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from Group revenue above. In the year to 30 June 2017 this amounted to £84.7 million (2016: £79.9 million) of which £28.0 million (2016: £35.7 million) was in Building, £33.3 million (2016: £42.9 million) was in Infrastructure and £23.4 million (2016: £1.3 million) was in Central.

Notes to the consolidated financial statements

2 Segmental reporting (continued)

Balance Sheet

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
30 June 2017									
Goodwill & intangible assets		**52.5**	**35.8**	**46.6**	**37.2**	**83.8**	**–**	**7.0**	**179.1**
Working capital employed		**619.9**	**44.9**	**(122.9)**	**(20.6)**	**(143.5)**	**20.6**	**(152.7)**	**389.2**
Net (debt)/cash	20	**(500.8)**	**(39.3)**	**131.9**	**5.5**	**137.4**	**(11.8)**	**421.7**	**7.2**
Net assets		**171.6**	**41.4**	**55.6**	**22.1**	**77.7**	**8.8**	**276.0**	**575.5**
Total Group liabilities									**(2,088.4)**
Total Group assets									**2,663.9**
30 June 2016 (Restated – note 1)									
Goodwill & intangible assets		53.4	6.0	47.7	37.2	84.9	–	7.9	152.2
Working capital employed		601.7	38.0	(81.6)	(74.0)	(155.6)	15.4	(43.0)	456.5
Net (debt)/cash	20	(525.0)	(12.1)	90.1	71.0	161.1	(7.8)	375.1	(8.7)
Net assets		130.1	31.9	56.2	34.2	90.4	7.6	340.0	600.0
Total Group liabilities									(1,829.7)
Total Group assets									2,429.7

Return on net assets for Linden Homes is calculated as Linden Homes EBITA divided by average of the aggregate of Linden Homes and Central net assets.

Other segmental information

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2017									
Investment in joint ventures	14	**30.2**	**0.8**	**–**	**–**	**–**	**0.4**	**–**	**31.4**
Contracting revenue		**–**	**305.4**	**985.6**	**479.1**	**1,464.7**	**2.1**	**–**	**1,772.2**
Capital expenditure – property, plant and equipment	12	**–**	**0.1**	**0.2**	**0.2**	**0.4**	**–**	**4.6**	**5.1**
Depreciation	12	**0.3**	**0.2**	**0.2**	**0.2**	**0.4**	**–**	**2.5**	**3.4**
(Decrease) in provision for receivables	6	**(0.4)**	**–**	**(0.1)**	**–**	**(0.1)**	**–**	**–**	**(0.5)**
Share-based payments	4	**0.2**	**0.1**	**0.4**	**0.3**	**0.7**	**–**	**0.8**	**1.8**
Acquisition of intangible assets	10	**–**	**5.3**	**–**	**–**	**–**	**–**	**–**	**5.3**
Amortisation of intangible assets	10	**0.9**	**0.2**	**1.0**	**–**	**1.0**	**–**	**1.1**	**3.2**
Year ended 30 June 2016									
Investment in joint ventures	14	20.9	2.9	0.1	–	0.1	0.9	–	24.8
Contracting revenue		0.6	268.6	958.9	479.1	1,438.0	2.2	–	1,709.4
Capital expenditure – property, plant and equipment	12	1.3	–	0.1	1.4	1.5	–	5.0	7.8
Depreciation	12	0.3	0.1	0.1	1.8	1.9	–	2.0	4.3
(Decrease) in provision for receivables	6	(0.5)	–	(0.3)	–	(0.3)	–	–	(0.8)
Share-based payments	4	0.2	0.1	0.2	0.1	0.3	–	3.4	4.0
Amortisation of intangible assets	10	1.0	–	2.2	–	2.2	–	1.1	4.3

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3 Exceptional items

	Charge on legacy contracts £m	Abortive merger costs £m	Total £m
Year ended 30 June 2017			
Group revenue and share of joint ventures' revenue	**(42.4)**	**–**	**(42.4)**
Share of joint ventures' revenue	**–**	**–**	**–**
Group revenue	**(42.4)**	**–**	**(42.4)**
Cost of sales	**(45.5)**	**–**	**(45.5)**
Administrative expenses	**–**	**(1.0)**	**(1.0)**
Loss from operations	**(87.9)**	**(1.0)**	**(88.9)**

In May 2017, the Group released an update in respect of Group trading and legacy contracts in Construction. This indicated that following a thorough reappraisal of the costs to complete and recoveries from these contracts, it was established that there was an increased anticipated liability to conclude these contracts and consequently, a one-off charge of £98.3 million had been incurred, of which approximately 80% was related to two major infrastructure joint venture projects (contracted in 2014 and earlier). One of these projects is largely practically complete, while the other, which represents the larger proportion of the estimated charge, is scheduled to complete in mid-2018. A charge of £87.9 million in respect of these two projects has been classified as an exceptional item, comprising all costs and provisions for those projects in the year. This comprises £79.3 million of the £98.3 million identified within the trading update in May 2017, plus £5.0 million included in the six months to 31 December 2016 and £3.6 million charged since 3 May 2017.

In March 2017, the Group announced that it had approached the Board of Bovis Homes Group Plc (Bovis) and had proposed an all share merger between Galliford Try plc and Bovis. Subsequently, in April 2017, the Group announced that this proposal was no longer being considered. During this period, £1.0 million of professional fees were incurred in respect of the proposal and these have been treated as an exceptional item.

4 Employees and directors

Employee benefit expense during the year

	Notes	Group		Company	
		2017 £m	2016 £m	**2017 £m**	2016 £m
Wages and salaries		**249.7**	243.9	**–**	–
Social security costs		**28.5**	28.7	**–**	–
Other pension costs	31	**16.6**	17.3	**–**	–
Share-based payments	28	**1.8**	4.0	**0.8**	3.0
Total		**296.6**	293.9	**0.8**	3.0

Average monthly number of people (including executive directors) employed

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
By business:				
Linden Homes	**924**	1,104	**–**	–
Partnerships & Regeneration	**550**	509	**–**	–
– Building	**1,871**	1,871	**–**	–
– Infrastructure	**1,724**	1,745	**–**	–
Construction	**3,595**	3,616	**–**	–
PPP Investments	**64**	64	**–**	–
Group	**373**	403	**7**	9
Total	**5,506**	5,696	**7**	9

Notes to the consolidated financial statements

4 Employees and directors (continued)

Remuneration of key management personnel

The key management personnel comprise the Executive Board and non-executive directors. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures. Further information about the remuneration of individual directors, including any interests in the Company's shares, is provided in the audited part of the Directors' Remuneration Report.

	2017 £m	2016 £m
Salaries and short-term employee benefits	**5.4**	5.8
Retirement benefit costs	**0.5**	0.4
Share-based payments	**0.4**	1.2
Total	**6.3**	7.4

5 Net finance costs

Group	2017 £m	2016 £m
Interest receivable on bank deposits	**0.2**	0.1
Interest receivable from joint ventures	**4.9**	7.0
Net finance income on retirement benefit obligations	**–**	0.2
Other	**0.2**	0.3
Finance income	**5.3**	7.6
Interest payable on borrowings	**(16.4)**	(15.5)
Unwind of discounted payables	**(0.7)**	(0.8)
Other	**(0.1)**	(0.1)
Finance costs	**(17.2)**	(16.4)
Net finance costs	**(11.9)**	(8.8)

6 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Notes	2017 £m	2016 £m
Employee benefit expense	4	**296.6**	293.9
Depreciation of property, plant and equipment	12	**3.4**	4.3
Amortisation of intangible assets	10	**3.2**	4.3
(Profit) on disposal of property, plant and equipment		**(0.1)**	(5.2)
Operating lease rentals payable		**28.7**	25.8
Developments recognised as an expense		**611.6**	525.3
Repairs and maintenance expenditure on property, plant and equipment		**1.7**	1.4
(Decrease) in provision for receivables	19	**(0.5)**	(0.8)
Restructuring cost		**–**	2.5
Exceptional cost	3	**88.9**	–

In addition to the above, the Group incurs other costs classified as cost of sales relating to labour, materials and subcontractors' costs.

Profit on disposal of property, plant and equipment in 2016 includes amounts in relation to the sale of the Galliford Try plant accommodation portfolio during the year. The restructuring cost in the year to June 2016 related to a restructuring of Linden Homes carried out during the year.

6 Profit before income tax (continued)

Services provided by the Group's auditor and network firms

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	2017 £m	2016 £m
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Total audit services	**0.2**	0.2
The audit of financial statements of the Company's subsidiaries	**0.4**	0.4
Audit-related assurance services	**0.1**	0.1
Other non-audit services	**0.1**	–
Total other services	**0.6**	0.5
Total	**0.8**	0.7

A description of the work of the Audit Committee in respect of the auditor's independence is set out in the Governance Report.

7 Income tax expense

Group	Note	2017 £m	2016 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**12.6**	24.4
Deferred tax	25	**0.6**	–
Adjustments in respect of prior years			
Current tax		**(2.8)**	0.9
Deferred tax	25	**(0.4)**	0.8
Income tax expense		**10.0**	26.1
Tax on items recognised in other comprehensive income			
Current tax (credit) for retirement benefit obligations		**(1.2)**	(1.3)
Current tax (credit) for share-based payments		**(0.5)**	(1.0)
Current tax (credit) for share-based payments – prior year adjustment		**(1.1)**	–
Deferred tax (credit)/expense for share-based payments	25	**(0.1)**	1.8
Deferred tax expense/(credit) on derivative financial instruments	25	**0.5**	(0.8)
Deferred tax expense/(credit) on retirement benefit obligations	25	**0.2**	(1.0)
Tax recognised in other comprehensive income		**(2.2)**	(2.3)
Total taxation		**7.8**	23.8

Notes to the consolidated financial statements

7 Income tax expense (continued)

The total income tax expense for the year of £10.0 million (2016: £26.1 million) is lower (2016: lower) than the blended standard rate of corporation tax in the UK of 19.75% (2016: 20.00%). The differences are explained below:

	2017 £m	2016 £m
Profit before income tax	58.7	135.0
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 19.75% (2016: 20.0%)	11.6	27.0
Effects of:		
Expenses not deductible for tax purposes	0.8	0.1
Non-taxable income	(0.2)	(1.0)
Joint ventures	(0.7)	(1.7)
Adjustments in respect of prior years	(3.2)	1.7
Other	1.7	–
Income tax expense	10.0	26.1

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Group's profits for the financial year to 30 June 2017 were taxed at a blended standard rate of 19.75%; and for the year to 30 June 2016 were taxed at the standard rate of 20.0%.

The UK corporation tax rate is due to be reduced to 17% in April 2020. We have recognised deferred tax at 19% as it is likely that most assets and liabilities will have reversed within three years. Had the 17% rate been applied to those balances that may reverse post April 2020 then the effect on the deferred tax balances would not have been significant.

8 Dividends

	2017		2016	
Group and Company	£m	pence per share	£m	pence per share
Previous year final	46.4	56.0	37.8	46.0
Current year interim	26.4	32.0	21.5	26.0
Dividend recognised in the year	72.8	88.0	59.3	72.0

The following dividends were declared by the Company in respect of each financial year presented:

	2017		2016	
	£m	pence per share	£m	pence per share
Interim	26.4	32.0	21.5	26.0
Final	53.0	64.0	46.4	56.0
Dividend relating to the year	79.4	96.0	67.9	82.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2017 of 64.0 pence per share, bringing the total dividend in respect of 2017 to 96.0 pence per share (2016: 82.0 pence). The final dividend will absorb approximately £53.0 million of equity. Subject to shareholder approval at the AGM to be held on 10 November 2017, the dividend will be paid on 22 November 2017 to shareholders who are on the register of members on 27 October 2017.

9 Earnings Per Share

Basic and diluted earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Trust, which are treated as cancelled.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the year. The dilutive effect amounts to the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option price. Only shares that have met their cumulative performance criteria are included in the dilution calculation. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long-term incentive plans. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit.

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

			2017			2016
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS – pre-exceptional						
Pre-exceptional earnings attributable to ordinary shareholders	120.2	82,464,513	145.8	108.9	82,166,065	132.5
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	48.7	82,464,513	59.1	108.9	82,166,065	132.5
Effect of dilutive securities:						
Options		430,141			748,016	
Diluted EPS – pre-exceptional	120.2	82,894,654	145.0	108.9	82,914,081	131.3
Diluted EPS	48.7	82,894,654	58.7	108.9	82,914,081	131.3

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10 Intangible assets

Group	Customer contracts and relationships £m	Computer software £m	Brand £m	Total £m
Cost				
At 1 July 2015	12.1	10.8	10.8	33.7
Additions	–	0.1	–	0.1
At 1 July 2016	12.1	10.9	10.8	33.8
Acquisitions (note 35)	**5.3**	**–**	**–**	**5.3**
At 30 June 2017	**17.4**	**10.9**	**10.8**	**39.1**
Accumulated amortisation				
At 1 July 2015	(2.2)	(1.7)	(8.9)	(12.8)
Amortisation in year	(2.2)	(1.1)	(1.0)	(4.3)
At 1 July 2016	(4.4)	(2.8)	(9.9)	(17.1)
Amortisation in year	**(1.2)**	**(1.1)**	**(0.9)**	**(3.2)**
At 30 June 2017	**(5.6)**	**(3.9)**	**(10.8)**	**(20.3)**
Net book amount				
At 30 June 2017	**11.8**	**7.0**	**–**	**18.8**
At 30 June 2016	7.7	8.1	0.9	16.7
At 30 June 2015	9.9	9.1	1.9	20.9

The increase in customer contracts and relationships in the year to 30 June 2017 arose from the acquisition of Drew Smith, as explained in note 35. The acquired intangible assets are being amortised over periods ranging from two to five years.

All amortisation charges in the year have been included in administrative expenses. Computer software relates to the introduction of the Group's reporting systems. The remaining period of amortisation on computer software is six years and six months. The remaining period of amortisation on customer contracts and relationships is seven years.

11 Goodwill

Group	£m
Cost	
At 1 July 2015 and 1 July 2016	136.2
Additions in year to 30 June 2017	**24.8**
At 30 June 2017	**161.0**
Aggregate impairment at 1 July 2015, 1 July 2016 and 30 June 2017	**(0.7)**
Net book amount	
At 30 June 2017	**160.3**
At 30 June 2015 and 30 June 2016	135.5

The increase in goodwill in the year to 30 June 2017 arose from the acquisition of Drew Smith (see note 35). This was allocated to the Partnerships & Regeneration segment.

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

	2017 £m	2016 £m
Linden Homes	**52.5**	52.5
Partnerships & Regeneration	**30.6**	5.8
Building	**40.0**	40.0
Infrastructure	**37.2**	37.2
	160.3	135.5

11 Goodwill (continued)

Impairment review of goodwill and key assumptions

Goodwill is tested for impairment at least annually. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on future financial budgets approved by the Board, based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue and the future profit margin achievable, in line with our strategy as set out in the Strategic Report. Future budgeted revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with the existing secured works, management's expectation of the future level of work available within the market sector and expected changes in selling volumes and prices for completed houses. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category and to reflect the current market value of land being acquired.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the financial review in the Strategic Report of the Annual Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit.

Cash flows beyond the budgeted three-year period are extrapolated using an estimated growth rate of 2% per annum within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 11.5% (2016: 13.7%) in Linden Homes, 8.5% (2016: 10.1%) in Partnerships & Regeneration, 8.8% (2016: 10.1%) in Building and 8.8% (2016: 11.6%) in Infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of each division.

Sensitivities

The recoverable values of all CGUs are substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. Taking into account current market conditions within the construction and housebuilding markets, none of these sensitivities, either individually or combined, resulted in the recoverable amount of the goodwill being reduced to below its current carrying value.

The detailed sensitivity analysis indicates that an increase of more than 108% (2016: 90%) in the pre-tax discount rate or a reduction of 64% (2016: 59%) in the forecast operating cash flows of the Infrastructure CGU could give rise to an impairment. The goodwill in the other segments is less sensitive to the detailed assumptions used and hence no additional disclosure is considered necessary.

12 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2015	8.2	16.5	15.6	40.3
Additions	–	4.6	3.2	7.8
Disposals	–	(10.3)	(1.2)	(11.5)
At 1 July 2016	8.2	10.8	17.6	36.6
Additions	**–**	**0.3**	**4.8**	**5.1**
Acquisitions (note 35)	**0.7**	**–**	**0.1**	**0.8**
Disposals	**(5.6)**	**(3.6)**	**(1.0)**	**(10.2)**
At 30 June 2017	**3.3**	**7.5**	**21.5**	**32.3**
Accumulated depreciation				
At 1 July 2015	(1.4)	(7.2)	(10.9)	(19.5)
Charge for the year	(0.2)	(1.8)	(2.3)	(4.3)
Disposals	–	5.1	1.2	6.3
At 1 July 2016	(1.6)	(3.9)	(12.0)	(17.5)
Charge for the year	**(0.1)**	**(0.2)**	**(3.1)**	**(3.4)**
Disposals	**0.6**	**3.2**	**1.0**	**4.8**
At 30 June 2017	**(1.1)**	**(0.9)**	**(14.1)**	**(16.1)**
Net book amount				
At 30 June 2017	**2.2**	**6.6**	**7.4**	**16.2**
At 30 June 2016	6.6	6.9	5.6	19.1
At 30 June 2015	6.8	9.3	4.7	20.8

There has been no impairment of property, plant and equipment during the year (2016: £nil). Fixed assets included £0.6 million net book value, and £0.3 million depreciation, for assets held under finance leases (2016: £0.9 million and £0.6 million, respectively).

The Company has no property, plant or equipment.

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13 Investments in subsidiaries

Company	2017 £m	2016 £m
Cost		
At 1 July	**76.2**	75.2
Capital contributions	**61.1**	1.0
At 30 June	**137.3**	76.2
Aggregate impairment		
At 1 July	**(6.8)**	(6.8)
At 30 June	**(6.8)**	(6.8)
Net book value		
At 30 June	**130.5**	69.4

The capital contribution in 2017 of £61.1 million consisted of a contribution of £40.0 million and £20.0 million from the Company to Galliford Try Infrastructure Limited and Galliford Try Building Limited respectively and £1.1 million (2016: £1.0 million) related to share based payments for share options granted by the Company to employees of subsidiary undertakings in the Group (note 28).

The carrying value of investments has been reviewed and the directors are satisfied that there is no further impairment required.

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Building Limited
Galliford Try Homes Limited[1]
Galliford Try Infrastructure Limited[2]
Galliford Try Investments Limited
Galliford Try Partnerships Limited
Galliford Try Services Limited[1]
Linden Limited

1 Shares of these subsidiary companies are owned directly by the Company.

2 Incorporated in Scotland.

Unless otherwise stated, each subsidiary has a 30 June year end, operates as a housebuilding, regeneration or construction company, is incorporated in England & Wales and 100% of ordinary shares and voting rights are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of the Group's undertakings is set out in note 37.

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14 Investments in joint ventures

Group	2017 £m	2016 £m
At 1 July	**24.8**	9.2
Dividend received from joint ventures	**(7.4)**	(3.6)
Share of post tax profit	**14.0**	19.2
At 30 June	**31.4**	24.8

Joint ventures

At 30 June 2017 the Group held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland, as set out in note 37.

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2017 £m	2016 £m
Current assets	**402.7**	467.4
Non-current assets	**–**	0.4
Current liabilities	**(214.6)**	(322.6)
Non-current liabilities	**(156.7)**	(120.4)
	31.4	24.8
Amounts due from joint ventures	**248.6**	197.5
Amounts due to joint ventures	**(11.7)**	(15.5)
Revenue	**158.1**	175.5
Expenses	**(135.6)**	(146.9)
	22.5	28.6
Finance cost	**(7.5)**	(7.7)
Income tax	**(1.0)**	(1.7)
Share of post tax profits from joint ventures	**14.0**	19.2

The Group's share of unrecognised losses of joint ventures is £34.6 million (2016: £29.5 million), of which net £5.1 million arose during the year.

As at 30 June 2017, amounts due from joint ventures of £248.6 million (2016: £197.5 million) were considered for impairment. The impairment reviews were based on future financial budgets based on past performance and expectation of market developments. The key assumptions used were consistent with those applied in the goodwill impairment reviews as described in note 11. No impairment has been provided for these balances in the year ended 30 June 2017 (2016: £nil).

The Group has no commitments (2016: £nil) to provide further subordinated debt to its joint ventures.

The joint ventures had external bank funding of £26 million at 30 June (2016: £65 million). The joint ventures have no significant contingent liabilities to which the Group is exposed (2016: £nil). The joint ventures had no capital commitments as at 30 June 2017 (2016: £nil).

Details of related party transactions with joint ventures are given in note 34.

Notes to the consolidated financial statements

15 PPP and other investments

Group	2017 £m	2016 £m
At 1 July	**16.9**	11.0
Additions	**8.6**	6.6
Disposals	**(0.5)**	(0.7)
At 30 June	**25.0**	16.9

These comprise PPP/PFI investments, and shared equity receivables.

The Group has sold the majority of its shared equity portfolio.

None of the assets are past their due dates (2016: nil) and the directors expect an average maturity profile of 10 years.

During the year additional subordinated loans and other investments of £8.6 million (2016: £6.6 million) were made to its PPP/PFI investments, and the Group disposed of interests held at £0.5 million (2016: £0.6 million), generating a profit on disposal of £nil (2016: £0.5 million).

16 Inventories

Group	2017 £m	2016 £m
Materials and consumables	**0.6**	0.1

No inventories have been written off during the year.

17 Developments

Group	2017 £m	2016 £m
Land	**456.6**	538.7
Work in progress	**266.0**	282.1
	722.6	820.8

Movement on development provisions	2017 £m	2016 £m
Balance at 1 July	**2.2**	1.0
Utilised on sales	**(0.3)**	(0.3)
Created in the year	**–**	1.5
Balance at 30 June	**1.9**	2.2

Further information on Group developments, including sales in hand and landbank information, can be found in the Strategic Report.

18 Construction contracts

Group	2017 £m	2016 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**274.0**	283.7
Payments received on account on construction contracts included in trade and other payables	**(109.4)**	(77.8)
	164.6	205.9

Contracting revenue is disclosed in note 2. The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £4,767.6 million (2016: £4,265.6 million).

Retentions held by customers for contract work amounted to £75.4 million (2016: £76.9 million).

19 Trade and other receivables

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Amounts falling due within one year:				
Trade receivables	**214.1**	162.6	**–**	–
Less: provision for impairment of receivables	**(0.3)**	(0.8)	**–**	–
Trade receivables – net	**213.8**	161.8	**–**	–
Amounts recoverable on construction contracts	**274.0**	283.7	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**193.9**	252.8
Amounts due from joint ventures	**141.7**	125.3	**–**	–
Other receivables	**27.5**	49.6	**–**	–
Prepayments and accrued income	**152.5**	97.6	**–**	–
	809.5	718.0	**193.9**	252.8

Prepayments and accrued income includes £8.5 million (2016: £7.5 million) of accrued income.

	2017 £m	2016 £m	**2017 £m**	2016 £m
Amounts falling due in more than one year:				
Amounts due from joint ventures	**106.9**	75.4	**–**	–
Other receivables	**4.8**	0.4	**–**	–
	111.7	75.8	**–**	–

Movements on the Group provision for impairment of trade receivable are as follows:

	2017 £m	2016 £m
At 1 July	**(0.8)**	(1.6)
Decrease in provision for receivables impairment	**0.5**	0.8
At 30 June	**(0.3)**	(0.8)

Provisions for impaired receivables have been included in cost of sales in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

Provisions for amounts due from joint venture undertakings are set out in note 14. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's investment in shared equity receivables (note 15) and its cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 4% (2016: 3%) of Group revenue in the year. However, the customers involved comprise a variety of entities including those both in the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

The maturity of non-current receivables is as follows:

	2017 £m	2016 £m
In more than one year but not more than two years	**1.1**	0.9
In more than two years but not more than five years	**3.7**	31.2
In more than five years	**106.9**	43.7
	111.7	75.8

Of the amounts due in more than five years £16.7 million is due within 22 years and £90.2 million is due within 7 years (2016: £10.2 million within 14 years and £33.4 million within 6 years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

19 Trade and other receivables (continued)

As of 30 June 2017, trade receivables of £49.9 million (2016: £37.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2017 £m	2016 £m
Number of days past due date		
Less than 30 days	**28.8**	16.6
Between 30 and 60 days	**6.5**	4.9
Between 60 and 90 days	**3.8**	3.0
Between 90 and 120 days	**1.5**	3.4
Greater than 120 days	**9.3**	9.2
	49.9	37.1

As of 30 June 2017, trade receivables of £1.4 million (2016: £2.2 million) were considered for impairment based on management's judgement and review of the trade receivables listings. The amount provided for these balances was £0.3 million (2016: £0.8 million). No other amounts that are neither past due or impaired required additional provisions. The allocation of the provision is as follows:

	2017 £m	2016 £m
Number of days past due date:		
Greater than 120 days	**0.3**	0.8
	0.3	0.8

20 Cash and cash equivalents

	Group		Company	
	2017 £m	2016 £m (Restated – note 1)	2017 £m	2016 £m
Cash at bank and in hand	**765.8**	599.8	**566.5**	498.4
Cash and cash equivalents for cash flow purposes	**765.8**	599.8	**566.5**	498.4

Cash at bank above includes £nil (2016: £2.2 million) of restricted cash. The effective interest rate received on cash balances is 0.3% (2016: 0.6%).

Group	2017 £m	2016 £m (Restated – note 1)
Net cash/(debt)		
Cash and cash equivalents excluding bank overdrafts	**765.8**	599.8
Current borrowings – bank overdrafts (note 23)	**(562.1)**	(433.5)
Cash and cash equivalents per the statements of cash flows	**203.7**	166.3
Current borrowings – obligations under finance leases and hire purchase contracts (note 23)	**(0.3)**	(0.3)
Non-current borrowings (note 23)	**(196.2)**	(174.7)
Net cash/(debt)	**7.2**	(8.7)

The restatement in 2016 is explained in note 1.

21 Trade and other payables

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Payments received on account on construction contracts	**109.4**	77.8	**–**	–
Trade payables	**375.0**	296.6	**–**	–
Development land payables	**98.2**	104.2	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**303.9**	269.1
Amounts due to joint ventures	**31.8**	31.9	**–**	–
Other taxation and social security payable	**18.3**	17.0	**–**	–
Other payables	**11.4**	7.0	**–**	–
Accruals and deferred income	**576.0**	524.7	**0.2**	0.9
	1,220.1	1,059.2	**304.1**	270.0

Developments of £71.9 million (2016: £106.4 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £10.2 million (2016: £12.2 million) of deferred income.

22 Provisions for other liabilities and charges

Group	Property related £m	Total £m
At 1 July 2016	1.9	1.9
Utilised in year	**(0.4)**	**(0.4)**
At 30 June 2017	**1.5**	**1.5**
Analysis of total provisions		
Current	**0.3**	**0.3**
Non-current	**1.2**	**1.2**
At 30 June 2017	**1.5**	**1.5**

Property related provisions

The property related provisions relate primarily to the excess profit generated when properties, which continue to be occupied by the Group, were previously sold and leased back. The provision for the excess profit deferred will be utilised over the remaining term of the leases, which expire between 2020 and 2021. The remaining property related provision is in relation to properties sublet by the Group at amounts below the level of rental being paid by the Group.

23 Financial liabilities – borrowings

	Group		Company	
	2017 £m	2016 £m (Restated – note 1)	**2017 £m**	2016 £m
Current				
Obligations under finance leases and hire purchase contracts	**0.3**	0.3	**–**	–
Bank overdrafts	**562.1**	433.5	**–**	–
	562.4	433.8	**–**	–
Non-current				
Bank loans[1]	**96.0**	174.1	**96.0**	171.6
Debt private placement	**100.0**	–	**100.0**	–
Obligations under finance leases and hire purchase contracts	**0.2**	0.6	**–**	–
	196.2	174.7	**196.0**	171.6

1 The bank loans and overdrafts are unsecured. They currently incur interest at 2.0% – 2.3% (2016: 2.0% – 2.3%) over LIBOR. The Group has entered into an interest rate swap as set out in note 26. The bank loans are classified as non-current as the Group expects to, and has the discretion to, roll over the obligations under its existing bank facility.

In February 2017, the Group completed a debt private placement of £100 million 10 year Sterling notes, at a fixed rate of 4.03%. The notes are issued in a bilateral deal with Pricoa in London.

The restatement in 2016 is explained in note 1.

Notes to the consolidated financial statements

24 Other non-current liabilities

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Development land payables	**46.3**	98.6	**–**	–
Other payables	**0.1**	0.6	**–**	–
Accruals and deferred income	**50.5**	39.9	**–**	–
	96.9	139.1	**–**	–

Developments of £71.9 million (2016: £106.4 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £37.3 million (2016: £30.0 million) of deferred income.

The maturity profile of the anticipated undiscounted future cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

		Financial liabilities at amortised cost		
	Development land payables £m	**Amounts due to joint venture undertakings £m**	**Other financial liabilities at amortised cost £m**	**Total £m**
Within one year	**98.2**	**31.8**	**952.2**	**1,082.2**
More than one year and less than two years	**45.9**	**–**	**13.3**	**59.2**
More than two years	**0.4**	**–**	**–**	**0.4**
30 June 2017	**144.5**	**31.8**	**965.5**	**1,141.8**

		Financial liabilities at amortised cost		
	Development land payables £m	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m
Within one year	104.2	31.9	816.1	952.2
More than one year and less than two years	87.5	–	10.5	98.0
More than two years	11.1	–	–	11.1
30 June 2016	202.8	31.9	826.6	1,061.3

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method, using a tax rate of 19% (2016: 19%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Deferred income tax assets – non-current	**4.9**	5.7	**1.3**	1.4
Deferred income tax assets	**4.9**	5.7	**1.3**	1.4
Deferred income tax liabilities – non-current	**(2.9)**	(3.5)	**–**	–
Deferred income tax liabilities	**(2.9)**	(3.5)	**–**	–
Net deferred income tax	**2.0**	2.2	**1.3**	1.4

25 Deferred income tax (continued)

The movement for the year in the net deferred income tax account is as shown below:

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
At 1 July	**2.2**	3.0	**1.4**	3.2
Current year's deferred income tax	**(0.6)**	–	**0.3**	(0.8)
Adjustment in respect of prior years	**0.4**	(0.8)	**–**	–
Expense recognised in equity	**(0.6)**	–	**(0.4)**	(1.0)
On acquisition of subsidiaries	**0.6**	–	**–**	–
At 30 June	**2.0**	2.2	**1.3**	1.4

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets, as it is probable that these assets will be recovered.

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets

Group	Retirement benefit obligations £m	Share-based payments £m	Interest provisions & intangible assets acquired £m	Total £m
At 30 June 2015	–	3.1	4.0	7.1
(Expense) taken to income statement	–	(0.8)	(0.4)	(1.2)
(Expense)/income recognised in equity	–	(1.8)	0.8	(1.0)
Transfer from deferred income tax liabilities	0.8	–	–	0.8
At 30 June 2016	0.8	0.5	4.4	5.7
Income taken to income statement	–	**0.3**	**(0.5)**	**(0.2)**
(Expense)/income recognised in equity	**(0.2)**	**0.1**	**(0.5)**	**(0.6)**
At 30 June 2017	**0.6**	**0.9**	**3.4**	**4.9**

Deferred income tax liabilities

Group	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Total £m
At 30 June 2015	(2.9)	(0.2)	(1.0)	(4.1)
Income taken to income statement	0.9	–	0.3	1.2
Adjustment in respect of prior years	(1.2)	–	0.4	(0.8)
Income recognised in equity	–	1.0	–	1.0
Transfer to deferred income tax assets	–	(0.8)	–	(0.8)
At 30 June 2016	(3.2)	–	(0.3)	(3.5)
Income/(expense) taken to income statement	**0.1**	**–**	**(0.1)**	**–**
Acquisition of subsidiaries (see note 35)	**0.6**	**–**	**–**	**0.6**
At 30 June 2017	**(2.5)**	**–**	**(0.4)**	**(2.9)**

Notes to the consolidated financial statements

25 Deferred income tax (continued)

Deferred income tax assets

Company	Share-based payments £m	Other £m	Total £m
At 30 June 2015	3.1	0.1	3.2
(Expense) taken to income statement	(0.8)	–	(0.8)
(Expense)/income recognised in equity	(1.8)	0.8	(1.0)
At 30 June 2016	0.5	0.9	1.4
Income taken to income statement	**0.3**	**–**	**0.3**
Income/(expense) recognised in equity	**0.1**	**(0.5)**	**(0.4)**
At 30 June 2017	**0.9**	**0.4**	**1.3**

26 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group and Company operate within financial risk policies and procedures approved by the Board. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's and Company's financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, PPP and other investments and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

The Group is funded by ordinary shares, retained profits and a single bank facility. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of the Group's divisions differ, with housebuilding (including Linden Homes and the mixed-tenure developments of Partnerships & Regeneration) typically requiring debt and construction typically being cash generative, and the economic cycle of each business is also different. The Group manages its capital taking these differing requirements into account.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2017, the Group completed a debt private placement of £100m 10 year Sterling notes to supplement its bank facilities, following a review of its future capital requirements undertaken in the context of the Group's strategy to 2021, and the Group is continuing to target period-end gearing of no more than 30%.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net cash at 30 June 2017 and therefore had gearing of nil%. The Group held net debt at 30 June 2016, with gearing of 1%. The Group also has capital requirements in the covenants in its bank facilities, as set out later in this note. The Group has complied with all bank covenants during the year.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group and Company have no material currency exposure at 30 June 2017 (2016: nil).

(ii) Price risk

The Group is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. While it is not possible to fully mitigate such risks the Group continues to monitor its geographical spread within the UK concentrating its operations in areas that management believes minimise the effect of local microeconomic fluctuations. As at 30 June 2017, the Group's house price linked financial instruments consisted entirely of shared equity receivables held as other investment financial assets and the sensitivity to house price inflation and discount rates was not significant. The concentration of the financial risk lies within price risk as a result of these financial instruments being linked to house prices.

The Group has no quoted investments that are exposed to equity securities price risk. The Group and Company are not exposed to commodity price risk.

26 Financial instruments (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

The Group analyses its interest rate exposure on a dynamic basis. On a regular basis the Group calculates the impact on the income statement of a defined interest rate shift on the Group's borrowing position.

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £0.9 million (2016: £0.8 million) or decrease of £1.2 million (2016: £1.0 million), respectively.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, Abbey National Treasury Services plc (Santander), The Royal Bank of Scotland plc and Barclays Bank plc, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 19. No credit limits were exceeded during the financial year, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits, bank borrowings and a debt private placement. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 20) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowings figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS 39 'Financial instruments: recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities

The fair value of interest rate swaps is detailed below:

Group and Company	**2017 £m**	2016 £m
At 30 June 2016		
Non-current liabilities	**(2.0)**	(4.5)

During the year ended 30 June 2015 the Group entered into a five-year interest rate swap contract that expires in February 2020. The notional principal amount of the outstanding interest rate swap contract at 30 June 2017 was £100 million (2016: £100 million) and the fixed interest rate is 1.4% (2016: 1.4%). This swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A profit of £2.5 million (2016: loss of £4.2 million) was recognised in other comprehensive income in the year. Gains and losses recognised in reserves will be released to the income statement within finance costs over the period to maturity of the contract, and a loss of £0.7 million (2016: gain of £1.2 million) was recognised in the current year.

Notes to the consolidated financial statements

26 Financial instruments (continued)

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

		2017		2016	
Fair value of non-current borrowings	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Non-current borrowings	23	**196.2**	**196.2**	174.7	174.7

Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Group's operations:

		2017		2016	
	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Financial liabilities:					
Current borrowings	23	**0.3**	**0.3**	0.3	0.3
Current financial liabilities measured at amortised cost	24	**1,082.2**	**1,082.2**	952.2	952.2
Non-current financial liabilities measured at amortised cost	24	**59.6**	**59.6**	109.1	109.1
Financial assets:					
PPP and other investments	15	**25.0**	**25.0**	16.9	16.9
Loans and receivables	19	**657.0**	**657.0**	620.4	620.4
Non-current loans and receivables	19	**111.7**	**111.7**	75.8	75.8
Cash and cash equivalents	20	**203.7**	**203.7**	166.3	166.3

Prepayments and accrued income are excluded from the loans and receivables balance; and statutory liabilities, deferred income and payments received on account on construction contracts are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilities is given in note 24.

There is no difference between the book value and the fair value of the Company's other financial assets and financial liabilities.

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 30 June:

	2017 Floating rate £m	2016 Floating rate £m
Expiring:		
In more than two years	**342.4**	259.7
	342.4	259.7

In February 2014 the Group agreed a five-year £400 million unsecured revolving credit facility with HSBC Bank plc, Abbey National Treasury Services plc (Santander), Barclays Bank plc and The Royal Bank of Scotland plc. In February 2015, the Group agreed a one-year extension on the facility, to 2020, and in March 2016 agreed an increase in the facility to £450 million. In December 2016, the Group agreed a further two-year extension to February 2022. The facility provides long-term finance and bonding facilities and is subject to covenants over interest cover, gearing (adjusted to take account of development land payables) and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs.

In February 2017 the Group completed a debt private placement of £100 million 10 year Sterling notes, maturing in February 2027.

26 Financial instruments (continued)

Fair value estimation

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

- Level 1 – quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves.
- Level 3 – other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of other investments is set out in note 15.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	30 June 2017			30 June 2016		
	Level 2 £m	Level 3 £m	Total £m	Level 2 £m	Level 3 £m	Total £m
Assets						
Other investments						
– Shared equity receivables	–	0.7	0.7	–	0.7	0.7
Liabilities						
Liabilities at fair value through income statement						
– Derivatives used for hedging	(2.0)	–	(2.0)	(4.5)	–	(4.5)

There were no transfers between levels during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Company's only liabilities that are measured at fair value are derivatives used for hedging. In the table above, the derivatives used for hedging are fully attributable to the Company.

Fair value measurements using significant unobservable inputs (Level 3)

	30 June 2017	30 June 2016
Opening balance	0.7	0.8
Disposals	–	(0.1)
Closing balance	0.7	0.7

The key assumptions used in Level 3 valuations include future house price movements, the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10-15 years and the timing of receipts is based on historical data. The discount rate of 5.5% and future house price movements used to compute the fair value (typically 2.5%) are based on local market conditions. The sensitivity to house price inflation and discount rates is set out earlier in this note. If receipts were to occur earlier than expected, the fair value would increase.

The total impact in the year of Level 3, taken to the income statements, is a net charge of £nil (30 June 2016: £nil) in cost of sales and £nil (30 June 2016: £nil) finance income.

Notes to the consolidated financial statements

27 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2015	82,289,865	41.1	191.8	232.9
Allotted under share option schemes	582,147	0.3	2.6	2.9
At 1 July 2016	82,872,012	41.4	194.4	235.8
Allotted under share option schemes	16,034	–	0.1	0.1
At 30 June 2017	82,888,046	41.4	194.5	235.9

Number of shares refers to 50p ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

At 30 June 2017 the total number of shares outstanding under the SAYE share option scheme was 1,368,887 (2016: 1,230,395) and under the LTIPs was 824,024 (2016: 885,819) as detailed in note 28.

28 Share-based payments

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The Company also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £1.8 million (2016: £4.0 million), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £1.8 million (2016: £1.4 million).

Savings related share options

The Company operates an HMRC approved sharesave scheme under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in either three or five years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Shares under option	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
14.11.12	129,242	711p	657p	01.01.13	46%	5	0.9%	4.2%	10%	222.2p
10.11.14	292,456	1175p	931p	01.01.15	23%	3	1.2%	4.5%	10%	214.4p
10.11.14	134,237	1175p	931p	01.01.15	28%	5	1.6%	4.5%	10%	254.5p
21.10.15	195,098	1562p	1372p	01.01.16	22%	3	0.8%	4.4%	10%	217.6p
21.10.15	72,831	1562p	1372p	01.01.16	25%	5	1.2%	4.4%	10%	259.2p
01.11.16	424,231	1245p	1040p	01.01.17	27%	3	0.4%	6.6%	10%	176.2p
01.11.16	120,792	1245p	1040p	01.01.17	26%	5	0.7%	6.6%	10%	152.9p

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2017 is shown below:

	2017 Number	2017 Weighted average exercise price	2016 Number	2016 Weighted average exercise price
Outstanding at 1 July	**1,230,395**	**1101p**	1,352,517	704p
Awards	**588,846**	**1040p**	638,457	1372p
Forfeited	**(74,504)**	**1096p**	(72,000)	1074p
Cancelled	**(327,541)**	**1278p**	(93,262)	1068p
Expired	**(31,470)**	**1180p**	(13,170)	958p
Exercised	**(16,839)**	**808p**	(582,147)	488p
Outstanding at 30 June	**1,368,887**	**1035p**	1,230,395	1101p
Exercisable at 30 June	**–**	**–**	–	–

The weighted average fair value of awards granted during the year was 171p (2016: 228p). There were 16,839 share options exercised during the year ended 30 June 2017 (2016: 582,147) and the weighted average share price at the date of exercise was 1245p (2016: 1476p). The weighted average remaining contractual life is two years and six months (2016: two years and 11 months).

28 Share-based payments (continued)

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

The options were valued using a Monte Carlo model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Shares under option	Share price at grant date	Vesting period/ option life (months)	Risk free rate	Dividend yield	Fair value per option
30.09.13	–	1040p	36	0.9%	3.6%	1005p
30.09.14	283,240	1266p	36	1.3%	4.2%	368p
26.09.15	225,095	1641p	36	0.8%	4.1%	807p
21.10.15	22,884	1562p	23	0.5%	4.4%	407p
16.11.16	222,833	1284p	35	0.4%	6.4%	577p
16.11.16	69,972	1284p	36	0.4%	6.4%	577p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2017 Number	2016 Number
Outstanding at 1 July	**885,819**	1,169,312
Granted	**299,737**	415,122
Forfeited	**(43,953)**	(93,637)
Expired	**(20,967)**	–
Exercised	**(296,612)**	(604,978)
Outstanding at 30 June	**824,024**	885,819
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 577p (2016: 831p). There were 296,612 options exercised during the year ended 30 June 2017 (2016: 604,978). The weighted average remaining contractual life is nil as the shares are exercised on the day that they vest (2016: nil).

29 Other reserves

	Group £m	**Company £m**
At 30 June 2016 and 30 June 2017	**4.8**	**3.0**

The Group's other reserves relates to a merger reserve amounting to £4.7 million (2016: £4.7 million) and the movement on PPP and other investments amounting to £0.1 million (2016: £0.1 million).

Notes to the consolidated financial statements

30 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2015		331.5	137.7
Profit for the year		108.9	74.2
Actuarial losses recognised related to retirement benefit obligations	31	(11.9)	–
Deferred and current tax on movements in equity	25	2.3	0.1
Dividends paid	8	(59.3)	(59.3)
Share-based payments	28	4.0	4.0
Purchase of own shares		(11.9)	(11.9)
Movement in fair value of derivative financial instruments		(4.2)	(4.2)
At 30 June 2016		359.4	140.6
Profit for the year		**48.7**	**82.4**
Actuarial losses recognised related to retirement benefit obligations	31	**(5.0)**	–
Deferred and current tax on movements in equity	25	**2.2**	**(0.5)**
Dividends paid	8	**(72.8)**	**(72.8)**
Share-based payments	28	**1.8**	**1.8**
Purchase of own shares		**(2.0)**	**(2.0)**
Movement in fair value of derivative financial instruments		**2.5**	**2.5**
At 30 June 2017		**334.8**	**152.0**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2016: £9.5 million).

At 30 June 2017, the Galliford Try Employee Share Trust (the Trust) held 369,240 (2016: 540,480) shares. The nominal value of the shares held is £0.2 million (2016: £0.3 million). Nil shares were acquired during the year (2016: 465,176) at a cost of £nil (2016: £6.9 million) and a further £2.1 million (2016: £5.0 million) was paid in relation to other share related transactions. 171,240 (2016: 400,101) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2017 was £4.3 million (2016: £4.9 million). No shareholders (2016: none) have waived their rights to dividends.

31 Retirement benefit obligations

All employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a company contribution based on a scale dependent on the employee's age and the amount they choose to contribute. Since 1 July 2013 all non-participating and newly employed staff have been auto-enrolled into the separate stakeholder plan and are entitled to increase their contribution rates in line with existing members. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf.

The Group also operates three defined benefit pension schemes, as detailed below.

Pension costs for the schemes were as follows:

	2017 £m	2016 £m
Defined benefit schemes – expense recognised in the income statement	**0.3**	0.2
Defined contribution schemes	**16.3**	17.1
Total included within employee benefit expenses (note 4)	**16.6**	17.3

Of the total charge for all schemes £7.4 million (2016: £6.7 million) and £9.2 million (2016: £10.4 million) were included, respectively, within cost of sales and administrative expenses. £nil (2016: £0.2 million) was included within net finance costs.

31 Retirement benefit obligations (continued)

Defined benefit schemes

The Group operates three defined benefit pension schemes under the UK regulatory framework that pay out pensions at retirement based on service and final pay, each with assets held in separate trustee administered funds: the Galliford Try Final Salary Pension Scheme, the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme. The financial statements include all three of these arrangements. The Group's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme which was closed to all future service accrual on 31 March 2007.

The Trustees of each scheme are required to act in the best interests of the plans' beneficiaries and are responsible for the investment strategy of the Scheme. For the Galliford Try Final Salary Pension Scheme the Trustee is Galliford Try Pension Trustee Limited. The appointment of the directors to the Board is determined by the plan's Trust documentation. Currently the Trustee Board includes member-nominated, Company-nominated and independent directors. The Group is ultimately responsible for making up any shortfall in the Scheme over a period agreed with the Trustees. To the extent that actual experience is different to that assumed, the contributions required by the Group could vary in the future. The two key risks faced by pension schemes are longevity (ie members living longer than expected) and investment risk (ie the Scheme's assets perform poorly relative to the liabilities).

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent completed formal actuarial valuation for the Galliford Try Final Salary Pension Scheme was as at 30 June 2015 and was prepared by LCP the scheme actuary. The Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007. In June 2016 the Galliford Try Final Salary Pension Scheme completed a £95 million insurance buy-in transaction. The IAS 19 accounting result for the Galliford Try Final Salary Pension Scheme has been calculated using a roll forward approach based on the liabilities calculated for the 30 June 2015 actuarial valuation, and incorporates the insurance buy-in referred to above.

The deficit recovery funding plan agreed with the Trustees in 2016 requires the Company to pay contributions of £389,583 per calendar month until January 2021, with potential additional payments being linked to dividend payments of the Company.

The latest actuarial valuations for the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme were as at 1 April 2016 and 13 November 2014, respectively.

The most recent actuarial valuation of the Galliford Group Special Scheme was prepared using the defined accrued benefit method as at 1 April 2016. No further contributions are expected to be required for this Scheme and options for an insurance buy-in or buy-out transactions are currently being evaluated.

The Kendall Cross (Holdings) Limited Scheme is funded and provides benefits based on final pensionable salaries. The Scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try plc in November 2007. The most recent actuarial valuation of the Scheme was prepared as at 13 November 2014. A deficit recovery funding plan was agreed with the Trustees which requires the Company to pay contributions of £15,300 per month.

Principal assumptions

The valuation of the Group's pension schemes has been updated to 30 June 2017 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2017	2016
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3.10%**	2.90%
Discount rate	**2.65%**	3.00%
Retail price inflation	**3.25%**	3.00%
Consumer price inflation	**2.25%**	2.00%

For the Galliford Try Final Salary Pension Scheme, the life expectancies as at 30 June 2017 are based on S2NA tables (90% scaling factor applied for males with a future improvement in mortality assumptions in line with CH12016 tables with a long-term rate of improvement of 1.25%. For 2016 they are based on S1PA tables (90% scaling factor applied for males), with a future improvement in mortality assumption in line with CMI 2012 tables, with a long-term rate of improvement of 1.5% p.a.

	2017	2016
Male member age 65 (current life expectancy)	**23.1**	23.9
Male member age 45 (life expectancy at age 65)	**24.5**	26.2
Female member age 65 (current life expectancy)	**25.0**	25.6
Female member age 45 (life expectancy at age 65)	**26.5**	28.0

At 30 June 2015, the date of the last valuation, the scheme had 1,317 deferred members and 849 pensioners.

Notes to the consolidated financial statements

31 Retirement benefit obligations (continued)

Assets in the Scheme

The fair value of the assets and present value of the obligations at 30 June of the Group's defined benefit arrangements are as follows:

	2017		2016	
	Value £m		Value £m	
Equities[1]	40.9	17%	34.1	15%
Gilts[1]	9.3	4%	37.4	16%
Bonds[1]	1.4	1%	5.3	2%
Diversified growth funds[1]	44.4	18%	27.9	12%
Liability driven investments[1]	38.1	16%	34.4	15%
Cash	20.3	8%	1.2	1%
Unquoted insured annuities[2]	88.5	36%	91.1	39%
	242.9	100%	231.4	100%
Present value of defined benefit obligations	(246.1)		(235.7)	
Deficit in scheme recognised as non-current liability	(3.2)		(4.3)	

1 Equities, gilts, bonds and the diversified growth funds are quoted assets. The asset classes are intended to minimise the volatility of the funding position.

2 Unquoted insured annuities include £90.0 million in respect of the pensioner buy-in transaction completed by the Galliford Try Final Salary Pension Scheme in June 2016, and other annuities held by the Kendall Cross (Holdings) Limited Scheme.

If the return on plan assets is below the discount rate, all else being equal, there will be an increase in the deficit. This risk is partially managed by holding a diversified asset portfolio, including liability matching assets and a Liability Driven Investment (LDI) fund. The risk is also mitigated by the holding of bulk annuity policies in respect of the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Limited Scheme, which provide a perfectly matching asset in respect of the members covered by the policies.

Sensitivity analysis of scheme liabilities

The weighted average duration of the defined benefit obligations at 30 June 2017 was 18 years. The sensitivity of the present value of scheme liabilities at 30 June 2017 to changes in the principal assumptions is set out below.

	Change in assumption[1]	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £4.3 million
Rate of inflation	Increase by 0.1%	Increase by £2.5 million
Growth rate in pension payments	Increase by 0.1%	Increase by £1.8 million
Life expectancy	Increase by one year	Increase by £7.2 million

1 Based on change in assumption while holding all other assumptions constant, which in practice may be unlikely as assumptions may be correlated.

Accounting results

The amounts recognised in the income statement are as follows:

	2017 £m	2016 £m
Net interest (income) on net defined benefit asset	–	(0.2)
Expenses	0.3	0.4
Expense recognised in the income statement	0.3	0.2

The actual return on scheme assets was £15.8 million (2016: £16.7 million).

The amounts recognised in the statement of comprehensive income are as follows:

	2017 £m	2016 £m
Total amount of actuarial (losses) in the year	(5.0)	(11.9)
Cumulative actuarial (losses)	(62.4)	(57.4)

31 Retirement benefit obligations (continued)
Accounting results (continued)

Movement in present value of defined benefit obligations	2017 £m	2016 £m
At 1 July	**235.7**	218.9
Interest cost	**6.9**	8.0
Experience (gains)/losses	**(3.9)**	0.9
Actuarial loss arising from changes in financial assumptions	**22.8**	20.7
Actuarial gain arising from changes in demographic assumptions	**(5.0)**	(1.2)
Benefit payments	**(10.4)**	(11.6)
At 30 June	**246.1**	235.7

Movement in fair value of scheme assets	2017 £m	2016 £m
At 1 July	**231.4**	220.1
Interest income	**6.9**	8.2
Return on plan assets, excluding interest income	**8.9**	8.5
Employer contributions	**6.4**	6.6
Expenses	**(0.3)**	(0.4)
Benefit payments	**(10.4)**	(11.6)
At 30 June	**242.9**	231.4

Movement in fair value of net liability	2017 £m	2016 £m
At 1 July	**(4.3)**	1.2
Net interest income	**–**	0.2
Return on plan assets, excluding interest income	**8.9**	8.5
Experience gains/(losses)	**3.9**	(0.9)
Actuarial (losses)	**(17.8)**	(19.5)
Employer contributions	**6.4**	6.6
Expenses	**(0.3)**	(0.4)
At 30 June	**(3.2)**	(4.3)

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2018 are £6.7 million.

Notes to the consolidated financial statements

32 Financial and capital commitments

The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2017 (2016: £nil), nor any commitment for other capital expenditure.

Galliford Try plc, together with certain of its subsidiaries, has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery. The leases have various terms, escalation clauses and renewal rights. The leases do not impose restrictions on the Group's ability to pay dividends or obtain other financing. The minimum commitments for payments under these contracts are as follows:

	2017 £m	2016 £m
Amounts due:		
Within one year	**15.5**	14.7
Later than one year and less than five years	**26.2**	26.7
After five years	**5.8**	6.4
	47.5	47.8

The Company, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc and Barclays Bank plc to guarantee the borrowings of Group companies.

33 Guarantees and contingent liabilities

The Company has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements and joint ventures, amounting to £353.3 million (2016: £313.8 million).

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.

34 Related party transactions

Group

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

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Trading transactions								
Joint ventures	**61.7**	28.7	**0.4**	0.4	**33.4**	23.7	**11.7**	15.5
Jointly controlled operations	**50.6**	60.1	**0.1**	0.8	**7.7**	3.2	**20.1**	16.4

	Interest and dividend income from related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Non-trading transactions								
Joint ventures	**12.3**	10.6	**215.2**	173.8	**–**	–	**–**	–

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within seven years (2016: seven years) and are unsecured, with interest rates varying from bank base rate plus 1.75% to 10%. Payables are due within one year (2016: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest and dividend income from related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Non-trading transactions								
Subsidiary undertakings	**81.9**	75.7	**303.9**	269.1	**193.9**	252.8	**61.1**	0.7

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

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35 Business combinations

On 12 May 2017, the Group acquired Drew Smith business from its owners for an estimated total price of £27.1 million. The acquisition was of the entire share capital and control of Drew Smith Limited and Drew Smith Homes Limited.

Drew Smith is a mixed-tenure developer with relationships with the Registered Provider and regeneration markets; it has operations in Hampshire, Dorset, Surrey, Sussex and Berkshire, with strong contracting, housebuilding and land acquisition capabilities. The business has a strong contracting order book and a number of land assets in planning as well as approximately 70 employees. The acquisition of Drew Smith is consistent with Galliford Try's stated strategy of national footprint growth through expansion into new geographies and margin improvement through leveraging mixed-tenure expertise; the transaction accelerates the growth in the southern region where mixed-tenure housing demand is generally high.

The goodwill of £24.8 million arising from the acquisition is attributable to the acquired workforce of Drew Smith. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Net cash/(debt) and cash equivalents	(2.8)
Property plant and equipment	0.8
Intangible assets[1]	5.3
Trade and other receivables	17.6
Trade and other payables	(19.2)
Net deferred tax assets[2]	0.6
Total identifiable net assets	2.3
Goodwill	24.8
Total	27.1
Consideration	
Cash	12.8
Deferred consideration[3]	12.8
Deferred contingent consideration[4]	1.5
Total	27.1

1 Intangible assets of £5.3 million 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 included £2.0 million deferred until May 2018 (£1.0 million) and May 2019 (£1.0 million) and is payable subject to the satisfactory resolution of certain customer contract matters.

4 The contingent consideration is payable on the achievement of certain profit targets by the acquired businesses during 2017 and 2018.

The Group assumed responsibility for £2.7 million 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 £13.0 million of revenue and £1.3 million of profit before tax in the year to 30 June 2017. Acquisition related costs of £0.7 million were charged to administrative expenses in the consolidated income statement in the year. Had the acquisition occurred at the beginning of the financial year, the revenue and profit before tax of the Group would have been £2,734.2 million and £64.0 million respectively.

36 Post balance sheet events

No matters have arisen since the year end that require disclosure in the financial statements.

Notes to the consolidated financial statements

37 Group undertakings
In accordance with section 409 of the Companies Act, the following is a list of all of the Group's undertakings as at 30 June 2017.

(i) Subsidiary undertakings

Entity name[1]	Registered office or principal place of business	Shareholding (direct or indirect)
Alumno GT Camberwell LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Alumno GT Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Alumno GT Management Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Birch Construction Division Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Chancery Court Business Centre Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Charles Gregory (Civil Engineering) Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Charles Grip Surfacing Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Chartdale Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 1 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 2 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
D R 4 Developments LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Drew Smith Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Enhance Interiors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Fairfield Redevelopments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Brick Factors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Affordable Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction & Investments Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction (UK) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Corporate Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Employment Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try HPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Infrastructure Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try International Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments Consultancy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Partnerships North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Pension Trustee Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Plant Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Properties Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Qatar Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Secretariat Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Supplies Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Graylingwell Energy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Greyhound Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Barking and Havering) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

37 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name[1]	Registered office or principal place of business	Shareholding (direct or indirect)
GT (Leicester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Scotland) Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Asset 24 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Camberwell (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Camberwell Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Emblem Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Homes (Blackberry) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Homes (Marksbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT Integrated Services Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Inverness Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Partnerships JV No6 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT PPP Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT TMGL Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Heath Farm Lane LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hill Place Farm Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kendall Cross Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Kingseat Development 3 Limited	13 Queen's Road, Aberdeen, AB15 4YL	100%
Linden (Ashlar Court) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Binfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Cawston) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Pontefract) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Royston) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (St Bernard's) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Summerstown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Barnet LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Cornwall Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Devon Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden First Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Guildford Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Chiltern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Eastern LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes South-East Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Southern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No4 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No5 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden JV No6 LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London (Hammersmith) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

Notes to the consolidated financial statements

37 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name[1]	Registered office or principal place of business	Shareholding (direct or indirect)
Linden London Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Midlands Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Properties Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden South West Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden St Albans LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Wates (Salisbury) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Wates (Westbury) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Morrison (Falklands) Limited	56 John Street, Stanley, Falkland Islands FIQQ 1ZZ (incorporated in Falkland Islands)	100%
Morrison Construction Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Morrison Highway Maintenance Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
New Lane, Blidworth LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Dry Lining Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Fire Protection Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Olive Farm LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Pentland Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Primaria Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rasen Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Redplay Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco (Services) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rock & Alluvium Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rosemullion Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Schools for the Community Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Try Accord Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Construction Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Group Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Central Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
West Bridgford JV LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Westcountry Land (Perranporth) Ltd	Cowley Business Park, Uxbridge, UB8 2AL	100%
Whiterock (Kingsmere) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group as a majority of voting rights are held in each case.

1 No company is dormant and exempt from preparing individual accounts by virtue of s394A of Companies Act 2006 and/or from filing individual accounts with the registrar by virtue of s448A of Companies Act 2006.

37 Group undertakings (continued)
(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
ACP: North Hub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Dec
Beverley South Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Boorley Green LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Cedar House Securities Limited	8 Gleneagles Court, Brighton Road, Crawley, West Sussex RH10 6AD	50%	31 Dec
Community Ventures (Management) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Community Ventures Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Community Ventures Partnerships Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30 Sep
Crest/Galliford Try (Epsom) LLP	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	50%	31 Oct
ELCH DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	30 Sep
ELCH DBFMCo Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	30 Sep
Evolution (Saffron Walden) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution (Shinfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution Gateshead Developments LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	50%	31 Mar
Evolution Morpeth Cottage LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Evolution Morpeth LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Evolution Newhall LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Gallions 2A Developments LLP	Bruce Kennick House, 2 Kellick Street, London, N1 9FL	50%	28 Feb
Gateshead Regeneration LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	25%	31 Mar
GBV JV Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Grange Walk LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
Kent EHFA Holdco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Kent EHFA Projectco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30 Jun
Leicester GT Education Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	80%	31 Mar
Linden (Avery Hill) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Battersea Bridge Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden (Biddenham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Brampton) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Enfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Hartfield Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden (Northstowe) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden (Vencourt) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden (York Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden and Dorchester Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden and Dorchester Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Jun
Linden Homes (Sherford) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Linden Homes Westinghouse LLP	90 Bartholomew Street, Newbury, Berkshire RG14 5EE	50%	31 Mar
Linden Wates (Cranleigh) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Dorking) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Horsham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec

Notes to the consolidated financial statements

37 Group undertakings (continued)
(ii) Joint venture undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Linden Wates (Kempshott) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ravenscourt Park) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ridgewood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (Ringwood) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (The Frythe) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates (West Hampstead) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates Developments (Chichester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden Wates Developments (Folders Meadow) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Dec
Linden/Downland Graylingwell LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Morrison Robertson J V Company Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31 Mar
Opal (Earlsfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal (Silvertown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal (St Bernards) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Opal Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Ramsden Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Shoo 22 Limited	Duncan House, Clipston Road, Sibbertoft, Market Harborough, Leicestershire LE16 9UB	38%	30 Jun
Solutions 4 North Tyneside (Finance) Plc	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Solutions 4 North Tyneside (Holdings) Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Solutions 4 North Tyneside Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	30%	31 Dec
Space Scotland Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	31 Mar
The Piper Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30 Nov
Urban Vision Partnership Limited	Civic Centre, Chorley Road, Swinton, M27 5AS	30%	31 Dec
White Rock Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar
Wilmington Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31 Mar

The above entities are all incorporated in the UK and considered to be joint ventures based on the shareholding agreements in place.

(iii) Associated and other significant undertakings

Entity name	Registered office or principal place of business	Proportion of capital held by class
Aberdeen Community Health Care Village Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Aberdeen Roads (Finance) PLC	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
Aberdeen Roads Holdings Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
Aberdeen Roads Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%
Alliance Community Partnership Limited	Avondale House, Suites 1l-1o Phoenix Crescent, Strathclyde Business Park, Willow House, Bellshill, Lanarkshire, ML4 3PB	10%
Galliford Try Qatar LLC	PO Box 11726 Doha, State of Qatar (incorporated in Qatar)	49%
GT NEPS (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%
GT NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%

37 Group undertakings (continued)

(iii) Associated and other significant undertakings (continued)

Entity name	Registered office or principal place of business	Proportion of capital held by class
Horton Retail Investments Limited	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	25%
HTP Grange Holdco Limited	Whitehill House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PE	22.5%
HTP Grange Limited	Whitehill House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PE	22.5%
HTP LEP Limited	Whitehill House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PE	22.5%
HTP PSP Limited	Whitehill House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PE	25%
Hub North Scotland (Alford) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Anderson) Holdings Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Anderson) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Elgin High School) Holdings Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Elgin High School) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (FWT) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (I&F) Holdings Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (I&F) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (New Academy – SOTC) Holdings Ltd	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (New Academy – SOTC) Ltd	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (O&C) Holdings Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (O&C) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Wick) Holdings Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Wick) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub South East Scotland Limited	Atholl House, 51 Melville Street, Edinburgh EH3 7HL	50%
Hub South West Scotland Limited	Suite 1A Strathclyde Business Park, Willow House, Bellshill, Lanarkshire ML4 3PB	6%
James Gillespie's Campus Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
James Gillespie's Campus Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
KHS DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
KHS DBFMCo Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
LBP DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
LBP DBFMCo Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Newbattle DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
Newbattle DBFMCo Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
REH Phase 1 Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
REH Phase 1 Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
S4B (Holdings) Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B (Issuer) plc	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
S4B Limited	Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	8%
WCHS DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
WCHS DBFMCo Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%

The above entities are all incorporated in the UK.

Five-year record

	2013 £m	2014 £m	2015 £m	2016 £m	**2017 £m**
Group revenue	1,467.3	1,767.8	2,348.4	2,494.9	**2,662.1**
Pre-exceptional profit before exceptional items	73.6	94.9	117.7	135.0	**147.6**
Exceptional items	0.5	0.3	(3.7)	–	**(88.9)**
Profit before taxation	74.1	95.2	114.0	135.0	**58.7**
Tax	(15.9)	(18.0)	(21.7)	(26.1)	**(10.0)**
Profit after taxation attributable to shareholders	58.2	77.2	92.3	108.9	**48.7**
Fixed assets, investments in joint ventures and PPP and other investments	42.5	40.2	41.0	60.8	**72.6**
Intangible assets and goodwill	128.4	128.1	156.4	152.2	**179.1**
Net current assets	379.0	586.5	690.6	633.2	**509.6**
Long-term receivables	48.4	61.2	32.5	78.0	**113.7**
Long-term payables and provisions	(96.9)	(281.8)	(351.3)	(324.2)	**(299.5)**
Net assets	501.4	534.2	569.2	600.0	**575.5**
Share capital	40.9	41.1	41.1	41.4	**41.4**
Reserves	460.5	493.1	528.1	558.6	**534.1**
Shareholders' funds	501.4	534.2	569.2	600.0	**575.5**
Dividends per share (p)	37.0	53.0	68.0	82.0	**96.0**
Basic earnings per share (p)	71.7	94.6	112.8	132.5	**59.1**
Diluted earnings per share (p)	69.8	93.0	110.9	131.3	**58.7**

Shareholder information

Financial calendar 2017

Half year results announced	21 February
Interim dividend paid	6 April
Full year results announced	13 September
Ex dividend date	26 October
Final dividend record date	27 October
Annual General Meeting	10 November
Final dividend payment	22 November

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday; overseas shareholders should call +44 121 415 7047 or, alternatively, write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £50 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

The Company's up-to-date share price can also be obtained by calling the voice activated Cityline on 09058 171690 (calls charged at 75 pence per minute from a landline).

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel and Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2017

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.30	4,220	5.06	4,189,235
10,001 – 50,000	3.65	167	4.56	3,781,909
50,001 – 500,000	3.26	149	31.70	26,276,629
500,001 – highest	0.79	36	58.68	48,640,273
Total	100.00	4,572	100.00	82,888,046

Registered office

Galliford Try plc
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL

Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

HSBC Bank plc
Barclays Bank plc
The Royal Bank of Scotland plc
Abbey National Treasury Services plc

Registration

England and Wales 00836539

Independent auditor

PricewaterhouseCoopers LLP

Notes

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