Galliford Try Holdings plc
Annual Report and
Financial Statements
2021

People-orientated, progressive and values-driven

In this report

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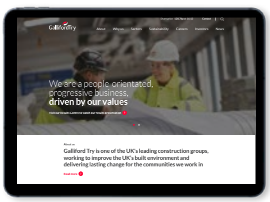


Visit: www.gallifordtry.com for more information.
Cover photo: The Exchange, Birmingham.

Financial performance

Revenue
£1,124.8m
(2020: pre-exceptional £1,089.6m and statutory £1,121.6m)

Operating profit before amortisation
£10.1m
(2020: pre-exceptional loss £62.2m and statutory loss £37.1m)

Profit before tax
£11.4m
(2020: pre-exceptional loss £59.7m and statutory loss £34.6m)

Dividend per share
4.7p
(2020: nil)

Net cash
£216.2m
(2020: £197.2m)

Key developments in the year

- Successfully transitioned to a leading UK construction business.
- Embedded excellent culture, with teams aligned to our purpose.
- Published our net zero carbon ambitions.
- Strengthened foundations of risk management and contract discipline.
- Performed strongly: controlled growth, cash generation and improved margins.
- Returned to profitability and reinstated dividends.
- Excellent order book and strongly positioned to contribute to the UK's economic recovery.

Strategy update

Our updated strategy elevates our ambitions and aligns profit with purpose. Sustainability driven by digitalisation, decarbonisation and social value, is at its heart, responding to stakeholder needs and increasing the long-term operational and financial resilience of the organisation.

Our strategy p18

Sustainable growth

Over the last year, we have emerged stronger, returning to profitability and confirming our position as a leading UK construction group, despite the challenges of the pandemic.

Our updated strategy will ensure that we develop our business in a sustainable and profitable way, while deepening our commitment to a progressive culture, socially and environmentally responsible delivery, quality and innovation.

Our purpose, vision and values shape our culture, proactively guiding our day-to-day activities, keeping us focused on what's important and delivering long-term sustainable value for our stakeholders.

Bill Hocking
Chief Executive

Our strategy p18

Our purpose

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

Our vision

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

Our values

Excellence
Striving to deliver the best.

Passion
Committed and enthusiastic in all we do.

Integrity
Demonstrating strong ethical standards with openness and honesty.

Collaboration
Dedicated to working together to achieve results.

Our business at a glance

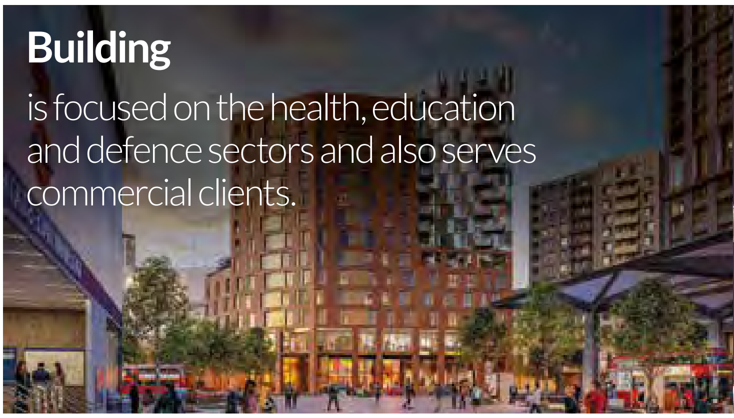
A progressive UK construction business

We are passionate about our role in providing vital buildings and infrastructure across the country, committed to the idea that what we do makes a real difference to people's lives.

What we do

Operating as Galliford Try and Morrison Construction, our core capabilities are delivered through our **Building** and **Infrastructure** divisions, complemented by PPP Investments and FM. We have a leading position in the public and regulated sectors and actively target and maintain places on some of the most significant frameworks (page 48). We focus on sectors where we have core and proven strengths and work collaboratively with carefully selected clients and supply chain partners.

Operating review p46



Building

is focused on the health, education and defence sectors and also serves commercial clients.

Infrastructure

carries out civil engineering projects, specialising in the highways and environment sectors.

PPP Investments

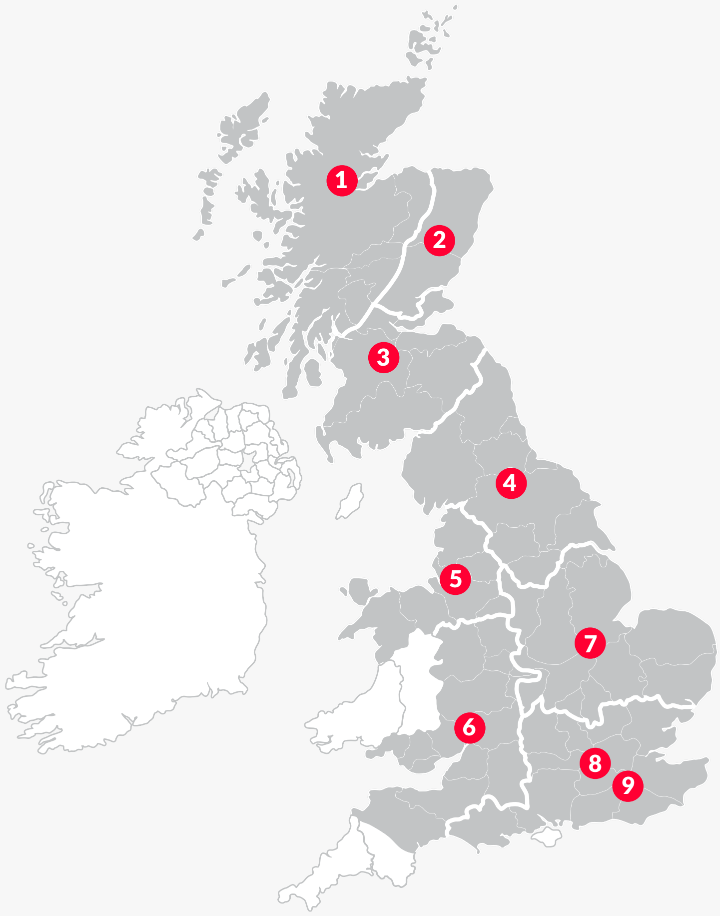
delivers major building and infrastructure projects through public-private partnerships and co-development opportunities, generating work for the wider business in the process.

Facilities Management (FM)

works with Building, with an emphasis on the education and health sectors, allowing us to provide high-quality, full life-cycle solutions to our clients.

Where we do it

Our network of regional offices offers clients national strength with local delivery. Infrastructure operates nationally, with Building operating across the UK through nine regions.



Areas of Building office locations

1	Morrison Construction Highland
2	Morrison Construction North East
3	Morrison Construction Central
4	Building North East & Yorkshire
5	Building North West
6	Building West Midlands & South West
7	Building East Midlands
8	Building London & South East Commercial
9	Building Southern

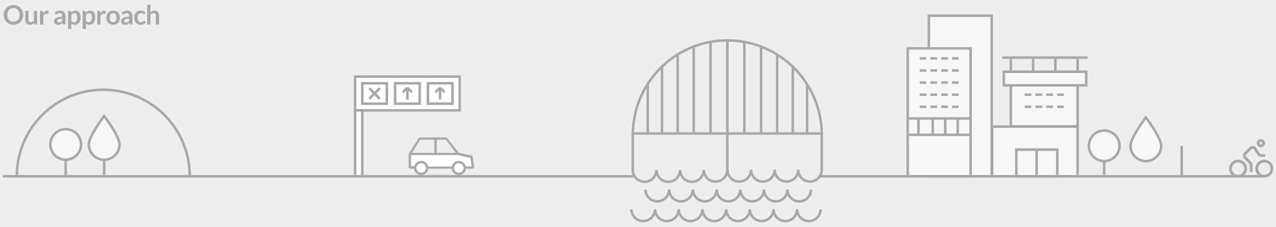
Our business model

Ensuring long-term value

Our business model enables us to operate sustainably and creates long-term value for our key stakeholders.

How we do it

Our approach



Promote a people-orientated, progressive culture

We believe that what we do makes a real difference to people's lives, so we seek to attract and retain talented individuals who are aligned to our purpose and uphold our values. We believe success comes from our people and we promote an inclusive culture in which people can thrive, knowing that inclusivity facilitates the diversity of thought, approach and experiences that leads to innovation. We do this by prioritising health, safety and wellbeing, creating an environment in which everyone feels valued as an individual, enabling our people to reach their potential through learning and development; empowering individuals and providing a rewarding career.

Our Executive Board sets and promotes the culture, values and behaviours we want to see in our people through leadership and training. Our high standards of corporate governance, Code of Conduct and Business Management Systems ensure they are embedded across our business.

Manage our risks effectively

Risk management is fundamental to our strategy and is embedded within our culture and operations. We ensure we only pursue opportunities within our chosen markets where we have the experience, knowledge, resources and supply chain to deliver, and with the right terms and margins. We aim to secure a forward order book that provides a high degree of certainty, seeking clients who value a collaborative approach and long-term relationships. This allows opportunities for repeat work, and contributes to better understanding between parties and early mitigation of risks. Our project level controls and commercial health checks also help us manage risks and uncertainties from design to delivery.

Collaborate with our supply chain

A large portion of our work is delivered in collaboration with our supply chain, so building successful long-term relationships is vital. Our 'Advantage through Alignment' programme aligns key supply chain members with our vision, values and working practices by allowing them to benefit from our cultural and training programmes and providing an insight into our pipeline of work and future opportunities. This deeper understanding creates greater efficiencies and opportunities for innovation, as well as upskilling workforces and allowing the SMEs we work with to grow. Our commitment to the Prompt Payment Code further helps to strengthen our relationships and demonstrates we are serious about good payment practices.

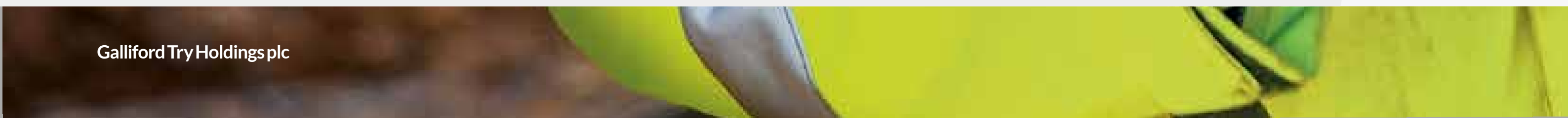
Deliver quality and innovation

We seek to work in frameworks with our clients. Frameworks are used by the public and regulated sectors as a procurement vehicle and provide greater opportunities for deeper, strategic collaboration and long-term partnering which support the achievement of wider strategic and social goals. We deliver excellence by constantly pursuing new and better ways of working. We embrace new technologies, construction methods and management tools that help us to harness data, deliver efficiency and improve quality to support clients to achieve objectives such as carbon reduction goals.

Our award-winning approach to technical services enables us to design buildings and infrastructure with lower emissions, shorter programmes, reduced whole-life costs, using digital and technical capability and Modern Methods of Construction.

Operate sustainably to deliver long-term value for our stakeholders

We are firmly committed to doing the right thing so we assess and address our impacts across six fundamental areas of sustainability: health and safety, environment and climate change, our people, communities, clients and supply chain. This recognises the urgency of the climate change agenda and the role we have to play in decarbonising the economy for a greener, more sustainable future. We use our activities to deliver greater social value, working with our supply chain to promote the very best working practices and making a positive impact on communities. Our commitment to these environmental, social and corporate governance responsibilities ensures we address our stakeholder interests to create long-term value.



Who we work with

We primarily work with public and regulated sector organisations, focusing on education, defence, health, highways and environment, as well as blue-chip private sector companies.

Order book by client type

1. Public and regulated sectors

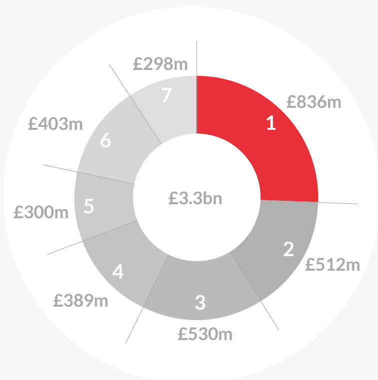
91%

2. Private sector

9%

Order book by sector

1. Environment
2. Highways
3. Education
4. Defence and custodial
5. Health
6. FM
7. Commercial



Our business model
continued

How we make money

We aim to generate a fair return for shareholders by operating a profitable and sustainable business.

High-quality revenue

We target lower-risk contracts with clients that typically comprise:

- **Cost reimbursable** where an overall target contract value is agreed with the client, including margin, risk and inflation contingencies, and the actual cost of the work plus agreed fee is paid by the client. Any cost savings or overspends against the target are shared between the client and contractor.
- **Fixed-price** where the final price and programme is negotiated on a sole basis following early involvement, resulting in a fixed-price for a defined scope at point of final contract award.

In addition to construction projects, we earn revenue and profit from our PPP Investments and Facilities Management businesses, which offer lower-risk annuity type income and margin accretion.

Robust commercial control and rigorous risk management

We make a profit by carefully selecting the work we take on. Approval controls for bids and contracts include our risk-based heat map tool to support contract selection and bid approval processes. We ensure the terms and conditions are within the parameters of our strict criteria to mitigate risk and we make certain we have the expertise and resources to successfully complete the work. During construction, we rigorously manage risk at every stage of our projects using robust review processes and health checks. We secure a high-quality forward pipeline so we do not have to pursue projects with less favourable terms.

Good capital management

Our business is typically cash generative, as we receive regular payments from clients as projects progress. We are well-capitalised with a strong balance sheet that benefits from a robust cash position and a PPP asset portfolio, giving clients and our supply chain confidence in our ability to partner with them well into the future.

Our business does not require significant investment in fixed assets or working capital and we therefore only use a modest amount of cash for ongoing investment in the business and for investing in PPP projects.

Our capital allocation and dividend policy is set out in the Financial review.

Our key resources and relationships

We are committed to successfully managing the key resources and relationships that are necessary for the long-term success of our business.

	Our impact	
People Our success comes from our people. We therefore need to attract, retain and develop the right talent for our business, prioritise their health, safety and wellbeing and create an inclusive environment in which they can thrive. People and culture p23 and Health and safety p26	We place the highest priority on protecting our people's health, safety and wellbeing. We target no harm and have increased our investment in mental wellbeing alongside physical health and safety. We commit to supporting our people personally and professionally at every level to help them achieve their potential. We offer a fast-paced, exciting environment that guides, challenges and develops them.	**0.08** Accident Frequency Rate **13.2%** voluntary churn
Natural resources Our building processes use natural resources, including land, materials and energy. Environment and climate change p28	We aim to optimise our use of natural resources and reduce our associated carbon and environmental impact, recognising that environmental protection and climate change are among the greatest challenges we face.	**39%** reduction in carbon emissions from calendar year 2019 to 2020 and 43% reduction from 2018 to 2019 **95%** waste diverted from landfill
Clients We carefully choose the sectors we want to work in and the clients we partner with. Clients p32	As a trusted partner to our clients, we deliver high-quality buildings and infrastructure that form the fabric of our society, while also helping our clients to achieve their business and sustainability objectives.	**87%** of our order book is in frameworks **90%** of full year 2022 planned revenue secured
Supply chain Our supply chain predominantly consists of subcontractors – who operate on our sites – and suppliers – who provide materials. We select and manage our subcontractors and some materials suppliers at a local level, and procure key commodities centrally. Supply chain p31	We support jobs and local economies through our supply chain, as well as our own business, and help suppliers and subcontractors to develop their businesses alongside ours. Our Advantage through Alignment programme provides a programme of support, training and education to key supply chain members to foster collaborative, mutually-beneficial relationships.	**Gold** status from the Supply Chain Sustainability School **93%** of invoices paid in 60 days
Communities The impact of our work on communities is significant, both through the way we work and the legacy we leave in the form of buildings, infrastructure and other assets. Communities p33	We aim to create greater social value through what we do by providing local employment, using local supply chain partners, and sustainably delivering buildings and infrastructure that are fit for the future. We engage with local schools to promote awareness of health and safety as well as careers in our industry, and we work with local causes to support their objectives by providing time, donations, materials and labour.	**40.6** Considerate Constructors Scheme score **£250,000** charitable donations
Financial resources We maintain a robust balance sheet to give clients, our supply chain and shareholders reassurance that we are a financially sustainable business. Financial review p42	Carefully managing our financial resources helps ensure that shareholders typically benefit from rising earnings and dividends and create future value, while ensuring we remain soundly financed.	**£164m** average month end cash

Stakeholder engagement p50

A compelling investment

01.

A clear strategy

Our strategy builds on our strong foundations by focusing on the sectors where we have proven strength and the right risk profile, and identifying and focusing on margin enhancing and revenue growth opportunities across the medium term.

Sustainability, driven by digitalisation, decarbonisation and social value, is at the heart of our strategy, responding to stakeholder needs and increasing the long-term operational and financial resilience of the organisation.

02.

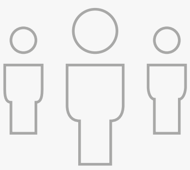
A people-orientated, progressive culture driven by our values

We believe in our purpose to improve people's lives and achieve this by attracting and developing individuals who share our vision.

Our commitment to delivering excellence pushes us to constantly pursue new and better ways of working – embracing new technologies, construction methods and management tools that help us lead the sector. Our inclusive culture fuels innovation by allowing individuals to thrive.

Our socially and environmentally responsible approach is not only the right thing to do, it is also increasingly important to employees, clients and supply chain members and makes our business more sustainable in the long term.

People and culture p23



03.

A strong foothold in a growing market

We have a highly disciplined approach and only operate in chosen sectors where we have core and proven expertise.

We have a robust position in the public and regulated sectors, leading places on the UK's most significant frameworks (page 48), and excellent client and supplier relationships. Our alignment to the Government's continued investment in the UK's social and economic infrastructure is a fundamental driver of demand for our services and plays to our strengths in the health, education, defence, highways and environment markets.

Our framework position allows us to work in long-term relationships and benefit from major, continuing public sector, infrastructure and regulatory spending.

Market review p16

90%

of FY22 planned revenues already secured

04.

Focused risk management

Rigorous risk management is central to our strategy and embedded in our business.

We determine our risk appetite and stand firm to ensure we only pursue opportunities where we have the skills, resources and contract terms and conditions to be successful. We then monitor risk across the lifecycle of our projects.

Our approach is mature and the result is a high-quality order book and pipeline we can be confident of, and that will deliver the margins we are targeting.

Risk management p36

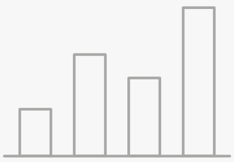
05.

Financial strength

We are well-capitalised and cash positive, with a strong balance sheet.

Sustainable growth will drive controlled growth and an improved dividend policy, generating long-term shareholder value.

Financial review p42



Focused on successful delivery

Having successfully returned to profitability, our business looks forward to a positive future with an updated strategy, with sustainability at its core, positioning us strongly to contribute to the UK's economic recovery.

This was Galliford Try's first full year as a pure construction business and I am pleased with the progress we have made in delivering our plans. In particular, we have continued our focus on risk management (page 36) and worked hard to ensure robust operational and financial performance, against the backdrop of the Covid-19 pandemic.

Peter Ventress
Chairman

Significantly, the business has returned to profitability and with our new contract portfolio delivering higher margins, we recorded a profit before tax of £11.4m. We have also maintained a strong balance sheet, which continues to differentiate us in our market. At the end of the year, our net cash balance was £216m, up £19m over the 12 months. Our average month end cash balance during the year was £164m.

Shareholder returns

As a responsible contractor, we believed it was right to repay the furlough monies received in the financial year. Coupled with our performance this year, this enabled us to reinstate dividends. Having paid an interim dividend of 1.2p per share in March 2021, the Board has proposed a final dividend of 3.5p per share. The total dividend of 4.7p per share is 2.0 times covered by earnings from continuing operations. The final dividend will be paid on 10 December 2021 to shareholders on the register at 12 November 2021.

We have always recognised the importance of dividends to shareholders and, looking forward, we expect to increase the dividend as earnings grow, within our improved dividend cover range of 2.0–2.5 times.

A sustainable strategy

In April 2021, the Board performed a review of the Group's strategy for the next five years to assess our strategic ambitions over this period. We held a dedicated session to discuss the challenges and opportunities presented to the business, how the Group was responding to these and the risk appetite that the Board was prepared to take in pursuit of its strategic objectives. The discussion focused on controlled revenue growth, the importance of Environmental, Social and Governance (ESG) factors to the strategy, the macro environment and the competitive landscape (page 60).

Our updated strategy is set out on pages 18 to 21 and positions us strongly to contribute to the UK's economic recovery from the pandemic.

As Chairman, I have also looked to ensure that during our regular meetings the Board is able to focus on strategy rather than operational issues. It is a mark of how well the business is being run that we achieved this during the year.

Delivering long-term stakeholder value

Sustainability and creating social value are fundamental to our strategy. A key part of our approach is ensuring we understand stakeholders and that we take their views into account in our decision-making. The Board has a designated Non-executive Director, Terry Miller, who chairs our Stakeholder Steering Committee and our Employee Forum. This gives the Board a direct insight into our business's stakeholders as well as sustainability matters which are now a remit of the Committee. You can read more about this in our section 172 statement on page 50.

People and culture

People and culture are important considerations for the Board and we continue to support efforts to enhance the business's diversity. The Board has oversight of Galliford Try's culture and we have seen a significant positive shift, that our leadership team continues to drive forward.

Our improved performance this year reflects the way that risk management has become ingrained into our culture, as has the way that our people take accountability. The prominence of sustainability and diversity also reflects this cultural change.

The pandemic has made this a difficult period for every business and I want to thank our people for the way they have responded. The challenges posed have unleashed their creativity, while at the same time requiring us to have a relentless focus on maintaining the highest standards on our sites and protecting everyone's health, safety and wellbeing. Bill Hocking's statement on page 12 explains more about our approach.

Management and the Board

There was one change to Board membership this year, with Jeremy Townsend stepping down as a Non-executive Director, as previously announced. This resulted in some changes to Board Committee responsibilities, as described on page 59. Looking forward, the Board is aware of its responsibility to ensure good succession and appropriate diversity among the directors.

Succession planning is also key beyond Board level, enabling us to fill a number of vacancies internally during the year. Work to ensure a suitable pipeline of talent continues and is a high priority for the Board.

Looking forward

We are focused on sectors that play to our strengths and in which market conditions and Government policy are favourable. Our job now is to continue to deliver, so we can create sustainable value for all of our stakeholders.

Peter Ventress
Chairman

Targeting strong and predictable shareholder returns

We are committed to delivering value to our shareholders through sustainable growth and improved profitability.

Objective	2026 target
Focus on bottom line margin growth.	**Divisional operating margin growth to 3.0%.**
Disciplined contract selection and sustainable revenue growth.	**Revenue growth towards £1.6bn.**
Maintain strong balance sheet.	**Operating cash generation.**
Sustainable dividends.	**Dividend cover of 2.0-2.5x.**

Well-positioned for the future

The last year has shown the strength and resilience of Galliford Try in challenging circumstances. We have proven our business, returned to profitability, and successfully laid the foundations upon which we can deliver our updated strategy.

Well-capitalised and profitable with a bright outlook

The end of this financial year marks a great milestone for us as we announce our first set of full year results as a pure construction group. We have made an excellent transition following the strategic disposal of the housebuilding divisions and our significant progress in strengthening our foundations has enabled us to return to profitability, repay furlough money and reinstate the dividend.

Our operating profit before amortisation was up to £10.1m and profit before tax increased to £11.4m, from pre-exceptional losses of £62.2m and £59.7m respectively in the previous financial year. Our improved results demonstrate the performance of our newer contract portfolio in our £3.3bn order book, which remains selective, focused on our strengths and aligned to our risk appetite. Despite the pandemic, we remained fully operational on all of our sites in the period, with productivity close to normal levels. Combined with our focus on core markets, this means our revenue remained stable and on target at £1.1bn (2020: £1.1bn).

Our excellent cash position remained resilient during the pandemic. We remain well-capitalised with a strong balance sheet, giving clients and supply chain confidence in our ability to deliver for them as a partner over the long term.

Without doubt, the past year has been a huge test of our mettle and I am inspired by the way our people have responded. There has been a fantastic sense of camaraderie and, against the odds, we've achieved a great deal in a relatively short amount of time. This is a true testament to all our people and I am proud to lead a team of passionate, dedicated and skilled individuals who are all so aligned to our purpose.

Bill Hocking
Chief Executive

The Government's Construction Playbook underpins long-term industry sustainability and confirms we are well-positioned with key clients for projects that will be brought to market by the public sector over the medium term.

Bill Hocking
Chief Executive

Moving forward, the Government's Construction Playbook underpins long-term industry sustainability and confirms we are well-positioned with key clients for projects that will be brought to market by the public sector over the medium term. While the industry has been affected by shortages of materials in some areas, we maintain excellent relationships and collaboration programmes with our supply chain (page 31). This has ensured we have not been materially affected to date and, coupled with early planning, will enable us to deliver in the long term.

Our performance and outlook have provided the Board with the confidence to reinstate dividends with an enhanced policy. Under the new policy we have reduced dividend cover to 2.0–2.5 times. As a result, we reintroduced the interim dividend at the half year at 1.2p per share and recommend a final dividend of 3.5p per share to give a total dividend of 4.7p per share.

My thanks and appreciation go to all our staff, supply chain and clients who have worked so well together to keep our projects safely on track, despite the challenging circumstances.

Financial review p42 and Operating review p46

A people-orientated, progressive culture

Success comes from our people, which is why we put such a focus on being a people-orientated, progressive and values-driven business that remains committed to always doing the right thing. The core of this at Galliford Try is:

Building diverse teams aligned to our purpose

Construction is all about people, so the skills, expertise and culture we nurture as an organisation are important.

We received positive feedback regarding the work we carried out to support our people in the year. We took specific action to survey our site-based teams to understand how to improve the working environment for those who had to be present in the field during lockdowns. Again, the feedback we received was very positive with 83% of those who responded feeling supported, 82% stating communication was good and 81% having confidence in our response to Covid-19.

Our career paths and learning and development programmes continue to be popular and effective. Coupled with leadership from the top, training, succession planning programmes and recruitment processes are designed to ensure we seek out and develop the right people for our business, which contributes to a great culture.

Inclusion is important to us and our continued focus on early careers enables us to grow our talent pool as an investment in the future. We now have more women in higher paid graduate positions. The improving diversity of this population is pleasing and will stand us in good stead in the future, helping to address the gender pay gap in our industry.

We recognise we need to do better when it comes to addressing barriers to entry in particular to ethnic minorities. Going forward we want to realise our inclusivity ambitions, as this facilitates the diversity of ideas and experiences that create multi-skilled teams.

Without doubt, the past year has been a huge test of our mettle and I am inspired by the way our people have responded. There has been a fantastic sense of camaraderie and against the odds, we've achieved a great deal in a relatively short amount of time. This is a true testament to all our teams and I am proud to lead a team of passionate, dedicated and skilled individuals who are all so aligned to our purpose.

People and culture p23

Prioritising health, safety and wellbeing

Health, safety and wellbeing will always remain absolutely paramount and, during the period, the importance of good mental health was thrown into even sharper focus. The inevitable stresses of the pandemic brought mental health issues to the fore for society, and we addressed this within our business by expanding our 'Be Well' programme. This included live weekly sessions on key wellbeing topics from in-house and external professionals, podcasts and access to further tools and resources to benefit our people and their families.

Chief Executive's review
continued

We cautiously navigated out of lockdown, publishing our own roadmap to mirror the Government's different plans across England, Scotland and Wales to ensure we could continue to safeguard the health, safety and wellbeing of all our people as national restrictions started to lift. As well as continuing our own specific Covid-19 risk assessments and protocols, we ensured works were carried out in full compliance with the Construction Leadership Council's Site Operating Procedures throughout the period.

We took the opportunity to refresh our award-winning behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' to ensure all our teams and subcontractors remain engaged in our belief that nothing we do is so important we cannot take the time do it safely. Despite this, we were disappointed that our Accident Frequency Rate (AFR) increased slightly to 0.08, although this remains an encouraging performance relative to the industry. We are already placing more emphasis on the proactive management measures that will return us to a lower AFR and lead to further improvements as we instil a no-harm culture across the business. Recent accreditation to the new standard for occupational health and safety management systems, ISO 45001, confirmed this focus on continual improvement.

The Grenfell Tower tragedy in 2017 highlighted the critical importance of the safety of all buildings we live, work and play in. Our involvement in the Building a Safer Future Charter demonstrates our commitment to promoting a positive culture and putting people's safety first in how we plan, design, build and maintain the built environment.

Health and safety p26

Operating sustainably

Fundamental to the business's long-term success is our belief that we can only create value over the long term if we understand and address the views of our stakeholders and ensure they are part of our strategy. We believe strongly that the interests of all stakeholders – our people, suppliers, clients, communities and investors – are fully aligned and will all benefit from our focus on operating sustainably.

We have continued to make significant progress across all six pillars of our sustainability agenda comprising: health and safety, environment and climate change, our people, communities, clients and supply chain. Our work to update our strategy confirmed these are the right overall fundamentals to recommit to, with new objectives and means of delivery (see right). A key development this year was our commitment to achieve net zero carbon across our own operations by 2030 and all activities by 2045, working with the Science Based Target Initiative to validate our approach.

Operating sustainably p22

Bill Hocking
Chief Executive

Outlook: a firm foundation to update our strategy

At the end of our strategy period to 2021, we are in an excellent position. We have made great progress and have built a solid foundation for growth, with a higher quality order book giving us a clear path to grow our margins. We now look forward to moving ahead with confidence with our updated strategy, building on these solid fundamentals and aligning our financial objectives with our sustainability and stakeholder aspirations to deliver sustainable profit and long-term stakeholder value, in line with our purpose.

Our strategy is covered in more detail on page 18, following our Market review.

A people-orientated, progressive culture driven by our values.

- **Health and safety:** prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.
- **Our people:** creating an inclusive environment and progressive culture that enables all individuals to reach their potential.

Deliver excellence for our clients.

- **Clients:** delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.
- **Supply chain:** aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

Protect the environment and create greater social value for communities.

- **Environment and climate change:** adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.
- **Communities:** making a positive impact in communities where we operate by delivering greater social value and improving lives.

Earn a sustainable return on the value we deliver.

- Taking a disciplined approach to selecting the work we take on and carefully managing risk at every stage of the project.
- Delivering strong, predictable cash flows and margin improvement.
- Generating increasing shareholder returns.

Seizing opportunities

The majority of our revenue derives from public and regulated sector clients. The Government's investment in the UK's social and economic infrastructure is therefore a fundamental market driver of demand for our services.

Our strategy responds to our markets

	Market drivers	How our alignment positions us to benefit
UK's drive to 'build back better'	Investment in the UK's social and economic infrastructure	Key contractor for public and regulated sectors.
	Levelling up agenda	National coverage with local relationships and supply chain.
		Committed to creating greater social value.
	Urgency of climate crisis	Net zero carbon target.
		Support clients' carbon objectives through our carbon toolkit.
	Innovation	Digitalisation and adoption of Modern Methods of Construction.

Market opportunity

Government investment in the UK's social and economic infrastructure

National Infrastructure Strategy (NIS)[1]: the NIS is part of the Government's plans to invest more than £600bn over the next five years. It sets out plans to transform the approach to infrastructure policy and delivery, to meet both the short and long-term challenges facing the UK. Its objectives are to 'build back better' from the pandemic, focus on helping the Government achieve its net zero carbon emissions target by 2050, creating greater social value, and adopting digital and technical innovation. The UK Infrastructure Bank has been established to help mobilise these plans with £22bn of funding available for co-investment alongside the private sector in some of these projects.

Levelling up agenda[2]: the Government's levelling up agenda aims to tackle geographic disparities in key services and outcomes, such as health, education and jobs. It recognises the key role investing in infrastructure will have in improving lives by bringing more places across the UK closer to opportunity.

Under the Levelling Up Fund, £4.8bn will be invested in local projects, such as regeneration and transport across England, Scotland and Wales.

Construction Playbook[3]: up to £37bn of contracts will be brought to market over the next year across economic and social infrastructure. The Construction Playbook has been published to achieve the Government's ambition to deliver 'better, greener, faster public works'. The Playbook places a major focus on social value, industry sustainability and supply chain engagement and it favours long-term contracting across portfolios; standardised designs, components, and interfaces; and innovation and Modern Methods of Construction (MMC).

Investment in local projects

£4.8bn

Contracts brought to market

£37bn

Our response

- We have a national presence with local delivery which aligns to the levelling up agenda's focus on local priorities in local communities such as health and education, which are our largest sectors.
- A significant 87% of our order book is in frameworks, which are a key public sector procurement route for the delivery of national infrastructure projects. Similarly, 91% of our order book is in the public and regulated sectors.
- The drive for digitalisation within our Group is led jointly by our Group Technical Director and Chief Information Officer, with input from a cross-section of operations to ensure better design, quality and delivery.
- Our commitment to creating greater social value matches the Government's aims to deliver value to society.

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938049/NIS_final_web_single_page.pdf
2 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf
3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941536/The_Construction_Playbook.pdf

Market challenge

Managing labour and supply shortages

- The combined impact of Brexit and the pandemic has caused delays in the delivery of supplies as well as increased costs.
- Skilled and experienced people are in high demand. Post-Brexit, this is putting pressure on labour demands in London and the South East, although the proportion of workers from the EU is much lower elsewhere in the country.

Our response

- We maintain excellent relationships with key suppliers and subcontractors by giving them an insight into our pipeline, paying them promptly and offering them training and resources, for example through our Advantage through Alignment scheme, our Challenging Beliefs, Affecting Behaviour safety programme and membership of the Supply Chain Sustainability School. This leads to mutual benefits and ensures we remain a priority customer for them during times of heightened demand.
- We maintain matrices of key materials to ensure we are aware of any materials shortages or longer lead-in times and ensure we plan effectively to mitigate any potential delays. These processes are stepped up during times of shortages. Inflation is built into our bids, with earlier planning giving us better visibility during times of higher demand.
- Our recruitment, training and development activities ensure we have the skills we need to carry out our operations. Our graduate and apprentice programmes allow us to build our own talent pool. Succession planning enables us to meet the future needs of our business with less likelihood of disruption to operations.
- Initiatives such as Smart and Agile working and our focus on wellbeing make Galliford Try a more attractive employer and will help us to attract more diverse applicants for roles, broadening the pool of potential recruits.
- We actively promote our business and industry to school and college leavers, graduates and experienced people through school presentations, visits to our sites and careers exhibitions and help to encourage a career in construction for future generations. Our work breaks down stereotypes of the industry and presents the industry as an important enabler of the UK's plans for the future.

Market opportunity

Drive for decarbonisation and action on climate change

The Committee on Climate Change believes we have 'a once-in-a-lifetime opportunity' to address climate change as we rebuild from the pandemic. It has highlighted the need to deliver an economic recovery that accelerates the transition to a cleaner, net zero emissions economy and strengthens the country's resilience to the impacts of climate change.

The Government's Ten Point Plan[4] for a Green Industrial Revolution prioritises 'clean growth' as it delivers on its aim to achieve net zero carbon emissions by 2050. The plan involves £12bn of public spending over the coming years in areas from energy generation to building retrofits. Key initiatives include the energy efficiency of homes, schools and hospitals; protecting the environment; ending the sale of new petrol and diesel cars and vans by 2030 and developing the cutting-edge technologies needed to reach these new ambitions.

Our response

- Our sustainability agenda, record of reducing our own carbon emissions and commitment to achieving net zero carbon across our own activities by 2030 and all activities by 2045 are attractive to existing and potential clients.
- Our digital approach and adoption of new technologies, construction methods and management tools drive innovation and help clients to achieve wider objectives for example by using Modern Methods of Construction which can save time and reduce waste.

4 https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title

Adopting blockchain technology to capture insights

Our Environment business has been utilising new and innovative software to capture and track information such as actual carbon emissions and to measure the use of plant and materials across our operations in real time, comparing performance of planned work against what actually happened. These insights help us to save money, build better and can facilitate an agile approach to operations that can help reduce risk by responding better to events outside our control.

This pioneering technology, Hypervine, has been adopted on projects for Scottish Water and Angus Council, streamlining operational work and reducing reporting and compliance events, freeing up valuable time.

Sustainable growth

Having established Galliford Try as a robust player in the market, our updated strategy elevates our ambitions and sets objectives which align profit with purpose. Sustainability, driven by digitalisation, decarbonisation and social value, is at its heart, responding to stakeholder needs and increasing the long-term operational and financial resilience of our organisation.

Our purpose

Our purpose is to improve people's lives by building the facilities and infrastructure that communities need, providing opportunities for our people to learn, grow and progress, working with our supply chain to promote the very best working practices and caring for the environment.

Our strategy

Our strategy is to deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders.

Our strategic priorities

01. Progressive culture

Health & safety

Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.

Our people

Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.

02. Socially responsible delivery

Environment & climate change

Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production, waste and climate change to protect our environment and biodiversity.

Communities

Making a positive impact in communities where we operate by delivering greater social value and improving lives.

03. Quality and innovation

Clients

Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.

Supply chain

Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

04. Sustainable financial returns

Earning a sustainable return on the value we deliver.

Our KPIs have been updated to reflect our new strategy period to 2026.

Sustainability pillar	Objective	KPI	FY20	FY21	Ambition
Progressive culture					
Health and safety	Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.	Accident Frequency Rate	0.07	**0.08**	No harm.
		Lost Time Incident Rate	0.26	**0.26**	No harm.
Our people	Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.	Early careers as a % of total employees	8.0%	**7.2%**	Year-on-year increase.
		Women as a % of total employees	22%	**23%**	Year-on-year increase.
		Employee advocacy	*Note 1	***Note 1**	Year-on-year increase.
Socially responsible delivery					
Environment and climate change	Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.	Scope 1 and 2 carbon emissions (CO_2e tonnes)	14,127	**8,881**	Net zero by 2030.
		Scope 3 carbon emissions (CO_2e tonnes)	*Note 2	***Note 2**	Net zero by 2045.
		Waste intensity (tn/£100k revenue)	13.04	**7.6**	Year-on-year reduction.
Communities	Making a positive impact in communities where we operate by delivering greater social value and improving lives.	Social value as a % of turnover	*Note 3	***Note 3**	Year-on-year increase.
		Considerate Constructors Scheme performance	41.1 (industry ave. 37.1)	**40.6 (industry ave. 38.0)**	>38 and above industry average.
Quality and innovation					
Clients	Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.	% of repeat business in our order book	91%	**92%**	>80%
		% of full year planned revenue secured at the start of the financial year	90%	**90%**	>85%
Supply chain	Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.	% of business unit core trades spend with Aligned subcontractors	58%	**59%**	70%–80%
		Prompt payment – % of invoices paid within 60 days	88%	**93%**	>95%
Sustainable financial returns					2026 target
Finance	Earning a sustainable return on the value we deliver.	Focus on bottom line margin growth	Divisional operating margin (5.0)%	**Divisional operating margin 2.0%**	Divisional operating margin growth to 3.0%
		Disciplined contract selection and sustainable revenue growth	Revenue £1,090m	**Revenue £1,125m**	Revenue growth towards £1.6bn
		Maintain strong balance sheet	Average month end cash £141m	**Average month end cash £164m**	Operating cash generation
		Sustainable dividends	Dividend cover = n/a	**Dividend cover of 2.0x**[4]	Dividend cover of 2.0-2.5x

Notes

1 Employee advocacy will be measured through regular employee surveys.

2 Historically, we have only reported on one element of our Scope 3 emissions, business use of private vehicles. As part of our commitment to net zero by 2045 and setting a science based interim carbon reduction target, we are currently in the process of performing a Scope 3 screening review to identify the most material Scope 3 emissions categories. We will then develop reporting methodologies for the most material Scope 3 categories and intend to start reporting our Scope 3 emissions from 2023.

3 Our Social Value Calculator was updated and relaunched during the second half of FY21. It captures social value outcomes across six key measures which are then multiplied by the proxy values in the national TOMS framework to give an estimate of total social value delivered. We do not have a full year of data to report in FY21 but intend to start reporting this KPI in FY22.

4 Based on earnings from continuing operations.

Q&A with the Chief Executive

Q. **What does this new era for Galliford Try look like?**

A. The space in which we work has been rapidly changing as a result of the urgency of the climate change crisis and a shift in mindsets about social responsibility. The pandemic has accelerated this transition and put a spotlight on low carbon economies, digitalisation and social responsibility.

Employees want to work for a socially responsible employer that focuses on more than the bottom line, clients want to work with contractors with leading sustainable practices who can help them achieve their carbon and social objectives, subcontractors want collaborative relationships and fair payment terms, and communities desire an improved environment.

Construction is an enabler of this change across the UK. This is reflected in the Government's levelling up agenda to invest in economic and social infrastructure, its net zero carbon objectives and the Construction Playbook which takes a mature, sustainable approach to public sector procurement and values long-term relationships to support innovation and greener construction.

Our updated strategy responds to this by aligning profit and purpose through four strategic priorities. It pulls together our financial objectives with our operational priorities, sustainability aspirations and progressive culture so that we can create long-term value for our stakeholders. If we have the right culture, we will attract and retain the right people. With the right people, we work with the best clients and deliver higher quality projects, so financial success follows. Sustainability resides at the heart of this and so the part we have to play in the future of the country is very exciting.

Q. **How has the strategy been updated?**

A. We carried out extensive research and engaged with clients, investors, advisers and our own teams to understand their key interests and priorities. We considered this against the macro environment, the competitive landscape facing the business and, importantly, we looked at where we want to be, the areas we want to influence and our own appetite for risk. We consider we have the right fundamentals in place with some measured refocusing and renewing of our ambitions as outlined on pages 18 and 19.

Q. **The strategy targets financial growth in terms of revenue and profit to deliver increased shareholder return. How will this be achieved?**

A. We have the right building blocks to improve our margin. The Market review (page 16) shows there is strong demand for our work as a direct result of the Government's objective to 'build back better' from the pandemic. The size of our markets is increasing and we're also monitoring new opportunities. We're in a position to increase our share of current and potentially suitable markets and our embedded robust risk management processes will continue to form the cornerstone of any future growth and drive order book quality. Digitalisation and decarbonisation (page 21) will play a key role, as by their nature, they typically drive us to cut out inefficiencies in time, costs and materials, adding to the bottom line.

We also plan to increase our dividend. This combination of controlled increased turnover, increase in profit and dividend will drive shareholder return.

Bill Hocking
Chief Executive

A commitment to net zero carbon

We have pledged to achieve net zero carbon across our operations by 2030 and to widen that scope to include all activities by 2045 at the latest.

To provide a clear route to reduce greenhouse gas emissions, we have committed to achieving a verifiable science-based target validated by the Science Based Targets initiative (SBTi). In doing so, we have joined the Business Ambition for 1.5°C to limit global warming to 1.5 degrees and the UN-backed campaign Race to Zero.

We are already well advanced on our carbon reduction journey across our operations, having reduced carbon dioxide equivalent emissions (Scope 1, 2 and operational Scope 3) by 59% from 2015 to 2020[1]. Our success in significantly cutting emissions to date has been achieved by:

- Using renewable energy sources, where possible, for permanent offices and supporting electric vehicle use with charging points at our workplaces.
- Encouraging the use of electric or plug-in hybrid vehicles, which currently represent 36% of the total vehicle fleet and have helped reduce average carbon emissions across the company fleet from 133g/km in 2011 to 86g/km in 2020.
- Promoting the use of electric and alternatively-fuelled plant on sites.
- Earlier grid connections to minimise diesel use on projects.
- Operating an Agile Working policy since 2018 and maximising the use of technology to reduce travel and improve work-life balance.

We are confident about achieving net zero across our own operations by 2030 through further reduction measures, many of which are aligned to the Construction Leadership Council's CO2nstruct Zero priorities.

1 Historical figures exclude disposed housebuilding divisions.

Our updated strategy pulls together our financial objectives with our operational priorities, sustainability aspirations and progressive culture so that we can create long-term value for our stakeholders. The part we have to play in the future of the country is very exciting.

Bill Hocking
Chief Executive

Operating sustainably

Sustainability is central to our strategy

We recognise that being sustainable makes us more efficient, helps us to win work, engages our employees and benefits communities and the environment. This is why our sustainability commitments are integral to our strategy. Importantly, they are at the core of delivering stakeholder value.

How our sustainability pillars align to the UN Sustainable Development Goals

- 3 Good health and wellbeing.
- 4 Quality education.
- 5 Gender equality.
- 6 Clean water and sanitation.
- 7 Affordable and clean energy.
- 8 Decent work and economic growth.
- 9 Industry, innovation and infrastructure.
- 10 Reducing inequalities.
- 11 Sustainable cities and communities.
- 12 Responsible consumption and production.
- 13 Climate action.

Our commitment to sustainability

As a responsible business, we manage our impacts in relation to six fundamental areas: our people, health and safety, environment and climate change, communities, clients, and supply chain. As part of our strategy update, we have reviewed the sustainability priorities of our principal stakeholder groups and renewed our key commitments across these six pillars.

Management

The Executive Board has overall responsibility for setting policy and monitoring our sustainability performance as a standing agenda item. Main Board oversight of sustainability performance is also maintained through the Stakeholder Steering Group.

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) provide an international blueprint for how organisations can work towards greener, more inclusive economies, and stronger, more resilient societies. They recognise that economic growth must also address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. This belief mirrors our own and so each of our six pillars aligns to at least one SDG.

Operating sustainably

People and culture

A people-orientated, progressive culture

We seek to attract and retain talented individuals who are aligned to our purpose and uphold our values, creating an inclusive environment where they can truly be themselves and thrive.

Embedding and reinforcing our culture

We believe that developing the right culture is a fundamental strength of our business and embedding and reinforcing our culture is a continuous process.

Our Code of Conduct, 'Doing the right thing', defines the behaviours and values we expect at Galliford Try and provides a framework of standards and policies to ensure everything we do is in line with our values, legally compliant and morally correct.

It is underpinned by our valued-based Leadership Framework, which demonstrates what great leadership looks like to us and the capabilities that it comprises. The importance of living our values is also driven by our Performance and Development Review process, which all employees are encouraged to participate in at once a year, supported by ongoing development discussions and training.

We raise awareness of our policies within contracts of employment and new starter inductions, and communicate material changes or new policies through a number of means including communication from our Chief Executive, and training, where necessary. We mandate training on key themes such as diversity, discrimination, GDPR, anti-bribery and cyber security, refreshing content to ensure it remains relevant and up-to-date.

Our policies are held within our change-controlled Business Management System (BMS) which allows effective implementation of our policies, practices, guidelines, processes and procedures in the execution of our work.

We promote a transparent culture, and encourage our teams to speak up about any potential non-compliance with our policies to line managers, senior management, our HR or Legal teams or through our independent, anonymous whistleblowing facility.

Engagement

The restrictions of the pandemic created an additional need to engage employees, with many office-based staff working remotely and all those in the workplace continuing to social distance and limiting face-to-face contact where not absolutely required. As well as 'business as usual' communication, our Employee Forum (page 24) provided a channel for gathering two-way engagement across the business and we carried out a company-wide virtual roadshow hosted by the Chief Executive.

During the year, we maintained our voluntary employee churn at 13.2% (2020: 12.8%).

Key commitments

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Progressive culture							
Our people	Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.	Early careers as a % of total employees	A focus on early careers gives us the greatest influence over the diversity of the workforce of the future.	8.0%	**7.2%**	YoY increase	5, 8, 10
		Women as a % of total employees	Attracting more women into our business is key to accessing the skills we need and promoting a more diverse culture.	22%	**23.0%**	YoY increase	
		Employee advocacy	Advocacy is a powerful indicator of employee sentiment towards the company and our culture.	*Note 1	***Note 1**	YoY increase	

Notes:
1 Employee advocacy will be measured through regular employee surveys.

Taking action to drive employee advocacy

83%
felt supported

82%
felt well communicated with

The challenge

We received consistent feedback from our Employee Forum that our ongoing response to the Covid-19 pandemic was well-received. Key themes and actions arising from employees are outlined below:

	The feedback	
	More communication requested.	**More direct access to wellbeing support requested.**
Our response	As part of our response, we delivered a virtual Chief Executive roadshow including a presentation from each business unit on strategy and progress.	We introduced a programme of weekly online Wellbeing Wednesdays with trained professionals for our staff and their families to attend and discuss a range of topics from financial stability to family-life and physical and mental wellbeing.
The result	Around 1,500 people (65%), a record number, attended the roadshow and 97% of those who provided feedback found the sessions useful and most said they felt engaged, committed or included.	We followed up with a survey to site staff specifically to gauge our progress. 83% of those who responded said they were aware of the wellbeing resources available to them and felt supported; 82% were positive about communication; and 81% had confidence in our response to Covid-19.

Early careers

Early careers are the focus of many of our recruitment activities, as they allow us to grow our own talent. Our Graduate Programme, apprenticeships and traineeships remain popular, so 7.2% of our workforce are in these positions.

Inclusion and diversity

Diversity of thought, approaches and experiences enrich our culture so we continually strive to create an environment which is inclusive.

Agile working remains a cornerstone of our approach, offering flexibility to suit individual needs. It goes beyond remote working and offers our people the ability to take advantage of a blended approach to work, including staggered start and finish times, job shares, compressed hours, sabbaticals and return to work programmes.

This improves our ability to attract and retain people from more diverse talent pools, who may not wish to or be able to work regular hours due to their personal circumstances.

This financial year saw a slight increase in the proportion of females across our business at 23% compared with 22% the previous year and our mean gender pay gap reduced to 28.8%. Early careers allow us to bring talent into the business and develop them into more senior positions. This contributes to narrowing the pay gap typical in our industry where a greater proportion of staff are male and a significant proportion of higher paid roles are carried out by males. In our Gender Pay Report this year, which provides data for April 2020, we reported a negative mean gender pay gap at -12.4% (2019: -6.10%) across early careers meaning females in this population typically out-earn males. This can be attributed to the fact that we see more females in higher paid graduate positions than the apprentice/trainee starting salaries.

	Gender[1]	
	Female	Male
plc Board	2	4
Senior grades (A-D)[2]	46	427
Total company including plc Board	585	1,927

1 Gender figures are based on employee numbers at year end.
2 Senior grades are defined as job grades A–D which encompasses senior managers and directors, excluding Board directors.

We are accredited as a Disability Confident Employer, confirming our commitment to removing barriers to disabled people and those with long-term health conditions in employment.

We recognise that military personnel have skills that can be transferred to roles with us . We have participated in The Armed Forces Corporate Covenant since 2016.

To support inclusion across the business, we revamped our interview skills workshop to ensure our managers are more inclusive while hiring and they are aware of any potential biases to ensure these do not influence their decision-making processes.

Skills and development

We have extensively developed and modelled our career paths which continue to support employees at all levels to fulfil their potential and enable individuals to take control of their development and progress at a pace that is right for them. This includes developmental and educational support which helps individuals to identify the steps they need to take and receive the support needed, ensuring they stay on track. Career paths are designed to support succession planning. We were pleased to add to them our new Project Management Development Framework (PMDF) and Commercial Development Framework (CDF). These have been designed to support excellent and consistent project delivery, as well as sharing best practice, and raising commercial awareness across all of our people.

Having previously moved much of our learning and development to an online environment to ensure our teams could receive training while also protecting their health in light of the virus, we introduced a 'blended' approach to the delivery of learning and development consisting of a mix of face-to-face training, e-learning and self-learning. This ensures that our offering is more accessible to all and supports our agile working agenda while providing our teams with the best possible training.

We delivered a total of 6,353 training days during the year (2020: 4,647), equivalent to 2.5 days per employee (2020: 1.5).

Areas of focus for 2021/22

- Continue to drive diversity and inclusiveness by creating role models through recruitment and career progression.
- Maintain our focus on early careers recruitment and development.
- Embed agile working into business as usual working practices, maintaining the learning and benefits experienced during the pandemic.

Tackling unemployment with a Kickstart to careers

In partnership with the Department for Work and Pensions, we were pleased to offer 22 Kickstart placements, which provide six-month long work placements for 16-24 year-olds who are perceived to be at risk of long-term unemployment and are claiming Universal Credit.

The scheme is funded by Government to 25 hours per week, with the Group contributing the difference to provide full-time roles where possible. As well as receiving a fully-paid placement and hands-on experience in a construction environment, individuals receive additional support such as employability skills, goal setting, CV building and interview behaviours to help develop their employability and boost their employment prospects in the future.

Placements offered

22

Ages involved

16-24 years

Health and safety

Prioritising health, safety and wellbeing and ensuring no harm

Our objective is to create and maintain an environment where care for our people and those who work with us is our top priority. We achieve this through our award-winning programmes, Challenging Beliefs, Affecting Behaviour and Be Well.

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Progressive culture							
Health and safety	Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.	Accident Frequency Rate	Although internally, we use Lead Indicators to drive improvement, accident rates remain the industry standard measure of safety performance.	0.07	**0.08**	No harm	3
		Lost Time Incident Rate		0.26	**0.26**		

Challenging Beliefs, Affecting Behaviour

Our safety culture is embedded through Challenging Beliefs, Affecting Behaviour, a programme based on awareness, training, coaching and visible leadership, which has formed the backbone of our approach since its inception in 2012. We have gradually evolved the programme over the years and, this year, we refreshed the training programme and toolkit with more thought-provoking content and more up-to-date examples. This includes our focus on 'Lead Indicators' and our aspiration of no harm, underpinned by a culture of care. Lead Indicators allow us to be more forward-looking and proactive and span six key areas of Leadership, Communication, Competence, Culture, Contractors and Planning.

The programme is a key way in which we engage with our subcontractors, who widely praise its ability to capture the importance of safety in a mindset changing way (page 27).

Leadership and management

The overall responsibility for health and safety lies with our Executive Board. Health and safety is the top agenda item for all management meetings and monthly reporting at business unit and divisional Board meetings enable statistics and trends to be identified and, where needed, addressed.

Business unit management is responsible for the implementation of our Health and Safety Policy which provides a framework to effectively manage all aspects of health, safety and wellbeing, and ensuring all health and safety risks are assessed and safe systems of work are devised in line with the Galliford Try Health, Safety and Environmental Management Systems.

The Health, Safety & Environment Director manages a team of Health, Safety and Sustainability (HS&S) professionals and each business unit benefits from an assigned a Lead HS&S advisor. Advisors play an active role in planning, as well as visiting sites regularly to monitor adherence to our policies and procedures.

Visible leadership through site safety tours, and an open dialogue with our site teams is a powerful way for management to promote and maintain safe behaviours on site by engaging with operatives to correct poor practice and reaffirm positive behaviour. We were pleased to be able to resume these as the strictest Covid-19 measures eased across the UK and consequently we increased the number of director tours from 663 to 755. We also conducted 60,411 Safe Behaviour Discussions (2020: 61,143).

Operating in the pandemic

Our focus remained on providing Covid-19 secure working environments. All our workplaces were subject to specific Covid-19 risk assessments to ensure works were carried out in full compliance with the latest Construction Leadership Council Site Operating Procedures, as well as adhering to our own strict protocols, and wellbeing measures (page 24).

Performance

We received eight awards from RoSPA (The Royal Society for the Prevention of Accidents), which includes four Order of Distinction awards for 15–24 Consecutive Gold Awards.

While we achieved an Accident Frequency Rate (AFR) of zero across seven business units, we were disappointed to slightly increase our overall AFR to 0.08 (2020: 0.07). We take this very seriously and are committed to improving our behaviour by learning from high-potential incidents and near misses, and continuing to promote behaviours that drive excellence in safety.

We successfully achieved ISO 45001, the new ISO certification replacing OHSAS 18001 for Occupational Health and Safety, which demonstrates our leadership approach to health and safety.

Areas of focus for 2021/22

Our key focus in 2021/22 will be reinforcing health and safety procedures across both our own employees as well as our supply chain to ensure our processes are fully understood and embedded as we aspire for no harm.

Industry lessons from Grenfell

The Grenfell Tower disaster is a tragic and severe reminder to the industry that how and what we build really matters. We became one of the first companies to subscribe to the Building a Safer Future (BSF) Charter, which has been created to promote an urgent and positive culture and behaviour change in the safety of the built environment, with particular reference to high-rise residential buildings.

Reinforcing a culture of behavioural safety

What makes it successful?

- Five training modules which outline the psychology of behaviour, our aims and where the individual fits in.
- Director tours visibly demonstrate safety leadership.
- Golden Rules provide the minimum standards and Back to Basics test that we have the right person, planning, equipment and workplace.
- Trained Coaches drive best practice on site.
- Constant reinforcement includes Safe Behaviour Discussions, First Ten Minutes Briefing, Toolbox Talks, visual awareness, safety shutdown days.

We believe that Challenging Beliefs, Affecting Behaviour is a leading safety programme and we are constantly vigilant that it remains that way. Our refresh of the programme reinforces its importance within the business and is an important step on our journey towards no harm.

Mike Webb
Health, Safety and Environment Director

Environment and climate change

Protecting our environment

We recognise the urgency of the climate change agenda and champion the role we have to play in decarbonising the economy for a greener, more sustainable future. Our focus is on minimising the carbon emissions within our own operations and reducing the whole-life carbon of the buildings, infrastructure and services we provide.

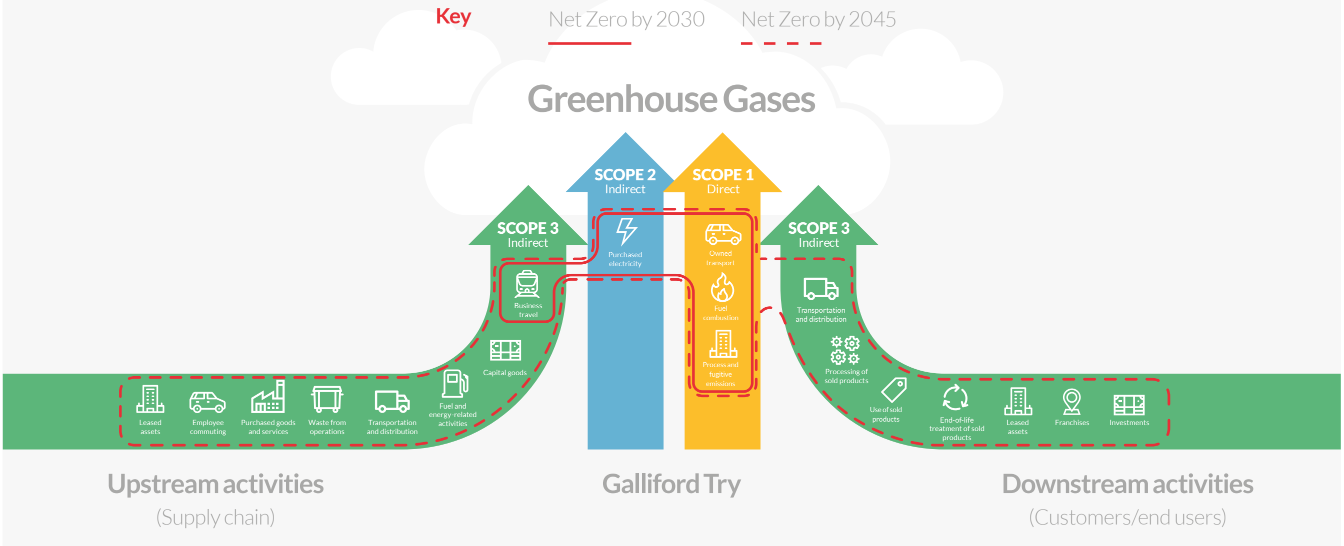
Key commitments

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Socially responsible delivery							
Environment and climate change	Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.	Scope 1 and 2 carbon emissions (CO_2e tonnes)	We have the greatest control over Scope 1 and 2 emissions.	14,127	**8,881**	Net zero by 2030	6 CLEAN WATER AND SANITATION; 13 CLIMATE ACTION
		Scope 3 carbon emissions (CO_2e tonnes)	Scope 3 emissions are the most significant element of our overall carbon footprint.	*Note 1	***Note 1**	Net zero by 2045	
		Waste intensity (tn/£100k revenue)	Reducing waste limits the use of scarce natural resources, reduces embodied carbon and reduces cost.	13.04	**7.6**	Year-on-year reduction	

Notes

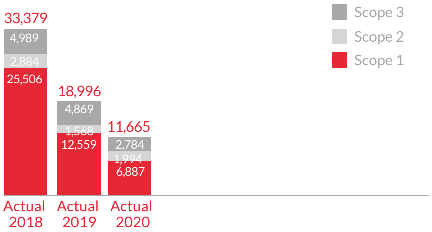
1 Historically, we have only reported on one element of our Scope 3 emissions, business use of private vehicles. As part of our commitment to net zero by 2045 and setting a science-based interim carbon reduction target, we are currently in the process of performing a Scope 3 screening review to identify the most material Scope 3 emissions categories. We will then develop reporting methodologies for the most material Scope 3 categories and intend to start reporting our Scope 3 emissions.

All Scope 1, 2 and 3 activities – Net Zero by 2045



This year we were pleased to publish our pledge to achieve net zero carbon across our own operations by 2030, and across all activities by 2045 at the latest (page 21). To provide a clear route to reduce greenhouse gas emissions, we have committed to achieving a verifiable science-based target validated by the Science Based Targets initiative (SBTi). In doing so, Galliford Try has joined the Business Ambition for 1.5°C to limit global warming to 1.5 degrees and the UN-backed campaign Race to Zero. Progress in the calendar year 2020, is detailed below.

Carbon dioxide equivalent emissions
(Scope 1, 2 & 3)[2,3,4,5]



2 Carbon dioxide equivalent emissions are reported by calendar year and since 2014 have been externally verified to ISO 14064-1. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (for example diesel on site) including our share of emissions from joint ventures.

3 Emissions associated with the use of 'private cars' have been removed from Scope 1 and are now included as Scope 3 to reflect industry best practice and compliance with ISO 14064-1.

4 Restated to exclude discontinued housebuilding divisions.

5 Galliford Try measures dual Scope 2 emissions using the location-based and market-based approach as demonstrated in the table on the top right. However, for emissions reporting purposes, we use location-based Scope 2 emissions.

Streamlined Energy & Carbon (SECR) Reporting

The data included in the table covers the new reporting requirements detailed in the SECR regulations. As we have historically reported our carbon and energy data in calendar years, the following section represents our carbon and energy performance for Galliford Try for the calendar years 2020 and 2019, with the 2019 data restated to exclude the disposed housebuilding divisions and therefore provide more meaningful comparisons.

We are pleased to report a reduction in our Scope 1, 2 and 3 carbon emissions within our current carbon reporting boundaries to 1.17 tonnes of carbon dioxide equivalent emissions per £100,000 of revenue in 2020 from 1.40 in 2019). While some of this reduction is due to reduced travel during the pandemic, this also reflects the longer term work we have undertaken to become more energy efficient and our commitment to reduce our climate change impact. Overall, we have reduced our carbon dioxide equivalent emissions within our current carbon reporting boundaries by 59% since 2015, ie from 28,152 tonnes of carbon dioxide equivalent emissions in 2015 to 11,665 tonnes in 2020.

Tonnes of CO_2e	2020	2019	2019 (restated)[4]
Emissions from combustion of gas tCO_2e (Scope 1)	**100**	3,388	672
Emissions from combustion of fuel for transport purposes (Scope 1)	**1,099**	2,476	1,880
Emissions from fuel oil supplies ie diesel consumed (Scope 1)	**5,683**	16,623	9,997
Fugitive emissions from office facilities ie air conditioning systems (Scope 1)	**5**	19	9
Emissions from use of LPG (Scope 1)	**0**	5	1
Emissions from business travel in employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	**2,784**	7,270	4,869
Emissions from purchased electricity (Scope 2, location-based)	**1,994**	3,709	1,568
Emissions from purchased electricity (Scope 2, market-based)	**998**	Not reported	Not reported

4 Restated to exclude discontinued housebuilding divisions.

Galliford Try's operations are wholly within the UK and as such this is where reported emissions arise.

Methodology

Carbon dioxide equivalent emissions (tCO_2e) are calculated using the methodology in ISO 14064-1 and the UK Government GHG Conversion Factors and Methodology for Company Reporting 2020, which are also subject to external verification. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (for example diesel on site) including our share of emissions from joint ventures. Where data is obtained in litres used and distance travelled, these conversion factors have been used to convert to kWh. See graphic (page 28) for the scope of our reporting.

Annual energy usage

Our total energy use, calculated from Defra 2020 conversion factors, for all our UK activities related to our Scope 1, 2 and 3 activities (within our current carbon reporting boundaries) was 40,194,724 kWh (location-based), which is a 48% reduction in our total energy use in 2019 (77,235,523 kWh; location-based). This excludes our PPP Investments operations, but includes joint ventures where we have operational control.

Waste performance

In the financial year to 30 June 2021, we reduced waste per £100,000 of revenue to 7.6 tonnes, compared to 13.0 tonnes the previous financial year.

Initiatives

We have developed a new bespoke one-day environmental training course that has been approved by the Institute of Environmental Management & Assessment (IEMA). The course, which can be delivered remotely during the pandemic, focuses on environmental management through each phase of project delivery to ensure the effective implementation of robust management controls to optimise environmental performance and assure effective and efficient project delivery.

Additionally, to deliver this course internally by our in-house team of environmental professionals Galliford Try has successfully been approved as an IEMA Training Centre. During the year, we delivered 304 training days covering environment.

We continue to support, promote and implement CIRIA's BIG Challenge initiative which is focused on biodiversity enhancement at a project level. We continue to support, promote and implement the disposal of waste wood via the National Community Wood Recycling Project.

Management

Our Environmental Policy sets out our obligations to protecting and enhancing the environment, covering the assessment, management and control of environmental issues into the management of our business. Our Energy Policy recognises the impact of energy use on climate change and commits us to effectively and efficiently managing our energy use. Our Biodiversity Policy obligates us to protect and, where appropriate, enhance biodiversity during our construction activities. Our Responsible Sourcing Policy requires us to consider our preferred suppliers' environmental impacts, among other issues). The policies referred to are contained within our BMS and owned by the Executive Board with responsibilities discharged, as appropriate, by Divisional boards, management, employees and supply chain members.

We identify, manage and mitigate our environmental impacts from project to business level through our ISO 14001 certified management system, supported by our HS&S department.

Areas of focus for 2021/22

We will continue to implement initiatives to further reduce our Scope 1 and 2 carbon emissions, including installing electric vehicle charging points in our key office locations and mandating the use of lower carbon 'eco cabins' for site welfare and offices.

Having committed to setting a science-based target for carbon reduction, we are now focusing on screening our Scope 3 activities to identify the activities that represent the most material elements of our total carbon footprint.

Operating sustainably

Environment and climate change
continued

We will then develop methodologies to capture and report our most material Scope 3 emissions and develop carbon reduction targets and action plans consistent with our commitment to align to a 1.5 degree warming target.

We continue to seek innovative and proactive ways to improve our environmental performance across all our activities. Building on the provision of renewable energy sources for office electricity that we reported last year, we are now seeking to extend this to our construction sites to further reduce our carbon footprint and our climate change impact.

Additionally, based on the results of an energy audit successfully completed during 2019 to comply with the Energy Saving Opportunity Scheme, we are looking at further opportunities to reduce our use of energy, for example through energy efficient construction site accommodation and further promoting the use of hybrid generators for temporary power.

We will also continue to support community initiatives that are geared towards environmental performance improvement.

Climate related financial disclosures

We acknowledge and support the requirement for companies with a premium listing to make disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for accounting periods beginning on or after 1 January 2021. We are well-positioned to make the required disclosures in our 2022 Annual Report and already comply with many of the recommendations:

Governance – ESG, including climate-related matters, is a standing agenda item for our Executive Board. Sustainability matters are now reviewed by our Stakeholder Steering Committee.

Strategy – our refreshed strategy reflects the market opportunity related to supporting our clients' transition to low carbon buildings and infrastructure.

Risk management – our enterprise risk management approach captures some of the potential physical and transition risks and opportunities where they impact on our principal risk themes of work winning, project delivery, resources, and regulatory compliance.

Metrics and targets – we already measure and report on our Scope 1 and 2 GHG emissions and have committed to net zero targets for Scope 1 and 2 by 2030 and Scope 3 by 2045. We have also committed to setting an interim science-based carbon reduction target, aligned to a 1.5 degree global warming ambition.

Our focus in 2021/22 is to develop our approach in relation to each of these four pillars and the 11 recommended disclosures, with a particular focus on:

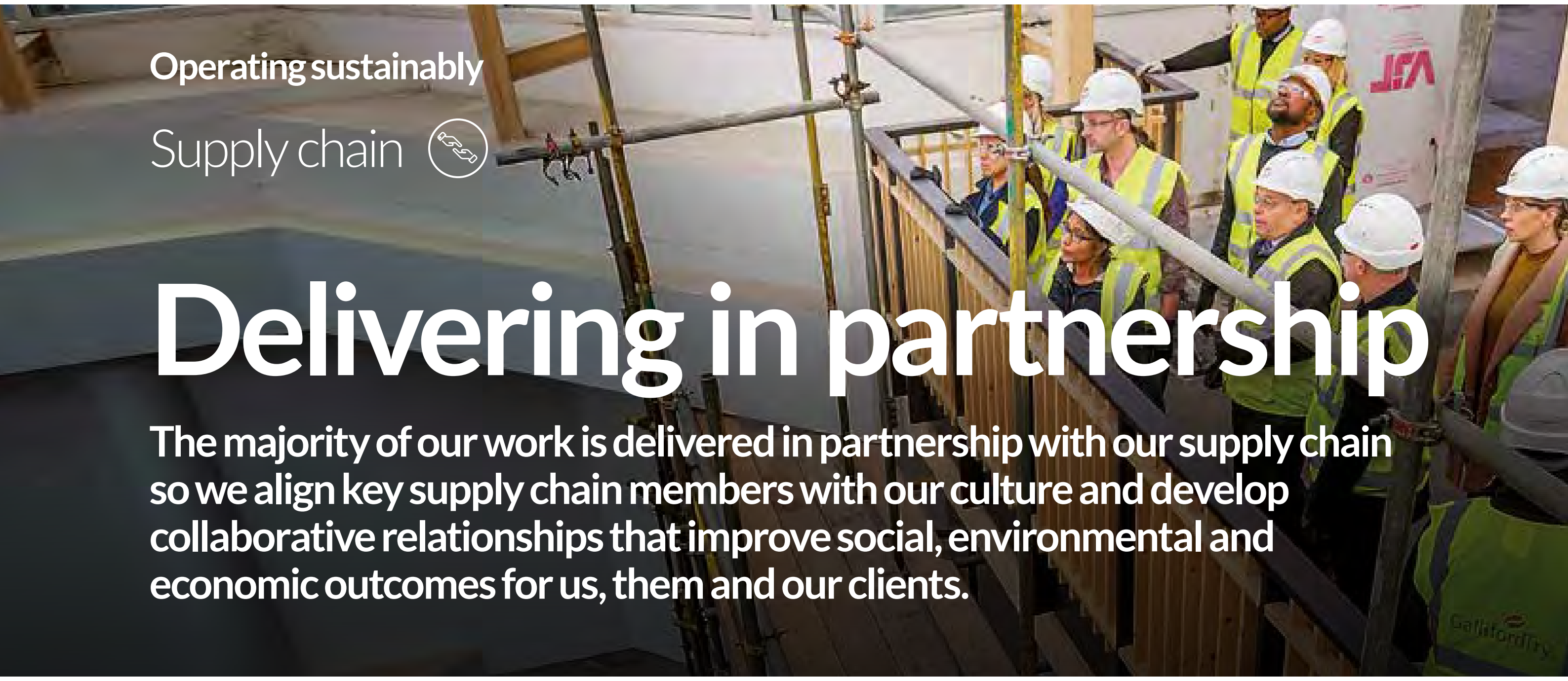
- Enhancing plc Board oversight of climate related risks and opportunities.
- Articulating the key climate-related risks and opportunities in the short, medium and longer term, and how they relate to the achievement of our strategic objectives and financial performance.
- Embedding the assessment of climate-related risks and opportunities into our enterprise risk management processes, including the oversight provided by the Executive Risk Committee.
- Developing methodologies to capture and report carbon emissions relating to the Scope 3 categories that comprise the most material element of our overall carbon footprint.

Leading research into dynamic charging for road vehicles

As the UK strives towards its carbon targets and transitions to ending the sale of fossil-fuel goods vehicles by 2040, our business is at the forefront of a new research project into the feasibility of dynamic charging for road vehicles. Working in collaboration with UK partners Honda R&D Europe (UK), TRL and Miralis, alongside Honda R&D from Japan, the £1.1m ElectroRoad project, let via the £20m Zero Emission Road Freight funding competition managed by Innovate UK, will complete a comprehensive study into an innovative dynamic charging system to support the decarbonisation of the road network.

The technology is designed to charge electric vehicles on the move to help them travel longer distances without needing to recharge their batteries. The ElectroRoad project funded by the Department of Transport, will complete an assessment of the UK Strategic Road Network to consider how best to deploy Honda's side conductive power technology in the UK and to identify suitable locations for future field trials.

The project closely follows Galliford Try's project investigating the implications for Connected and Autonomous Vehicles (CAVs) on the UK motorway network, which was a winner in Highways England's 2019 Innovation and Air Quality Competition and was awarded £1m from the Innovation and Modernisation Fund.



Operating sustainably

Supply chain

Delivering in partnership

The majority of our work is delivered in partnership with our supply chain so we align key supply chain members with our culture and develop collaborative relationships that improve social, environmental and economic outcomes for us, them and our clients.

Key commitments

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Quality and innovation							
Supply chain	Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.	% of business unit core trades spend with Aligned subcontractors	Having an aligned supply chain is fundamental to helping us deliver our desired outcomes in relation to safety, quality, innovation and carbon reduction.	58%	**59%**	70%–80%	
		Prompt payment – % of invoices paid within 60 days	Prompt payment helps to maintain the financial health of our supply chain.	88%	**93%**	>95%	

Our supply chain predominantly comprises subcontractors, who operate on our sites, and suppliers, who provide materials. We define contractual levels at Group level to minimise risk to our projects and business; selection and management of our subcontractors then takes place at a local level which allows us to provide greater social benefits directly within the communities where we are carrying out our projects. This approach is coupled with the central procurement of key commodities to benefit from strategic supplier partnerships and economies of scale.

Building a resilient supply chain is key to achieving our objectives as a business. We therefore seek to work with subcontractors and suppliers who share our values and develop long-term relationships that benefit both our businesses. Seventeen of our supply chain agreements have entered or are entering a 10-year working relationship.

A healthy cash flow is the lifeblood of any business and late payment of invoices can be problematic for small suppliers of goods and services. As a signatory of the Prompt Payment Code, we have committed to paying 95% of supply chain invoices within 60 days, and achieving the new standards announced on 19 January 2021 for suppliers with fewer than 50 employees. In the last six months of the period we paid 95% of invoices within 60 days.

We purchase the majority of our materials from preferred suppliers, either directly or via our subcontractors. As outlined in our Responsible Sourcing Policy, we seek to select, support and collaborate with preferred suppliers that take steps to address sustainability issues.

Advantage through Alignment

Advantage through Alignment is a unique initiative devised by our business which goes beyond pure collaboration with our supply chain, into a much deeper relationship. Aligned subcontractors are appointed a dedicated point of contact within our business for improved communication. Through a programme of support, training and education, we align our suppliers and subcontractors with our working practices, our values and our vision. This includes access to our award-winning behavioural safety programme, Challenging Beliefs, Affecting Behaviour; BIM training and access to Continuing Professional Development.

This deeper understanding creates greater efficiencies and opportunities for innovation, as well as upskilling workforces and allowing the small and medium subcontractors we work with to grow.

Upskilling our supply chain

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

During the year, we have worked with the school to deliver to our supply chain:

- 3,211 hours of CPD training.
- 2,000+ e-learning modules, with 666 attendees across various workshops.

We actively encourage our Aligned subcontractors to join the school and improve their score. Out of our 266 Aligned suppliers 72% are registered with the school.

Areas of focus for 2021/22

We have a number of areas currently under focus to improve our operations, such as:

- Continuing to work with our key supply chain partners to identify lower carbon plant, equipment and site accommodation solutions to accelerate our journey to net zero operational carbon by 2030.
- Collating an inventory of examples of Modern Methods of Construction (MMC) used across the business in all sectors, identifying gaps in knowledge, analysing current design and procurement processes and agreeing how we can influence our clients to consider MMC in their design choices.
- Carrying out the 'Standard Wall Build Up' exercise in collaboration with our Group preferred suppliers for building materials, to try to pre-empt changes in Building Regulations for both fire and u-value requirements and the impact these have on safety, compliance, buildability and costs.

Operating sustainably

Clients

Delivering high quality

Delivering excellence for our clients is key to the long-term sustainability of our business. Our relationships with our clients are built on transparency, honesty and, above all, our values of Excellence, Passion, Integrity and Collaboration. We look to achieve exceptional standards of service and satisfaction through continual monitoring, assessment and refinement of our delivery processes.

Key commitments

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Quality and innovation							
Clients	Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.	% of repeat business in our order book	Repeat business demonstrates we are delivering for our clients and building trusted, long-term relationships.	91%	**92%**	>80%	4, 7, 9
		% of full year planned revenue secured at the start of the financial year	This is an indicator of collaborative client relationships as it demonstrates a shared commitment to a pipeline of work.	90%	**90%**	>85%	

Our focus on delivering quality outcomes and building trusted relationships with our clients is reflected in the fact that 92% of our order book is repeat business. Collaborative relationships provide the platform for our teams to provide trusted advice and focus on performance with clear customer priorities and outputs all underpinned by our accreditation to the ISO 44001 Collaborative Business Relationships Standard.

Critical to these long-term relationships is our ability to deliver consistently high-quality projects, embracing innovation to improve productivity and efficiency. Our ISO 9001 certified management system underpins our approach which is supported by the latest technology and innovation to deliver right first time.

Quality throughout the project lifecycle, from design to operation, is supported by our investment in digital tools. For example, during design development, reviews with customers are conducted using our Dalux cloud-based BIM viewer and mark-up tool.

Dalux is a fully mobile-enabled viewer and reflects our commitment to making BIM more accessible and adding value to our projects and our people by keeping simplicity in mind. All projects, whether BIM is a specified client requirement or not, will use Dalux to improve the efficiency of projects, help aid design and construction management, and improve the quality and co-ordination of information.

Client satisfaction is independently assessed by a third party and we use a dedicated software platform to internally analyse the data and develop improvement plans.

Areas of focus for 2021/22

- We will invest in our digital tools and collaborate with our supply chain to research, design and achieve efficiencies for our clients through the standardisation of components and products, improving quality, reducing design and construction periods and providing value for money.
- We will use the lessons from our net zero redesign review of Newman School to develop a carbon toolkit which will enable us to model the carbon footprint of building designs and construction methodologies and help us offer lower-carbon solutions to our clients.

> The roll-out of the Dalux platform is the next step in the BIM strategy that we have put into place. With our emphasis on creating the right policies and procedures and giving people the right training, this new software is the final piece of the puzzle.
>
> **John Ford**
> BIM and Digital Lead

Operating sustainably

Communities

Positive change for communities

Because our purpose puts communities at its very centre, we relish the opportunity we have to deliver positive change for communities. We achieve this through the facilities and infrastructure they need, educational and employment opportunities, and working with local causes and charities.

Key commitments

Sustainability pillar	Objective	KPI	Rationale	FY20	FY21	Ambition	Link to UN SDGs
Socially responsible delivery							
Communities	Making a positive impact in communities where we operate by delivering greater social value and improving lives.	Social value as a % of turnover	Combined social value provides a composite measure of outcomes delivered across a range of community stakeholders.	*Note 1	***Note 1**	YoY increase	11
		Considerate Constructors Scheme (CCS) performance	CCS scores address a broad range of community measures and allow for cross sector comparison.	41.1 (industry ave. 37.1)	**40.6 (industry ave. 38.0)**	>38 and above industry average	

Notes:
1 Our Social Value Calculator was updated and relaunched during the second half of FY21. It captures social value outcomes across six key measures which are then multiplied by the proxy values in the national 'TOMS' framework to give an estimate of total social value delivered. We do not have a full year of data to report in FY21 but intend to start reporting this KPI in FY22.

Delivering a legacy of positive social value outcomes in the communities in which we operate is a key part of our strategy. This is the right thing to do as a responsible business and is also an increasingly important priority for our clients. Our project teams undertake a needs analysis with our clients to identify the key priorities in relation to employment, training, SMEs and wellbeing in the local area. This analysis is used to develop bespoke Social Value Plans and Employment and Skills Plans. The outcomes delivered are reported using a Social Value Calculator.

The Group achieved an average CCS score of 40.6 (2020: 41.1), which continues to exceed the industry average of 38.0 (2020: 37.1). We donated more than £250,000 in time, materials and money to charitable causes (2020: £195,000) and we were pleased to mark 22 years of supporting CRASH, which assists homelessness and hospice charities with construction-related projects. We contribute to communities by spending a significant portion of our revenue with subcontractors, most of which are local small and medium-sized enterprises.

Initiatives

There are a number of initiatives under way across the business units to engage with our communities. Examples include improving employment prospects for young people through our training schemes and community volunteering, with each employee entitled to take two days of paid leave each year. Our projects also support local charities and causes and we take part in VCSEs (Voluntary Community and Social Enterprises) to support economic growth. These not only support with revenue, but provide members with support and guidance to gain access to our supply chain.

Areas of focus for 2021/22

- Having updated our Social Value Calculator, we have the opportunity to measure and monitor social value outcomes across our projects and business units which in turn will allow us to identify and replicate examples of good practice across the business.
- We are developing a suite of materials to support our project teams in delivering on their community engagement objectives. These include activity plans for work placements and work experience, lesson plan templates and structured plans for site tours.

Social Value Calculator update

Many of our project teams have historically captured and reported social value metrics to our clients using a variety of different tools. We have now updated and relaunched our Social Value Calculator which captures data at a project level and allows us to aggregate and report our impact at a framework, business unit and company-wide level.

The calculator measures our impact across six key measures of social value: local employment, training, apprenticeships, work placements, local spend and volunteering.

Since July 2021, we have been using the updated calculator on all projects of a value greater than £5m.

We continue to monitor our impact beyond the scope of the six metrics above where desired by our clients.

Ensuring human rights

We comply with all UK legislation on human rights, recognising modern slavery and human trafficking to be the most significant human rights risks to UK construction businesses. We respect all human rights and are committed to taking appropriate and proportionate steps specifically to mitigate the risk of these violations occurring within our business and our supply chain.

Action and performance

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

Anti-bribery and corruption

Policy and management

Every three years, all employees must complete an online course regarding the Bribery Act, which is also a topic covered in employee inductions. Any employees not completing their mandatory courses are flagged to the Executive Board.

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

Performance

No material issues were reported or identified through our audits.

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

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

Area	Key policies – available on our website	Further information on related risks, KPIs and performance
Employees	Health and Safety Policy Statement	Pages 22–27
	Employee Wellbeing Policy	
	Flexible Working Policy	
	Maternity Leave Policy	
	Paternity Leave Policy	
	Adoption Leave Policy	
	Shared Parental Leave (Birth) Policy	
	Shared Parental Leave (Adoption) Policy	
Environmental matters	Energy Policy	Pages 28–30
	Environmental Policy Statement	
	Responsible Sourcing Policy	
	Sustainability Policy	
	Biodiversity Policy	
Human rights	Modern Slavery Statement	Page 34
Social matters	Code of Conduct Doing the Right Thing	Page 33
Anti-bribery and corruption	Policy and Guidance on the Prevention of Corruption and Fraud	Page 34
Business model	n/a	Pages 4–6
Principal risks	n/a	Pages 36–41

Effective risk management

The ability to identify, assess and manage risks and uncertainties is an integral element of our management processes, with clear links to the conception and execution of strategy. During the past year, this ability has continued to enable the Group to navigate through the significant uncertainty and change during the pandemic and position the business to deliver sustainable growth.

This is the first full year that Galliford Try has operated as a construction business following the disposal of the housebuilding divisions in January 2020. This has enabled us to take a more targeted and consistent approach to risk management and to create a more transparent link between collective principal risks across the business and the business unit risk registers.

Against the backdrop of the pandemic and the UK's departure from the EU, the Board has carried out regular reviews of the principal risks and uncertainties, together with the key mitigations in place. Our principal risks are presented on pages 37 to 40.

Audit Committee

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

Risk and Internal Audit

- Facilitates the identification, reporting and management of risk throughout the governance structure.
- Provides a risk update, including the updated principal and emerging risks to the Executive Board and the plc Board at least three times a year.

Our risk management process

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

plc Board

- Has overall responsibility for setting the risk appetite of the business and maintaining oversight of our processes for identifying, assessing, managing and reporting on principal risks.
- Reviews principal and emerging risks three times a year.

Executive Board

- Responsible for implementing the strategy and risk appetite set by the Board and ensuring that appropriate risk management and internal control procedures are embedded in our day-to-day operations.
- Reviews principal and emerging risks at least three times a year.

Executive Risk Committee

- Chaired by the General Counsel & Company Secretary and comprises the Finance Director, Director of Risk and Assurance, HR Director, Chief Information Officer, Head of Supply Chain Management, and a representative from each of Building, Infrastructure and Specialist Services (Investments & FM).
- Meets three times a year to review and update principal and emerging risks, based on the risks reported up from the business units, and to consider any emerging risks that may have an impact on the business in the longer term.

Business unit Boards

- Maintain a business unit risk register that records the key risks applicable to that business, key mitigations and further actions required to manage the risk.
- Risk registers are reviewed twice a year, with one of the reviews facilitated by the Risk and Internal Audit team.

Project teams

- Create a project Risk and Opportunity Register at the bid stage and maintain throughout the lifecycle of the project.
- Review the risk and opportunities at key checkpoints and as part of the monthly contract review meetings.

Link to our strategic priorities

Progressive culture

Socially responsible delivery

Quality and innovation

Fair and sustainable financial returns

Our principal risks

In previous years, we have monitored and reported our principal risks using a framework comprised of 12 risk themes. There was a high degree of interdependence between these risk themes because in many cases, they represented causes rather than impacts. For example, we had separate risk themes in relation to the opportunity pipeline, project selection and work winning, but the ultimate risk for the Group is that we fail to secure an appropriate pipeline of projects to achieve our revenue and profitability targets. At a Group level, the Board now monitors risk using the following four principal risks, a detailed analysis of which is provided below:

- Work winning.
- Project delivery.
- Resources.
- Compliance and cyber security.

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

At an individual business unit level, our risk management process still captures and monitors risks and mitigations using the 12 risk themes so that we can take targeted actions to address issues that are specific to the regions and sectors in which they operate.

Work winning

Risk description

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

Our risk appetite

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

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

Potential causes of risk

- A significant and sustained reduction in Government investment in building and infrastructure projects reduces the opportunity pipeline.
- Delays to and/or reduced levels of private sector investment due to macro-economic conditions.
- Failure to secure positions on key procurement frameworks.
- Failure to meet the increasing sustainability expectations of our clients.
- Poor quality bid submissions.
- Failure to maintain discipline in project selection.

Current risk environment

Public sector opportunities are now coming to market quicker as funding has been secured. Likewise, the private sector market remains resilient with opportunities in commercial sectors such as Private Rented Sector (PRS) and student accommodation increasing both for Construction and Investments. Medium to longer term, the outlook for public sector markets remains positive. However, there is a greater degree of uncertainty in the private sector as the longer-term impacts of the pandemic on the way we live and work, and the buildings that are required, are not yet clear.

Maintaining discipline in project selection remains absolutely fundamental to delivering on our strategic objectives. Our risk management in evaluating opportunities is robust and is supported by a clear sector focus. The Procurement Playbook sets out principles for a more collaborative approach to sharing of risks between client and contractor. However, these principles will take time to become embedded in client behaviours and we still observe some clients attempting to pass more risk on. We remain vigilant to this risk and maintain discipline in reviewing and challenging onerous contract conditions.

We continue to be successful in winning work and securing positions on key frameworks with good quality clients. However, the market remains very competitive and we must compete not just on price, but by demonstrating our ability to deliver against the clients' priorities, especially in relation to carbon reduction.

Market review p16

Emerging risks

- Clients start to move away from the traditional main contractor/subcontractor model, instead opting for more self-delivery and enterprise delivery models.
- We innovate or adopt new technologies too early, incurring costs associated with being an early adopter, or too late, losing market share.
- Client attitudes to sustainability shift at differing rates, leaving some clients focused on construction cost and others on whole-life cost and carbon performance.
- We fail to balance the need to be competitive with delivering long-term sustainability in the assets we build and/or we are not adequately rewarded for the long-term value we deliver to clients.
- PRS becomes a less attractive market to invest in, reducing the opportunities in this market.
- The political arena in the UK continues to be increasingly unpredictable. Radical shifts in Government policy reduce the certainty of opportunities in the public and regulated sectors.

Mitigations

- We manage the potential impact of an economic downturn by building a high-quality order book with projects that meet our strict risk profile.
- We concentrate on sectors where we have core strengths and clients with long-term growth and profitability potential.
- We focus on securing positions on key procurement frameworks (page 48) and repeat business with key clients through a centralised, dedicated pre-construction team. This allows for strategic planning, better collaboration and reduced risk of project failure.
- We have robust review and approval controls for bids and contracts supported by a risk-based heat map tool to ensure that project selection is aligned to our risk appetite. Any potentially onerous terms or other misalignment to our contract selection criteria are flagged early on in the process and escalated for Board review.
- We typically target lower-risk contract types as described on page 6.
- We carry out peer reviews of bids where relevant to ensure robust review and challenge of risks and assumptions and to promote knowledge sharing across the business.

Key risk indicators

- Percentage of planned revenue secured.
- Percentage of pipeline in frameworks.
- Order book by client type.
- Percentage of repeat business with existing clients.

Risk management
continued

Project delivery

Risk description

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

Risk appetite

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

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

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

Potential causes of risk

- Changing regulations.
- Non-compliance with health and safety regulations and/or poor safety behaviours.
- Programme delays and cost escalation.
- Poor control of client and subcontractor variations and claims processes.
- Contractual notices not given as per contract requirements.
- Poor record-keeping and document management.
- Poor design quality and/or co-ordination.
- Failure to comply with quality control procedures.
- Extended periods of adverse weather conditions.
- Subcontractor poor performance and/or insolvency.
- Unrealistic estimates, including cost to complete, inflation estimates, outcomes of disputes and final value included in project forecasts.

Current risk environment

Safety performance has remained strong through the second half of the financial year. The Covid-19 site operating procedures are embedded and have driven a greater focus on planning. This was further supported by the refresh of our Challenging Beliefs, Affecting Behaviours behavioural safety programme in the first half of 2021. We have had an increased focus on wellbeing across the Group through initiatives such as Wellbeing Wednesdays and Feel Good Fridays which have been well-received by our people. Our thinking on safety now extends to consideration of the safety in use of the buildings we construct and, in the case of our FM business, the buildings we operate.

The disruption to programmes caused earlier in the Covid-19 pandemic has subsided and extensions of time agreed wherever possible. Covid-19 site operating procedures are now very well established, and productivity has returned to normal levels. Any additional costs associated with Covid-19 health and safety measures are built into all project forecasts but do not have a material impact on margins. The latest round of project commercial health checks, performed in March 2021 again observed that project risks are well understood and where necessary, reflected in the forecasts.

As a side effect of the increased scrutiny of fire safety on legacy projects, 12-year defects claims are becoming more common. Defending these claims incurs legal costs and can take up management resource and therefore it remains important that quality inspection records are well maintained within Fieldview and Viewpoint as most claims relate to defects in design or workmanship. Our Technical Services team is working on a wide range of initiatives to drive continuous improvement in quality, including investment in digital tools to support better design integration and visualisation. The revised approach to auditing compliance with our quality management systems and processes has been implemented and ActivSHEQ (the platform that we use for safety auditing and reporting) is being used to record and report the results of quality management system audits. This will drive greater consistency in auditing and more visibility of compliance trends.

Emerging risks

- Insurers withdraw from the market for PI cover for construction contractors and/or insurance cover becomes prohibitively expensive.
- We fail to adapt our processes to meet the requirements of our clients to have better and more reliable data about the assets we design and build for them.
- The country fails to learn from Covid-19 and any potential new global pandemic has a significant/similar impact on the construction industry that it had with Covid-19.
- Building designs and construction methodologies fail to adapt to the effects of climate change, leading to reduced productivity, programme delays and cost overruns.

Mitigations

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

Key risk indicators

- RIDDOR and AFR scores.
- Forecast project margins.

Link to our strategic priorities

Progressive culture

Socially responsible delivery

Quality and innovation

Fair and sustainable financial returns

Resources

Risk description

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

Risk appetite

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

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

Potential causes

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

Current risk environment

The availability and pricing of products and materials in most categories are being adversely affected by a significant and sustained demand and supply imbalance. Multiple factors including Covid-19 disruption to manufacturers, the Suez Canal backlog, new customs procedures, and a shortage of drivers are all causing supply-side issues. Meanwhile, the high levels of activity in the housebuilding and infrastructure sectors in particular are leading to unprecedented demand. We are mitigating this risk through early engagement with the supply chain and incorporating inflation clauses into contracts wherever possible. If tender lead-in times are high, we re-price projects to account for any inflation. Subcontractor insolvency risk has reduced as most of our Aligned subcontractors continued to work throughout the pandemic without furloughing staff. The more significant subcontractor risk is the current skills shortages in certain trades, including bricklayers and joiners. Such shortages could extend to other trades as construction activity continues to increase.

The pandemic continues to have a huge impact on people, particularly their mental health. We are supporting our teams through several initiatives including Wellbeing Wednesdays, Feel Good Fridays, the Be Well Podcast Library and targeted employee surveys. A Company-wide employee survey is planned for later in 2021. Large infrastructure schemes and a mismatch between skilled worker supply and demand are driving salaries up and increasing the risk of employees leaving for higher reward packages. We continue to develop our own people and provide them with opportunities for progression. However, it remains a competitive market for talent and we continue to improve the way we promote the business and develop our employee offering.

We continue to manage cash effectively and the extra disciplines that have been introduced in the past 12 months have further improved the accuracy of our cash forecasting and helped improve our cash performance. The introduction of domestic reverse charge for VAT during the year created a one-off improvement to cash flow, but we have passed this back to our supply chain by making further improvements in the time we take to pay.

Emerging risks

- There is a generational shortage of skills as more experienced staff retire who are not replaced in sufficient numbers because the construction sector cannot compete with other sectors in attracting talent.
- Innovations in the use of technology will require us to attract a workforce with a very different set of skills.
- Depletion or increased scarcity of non-renewable materials may lead to greater volatility in prices and more regular disruption to supply.

Mitigations

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

Key risk indicators

- Material and trade shortages.
- Voluntary staff churn rate.
- Prompt Payment Code performance statistics.
- Average month end cash.

Risk management
continued

Link to our strategic priorities

Progressive culture | Socially responsible delivery | Quality and innovation | Fair and sustainable financial returns

Regulatory compliance

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

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

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

Current risk environment
During the year, we have successfully managed the transition to new regulatory requirements in relation to off-payroll working (IR35) and the introduction of the Domestic Reverse Charge VAT procedure.

We continue to monitor the findings and recommendations from the Grenfell inquiry and will be ready to adapt to any changes in building regulations. Where necessary, we have already incorporated the lessons learned from Grenfell into our processes, specifically in relation to design co-ordination and accountabilities.

We are preparing for the expected review and update of the Modern Slavery legislation in the next 12 months. A review of the likely changes is under way with our focus on moving beyond basic legal compliance to adopting and advocating for good practice throughout our supply chain.

As part of the Group's continued compliance with anti-fraud and bribery legislation, we issued e-learning focused on the Criminal Finances Act 2017, and new Corporate Criminal Offences (CCO) introduced in the Act.

Emerging risks
- Greater devolution or even full independence may lead to very different regulatory regimes in Scotland and the rest of the UK.

Mitigations
- Galliford Try has comprehensive policies and guidance at every level including our Code of Conduct, mandatory regulatory and cyber security e-learning for all employees, an anonymous and independent whistleblowing helpline, regular legal updates and briefings, six-monthly compliance declarations, and conflict of interest registers and authorisations.
- The Ethics and Compliance Committee, chaired by the General Counsel & Company Secretary, provides ongoing monitoring and oversight of policy and compliance activity in relation to key areas of legislation.

Key risk indicators
- Number of external enforcement cases.

Viability Statement

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

Assessment of prospects

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

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

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

Assessment of viability

The base case for the cash flow projections modelled in our assessment of viability is the budget for the three years from 1 July 2021 which incorporates appropriate contingencies against plausible day-to-day downside risks, primarily the Group's principal risks as disclosed previously. The base case shows average month end net cash growing in line with earnings and assumes that the Group continues to operate without debt facilities.

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

Although we have included a further national lockdown scenario in our stress testing, the business and our cash performance has shown a high degree of resilience throughout the Covid-19 pandemic. Our sites have largely remained open and the adherence to stringent risk mitigation measures in our sites and offices, together with good engagement with our clients and supply chain has minimised the disruption to project delivery.

Scenario modelled	Link to principal risks
Scenario 1 **Reduction in construction volumes** Our cash performance is correlated with earnings growth and therefore reliant on construction activity being in line with our assumptions. We have modelled a reduction in construction volumes that would equate to a 10% reduction in monthly cash receipts offset by a proportionate reduction in payments, relative to our base case forecast.	Work winning
Scenario 2 **Deterioration in working capital** We have modelled the impact of a deterioration in our working capital, which could be caused by delays in receiving payments from clients and/or earlier payments to our supply chain.	Resources
Scenario 3 **Irrecoverable cost increases** There is a risk of a prolonged period of materials cost inflation and therefore we have modelled the impact of failing to fully mitigate these cost increases on our projects.	Resources
Scenario 4 **Covid – national lockdown** While considered unlikely, there is the potential for new variants combined with seasonal pressure on the NHS to result in further national lockdowns during the winter of 2021/22. In this scenario, we have modelled the impact on working capital of programme delays and reduced operational efficiency.	Project delivery
Scenario 5 **'Perfect storm'** We also tested the unlikely but plausible scenario where all of scenarios 1–4 combine at the same time.	Work winning Resources Project delivery

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

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

Delivering our plan

We have returned to profitability, in line with our plan, with a resumption of dividend. Our improving operating performance, strong financial position and quality order book provide confidence in our future performance.

I am delighted with our strong financial performance which provides an excellent platform to deliver sustainable growth with our strategy update.

Andrew Duxbury
Finance Director

Financial performance[1]

Revenue
£1,124.8m
(2020: pre-exceptional £1,089.6m and statutory £1,121.6m)

Operating profit before amortisation
£10.1m
(2020: pre-exceptional loss £62.2m and statutory loss £37.1m)

Profit before tax
£11.4m
(2020: pre-exceptional loss £59.7m and statutory loss £34.6m)

Dividend per share
4.7p
(2020: nil)

Net cash
£216.2m
(2020: £197.2m)

PPP portfolio
£49.1m
(2020: £40.7m)

Cost management and commercial discipline

Being a profitable organisation relies on effective cost management and commercial acumen. Our approach is strengthened through:

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

Performance[2]

We have delivered a return to profit, with our sites continuing to operate at normal levels of productivity throughout the financial year while adopting Covid-secure practices. Our profit margin was in line with expectations, and we expect this to improve in future years.

Revenue

Our revenue for the year was up 3% at £1,124.8m (2020: pre-exceptional £1,089.6m). The increase reflects the resumption of site operations following the first Covid lockdown in Spring 2020, partly offset by an expected reduction in Infrastructure's revenue as we transitioned into the new AMP7 programme. Of the total, Building contributed revenue of £789.2m (2020: £719.9m), up 10%, while Infrastructure recorded revenue of £329.2m (2020: pre-exceptional £357.1m and statutory £389.1m). PPP Investments' revenue was £6.4m (2020: £8.2m).

Operating profit before amortisation

Our operating profit before amortisation was £10.1m (2020: pre-exceptional loss £62.2m and statutory loss £37.1m).

Of this, Building generated profit of £15.9m (2020: pre-exceptional loss of £51.9m and statutory loss £53.9m), representing a margin of 2.0% (2020: pre-exceptional (7.2)%), and Infrastructure generated profit of £6.0m (2020: pre-exceptional loss of £1.8m and statutory profit £25.5m), representing a margin of 1.8% (2020: pre-exceptional (0.5)%). The combined divisional operating margin of 2.0% (2020: pre-exceptional (5.0)%) has been achieved ahead of our expectations, with further details of divisional performance set out on pages 46 to 49.

There was an £11.8m net loss in PPP Investments and Central Costs (2020: £(8.5)m), with Central Costs being slightly higher than their 2020 level predominantly reflecting increased bonus and share-based payment costs. For the financial year, we did not benefit from any Government Covid-19 support as the £1.5m received from the Government furlough scheme that we received after 1 July 2020 was fully repaid.

Net interest income

Net interest income of £2.9m was lower than the comparable income of £4.8m in 2020, due to lower interest receivable from PPP sub-debt investments.

Profit before tax

The profit before tax for the year was £11.4m (2020: pre-exceptional loss £59.7m and statutory loss £34.6m). Pre-exceptional profit or loss before income tax is an alternative performance measure and a key metric we use to monitor our performance in years with exceptional items, such as 2020.

There were no exceptional items in 2021. Exceptional income in 2020 of £25.1m included £28.0m income in respect of the settlement of legacy contracts and £2.9m costs associated with restructuring. Further details of exceptional items are set out in note 4 to the financial statements.

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

Financial review
continued

Taxation

The tax charge for the year is £1.0m (2020: pre-exceptional tax credit £6.8m), which equates to an effective tax rate of 8.8% (2020: 11.4%), lower than the standard UK rate of corporation tax due to the utilisation of brought forward tax losses. We anticipate that the effective tax rate will remain below the mainstream UK tax rate for the medium term.

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

Earnings and dividends per share

We recorded earnings per share for the year of 9.5p (2020: pre-exceptional loss per share 47.7p; statutory loss per share 29.4p).

The Board declared an interim dividend of 1.2p per share, which was paid to shareholders on 9 April 2021, and has declared a final dividend of 3.5p per share, bringing the total dividend for the financial year to 4.7p per share. In the previous financial year, following the outbreak of Covid-19, the Board considered it prudent to not make any dividend payment during a period of significant uncertainty.

At 30 June 2021, the Company had distributable reserves of £100.7m (2020: £100.0m).

Critical accounting policies and assumptions

Our principal accounting policies are set out in note 1 to the financial statements, together with a description of the key estimates and judgments affecting the application of those policies and amounts reported in the financial statements.

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

Our strong balance sheet, supported by a robust cash performance and valuable PPP assets, is important for our clients; has enabled us to improve our payment performance to our supply chain; and continues to underpin for future plans.

Financial position

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

Cash and investments

We have no debt or defined benefit pension obligations, and at 30 June 2021 had a cash balance of £216.2m (2020: £197.2m). The average month end cash balance in the year was £164m (2020: £141m), which is ahead of the expectations we set at the start of the year. Our operating cash generation in the year, of £63.6m, reflects very strong cash collection performance.

We are committed to pursuing a collaborative and open approach with all our supply chain and our performance under the Prompt Payment Code improved again, with 93% of invoices paid within 60 days (2020: 88%) and 95% in the most recent six-month period.

At 30 June 2021, we had a PPP portfolio of £49.1m (2020: £40.7m), reflecting a blended 7% discount rate (2020: 9%). This portfolio contributes to our balance sheet strength and generated interest income of £3.9m in the period.

Working capital

We have modest working capital requirements. At 30 June 2021, net working capital employed was £242.1m (30 June 2020: £211.3m), with the main elements as follows:

	2021 £m	2020 £m
Trade and other receivables	**84.2**	75.5
Contract assets and liabilities	**60.0**	59.7
Trade and other payables	**(386.3)**	(346.5)
Net working capital	**(242.1)**	(211.3)

Net working capital decreased by £30.8m during the year. This reduction is primarily due to increased VAT liabilities held at the year end following the introduction of the Direct Reverse Change (DRC) regime for construction services, in April 2021, and an increase in contract accruals as volumes in June 2021 were significantly higher than the comparative period in 2020.

As previously disclosed, we provided services in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Our work on these contracts formally ceased on their termination in August 2018. Costs were significantly impacted by client-driven scope changes and we have submitted claims and variations to the value of £95m in respect of these costs (2020: £95m). We have received extensive advice on our entitlement and we have been successful in two adjudications supporting the validity of our position. Taking into account the requirements of IFRS 15, we had constrained the revenue recognised in prior periods to the extent that it was highly probable not to result in a significant reversal in the future. At 30 June 2021, we updated our assessed recoverability in accordance with IFRS 15 which was unchanged in the year (see Note 1 to the consolidated financial statements). We also updated our assessed expected credit loss provision in accordance with IFRS 9 and noted there was no change in the required provision, albeit the range of possible outcomes within our probability weighted matrix has changed.

Total equity at the year end was £134.1m (2020: £120.5m).

Capital allocation and dividends

The Board is committed to maintaining a strong balance sheet, which provides the Group with competitive advantage in its market and supports our growth strategy. Our capital allocation priorities are to support the Group's ongoing operational requirements and invest in strategic opportunities that enhance our capabilities and returns; maintain sufficient cash reserves to mitigate the effects of any future market downturn; and to pay a sustainable and growing dividend to shareholders. We continually review the cash requirements of the business and as the Group progresses delivery of its strategy the Board will continue to assess capital allocation and shareholder returns.

Consistent with this approach the Group expects dividend per share to increase with earnings, with dividend cover expected to be in the range of 2.0-2.5 times earnings.

Contingent liabilities

The directors ensure that contingent liabilities are appropriately assessed, documented and monitored. More information can be found in note 29.

Going concern and viability statement

Our going concern statement, together with further related information, can be found in the Directors' report on page 88. Our viability statement can be found on page 41.

Financial targets

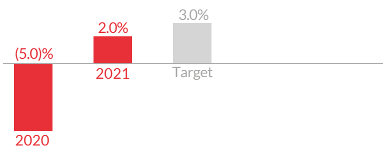
Divisional operating margin %[1]

2.0%
Actual 2021

(5.0)%
Actual 2020[2]

Objective
Focus on bottom line margin growth.

Target
Divisional operating margin growth to 3.0%.



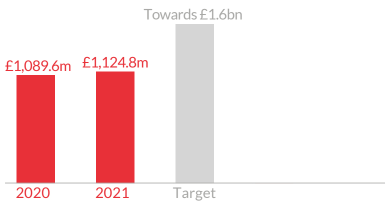
Revenue £m

£1,124.8m
Actual 2021

£1,089.6m
Actual 2020[2]

Objective
Disciplined contract selection and sustainable revenue growth.

Target
Revenue growth towards £1.6bn.



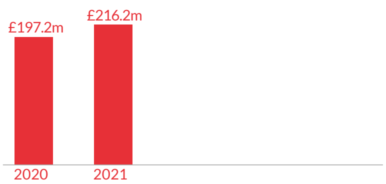
Cash £m

£216.2m
Actual 2021

£197.2m
Actual 2020

Objective
Maintain strong balance sheet.

Target
Operating cash generation.



Dividend per share p

4.7p
Actual 2021

nil p
Actual 2020

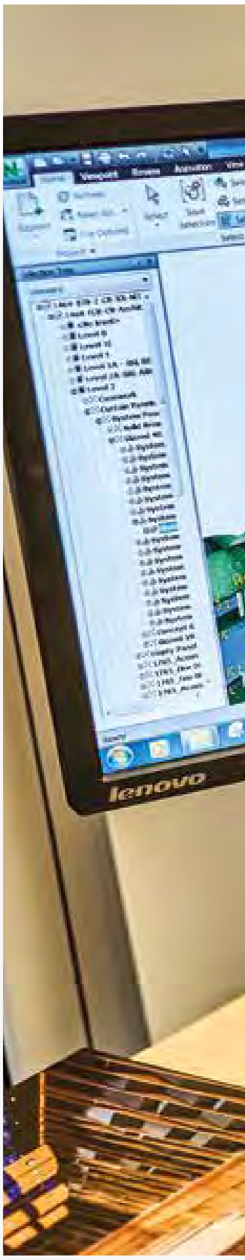
Objective
Sustainable dividends.

Target
Dividend cover 2.0-2.5x.

1 This is defined as the pre-exceptional operating profit before amortisation as a percentage of revenue for the total of the Building and Infrastructure segments (note 32). This measure represents the trading performance of the Group's primary operations.
2 Pre-exceptional.

Operating review

Our operational performance continued to improve with our focus on risk management contributing to a higher quality order book and our programme of process improvements delivering better quality for our clients. Our alignment to market priorities provides a strong pipeline of future work in our chosen sectors.



We strive for operational excellence so that we can deliver a better experience and higher quality for our clients, 'lean' our processes to reduce waste and costs, and increase efficiency for our teams. Our approach has been enhanced during the year through the appointment of a Technical Director to oversee all aspects of our delivery, including procurement, quality and digital methodology.

As well as our own processes and controls, we carefully monitor changing trends in our client requirements.

Increasingly, clients and our supply chain are placing value on the quality that we bring to projects. During the year, the UK Government published the Construction Playbook, which places an emphasis on working in partnership to deliver projects in a sustainable and collaborative way. The objectives of the Playbook are mirrored by our own approach, including investment in our people, our focus on technical expertise, digital and modern methods of construction and our strong financial position (page 16).

Risk management

Across the business, we have a disciplined approach to market opportunities, ensuring that we only select projects that meet our risk criteria, and where we are able to successfully deliver the projects. These bidding and project management processes are embedded in our culture across the business.

Our focus on client relationships means that we typically bid through framework positions or on two-stage tenders, in which the client selects a shortlist based on quality criteria before negotiating specific contract terms.

Each time we bid for a contract, we follow our internal "heat map" process, identifying risks across a range of criteria including the client and their advisors, project location and our local supply chain, our technical experience, our internal resources and capacity, the procurement method, contractual terms, and conditions and price. All contracts over £25m in value, or which have a heightened risk indicator on any other measure, are reviewed by the Executive Board prior to approval to bid.

Once in contract, we have established weekly and monthly processes to manage progress, including peer reviews across the business that act as early warning mechanisms.

Risk management **p36**

Order book

Operating in our chosen markets and with strict risk management has enabled us to return to profitability and provides a clear platform for further margin progression.

During the year, we secured £1.2bn of work, contributing to an overall order book at 30 June 2021 of £3.3bn (2020: £3.2bn).

This order book, which underpins our future plans, is made up of projects that meet our strict risk criteria that have been through our internal tendering process set out above. Our confidence in the quality of the order book comes from key features of its composition:

Taking BIM to the next stage

Our whole-team approach to BIM, assimilating it into business processes to focus fully on outcomes, as opposed to a technology-first mindset, earned us the coveted title of BIM Constructor of the Year in 2020. Since then, we have introduced Dalux (page 32) to provide a business-wide BIM solution moving forward.

At our Invercannie Wastewater Treatment Works project, delivered by our ESD joint venture, the team has gone one stage further, using the Synchro 4D system, which allows them to take the modelled 3D design and enhance it by adding an element of time.

The use of Synchro has allowed the team to visualise and virtually create all phases of the project ahead of constructing them, allowing for clashes to be identified and the programme and procurement to be phased appropriately. Crucially, that phasing now leads to both time and cost savings and has allowed the project to proceed more safely.

- Our focus on our core sectors increases our understanding of contract risk, our ability to put appropriate mitigations in place, and our ability to successfully deliver quality projects.
  - Of Building's order book of £1.9bn at 30 June 2021, around 85% was provided by the four largest sectors, with 27% in Education, 20% in Defence and Custodial, 21% in Facilities Management and 16% in Health.
  - In Infrastructure, around 38% of the order book is provided by Highways, with the remainder mainly in Environment.
- We actively target and maintain places on some of the most significant public sector frameworks in the UK. Frameworks help mitigate risk by generating a high level of repeat business with clients who we know and on established and well-understood terms and conditions. They provide consistent pipelines of work and create the opportunity to deepen relationships with our client and stakeholder groups which leads to greater innovation and better public infrastructure (page 48).
  - At 30 June 2021, 87% of our order book was in frameworks (2020: 90%).
- Our focus on the public and regulated sectors helps mitigate risk by working with repeat clients on a relationship basis, and provides a strong pipeline of future opportunities.
  - At 30 June 2021, 91% of our order book was in the public and regulated sectors (2020: 81%), and 9% in the private sector (2020: 19%) with carefully selected blue-chip clients.
- High visibility of the following year's revenue provides our teams the confidence to bid with the appropriate discipline and selectivity.
  - At 30 June 2021, 90% of planned revenue for the 2022 financial year was secured (2020: 90%).
- Although value of contract is only one factor of risk, it is a useful indication of the size of risk being accepted.
  - At 30 June 2021, the average contract size in Building's order book is less than £20m.

Operating review
continued

Greater outcomes through frameworks

87%

of our order book is in frameworks

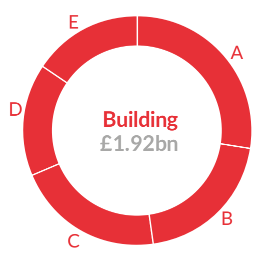
A framework is a collaborative agreement between clients and contractors to deliver a programme of works through a stable, long-term partnership, allowing strategic planning, continuous improvement and enhanced project outcomes. A framework can generate tens or hundreds of millions of pounds of work for us over its duration.

Why do we target working as part of a framework?

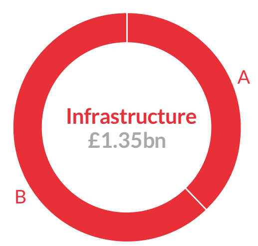
- It offers repeat business with clients who we know and on established and well-understood terms and conditions.
- It gives greater certainty in tendering and typically reduced cost of tenders.
- There is improved risk allocation.
- There is improved ability to plan for retention of our project teams.
- Early involvement leads to greater influence over value-adding and social outcomes.

Examples of key frameworks include Department for Education's school building framework (six lots); Crown Commercial Service (CCS) Capital Works Framework; Ministry of Justice Strategic Alliance Framework (multiple lots); Defence Infrastructure Organisation Capital Works Framework; hub North Scotland, hub South East Scotland, hub South West Scotland and hub West Scotland; London Construction Programme; Highways England Delivery Integration Partnership; and AMP7 – Yorkshire Water, Southern Water and Thames Water.

Strong visibility of workload



	£m
A Education	530
B Defence & custodial	389
C Facilities management	403
D Health	300
E Commercial	298



	£m
A Highways	512
B Environment	836

Performance review

We are contributing to the UK's post-pandemic economic recovery by constructing the buildings and infrastructure that the country needs. Our market opportunity is created by the investment required to meet the UK's ongoing challenges of decarbonisation and digitalisation, as well as the Government's levelling up agenda.

Each of our businesses in Building and in Infrastructure is focused on core sectors in which we have a proven successful track record of delivery, and which provide a strong pipeline for future work. For example, in Education, our largest Building sector, the Government has identified a £14bn budget for primary and secondary education; and in Highways there is a £28bn National Roads Fund.

Performance – Building

	2021	2020*
Revenue (£m)	**789.2**	719.9
Operating profit/(loss) (£m)	**15.9**	(51.9)
Operating profit margin (%)	**2.0**	(7.2)
Order book (£m)	**1,920**	2,152

* Pre-exceptional

Building (which includes our FM business) generated revenue of £789.2m (2020: £719.9m), generating an operating profit before amortisation of £15.9m (2020: pre-exceptional loss of £51.9m), which represents a margin of 2.0% (2020: (7.2)%). The increase in profit reflects the encouraging performance of projects that were added to the order book in recent periods and reduced impact of Covid-19.

Our FM business, which forms part of Building, continues to complement our operations by providing building maintenance services. We provide high-quality facilities management services and continue to grow the capabilities of this operation.

Building won contracts and positions on frameworks worth over £641m, (2020: £1,021m). Significant appointments and wins for Building included:

- the £10.5bn NHS Shared Business Services framework;
- the £2.1bn Construction West Midlands framework;
- a £105m contract for the commercial and PRS development at Monk Bridge for Highline Investments;
- the £60m Winchburgh Schools project contract in West Lothian for West Lothian Council; and
- the £50m refurbishment contract for the 280 Bishopsgate project in London for Arax Properties.

Building's order book stands at £1,920m, compared to £2,152m last year.

Performance – Infrastructure

	2021	2020*
Revenue (£m)	**329.2**	357.1
Operating profit/(loss) (£m)	**6.0**	(1.8)
Operating profit margin (%)	**1.8**	(0.5)
Order book (£m)	**1,348**	1,010

* Pre-exceptional

Infrastructure's revenue was £329.2m (2020: pre-exceptional £357.1m). As expected, revenue was impacted in the year by the transition to the AMP7 programme. Infrastructure generated an operating profit before amortisation of £6.0m (2020: pre-exceptional loss of £1.8m) which represents a margin of 1.8% (2020: (0.5)%). The improved profit performance is in line with our expectations, and includes the reduced impact of Covid-19.

Infrastructure won contracts and positions on frameworks worth £590m, (2020: £377m). These included:

- Scottish Water's new Non-Infrastructure Framework for the SR21–27 investment programme, valued at £700m over a six-year timeframe.
- Six lots out of 13 across the £400m North East Procurement Organisation's (NEPO) Civil Works framework.
- Lots 3 and 6 of Thames Water's £590m AMP7 four-year framework in the London region.
- Contract for the £85m M56 junctions 6 to 8 works for Highways England.

Infrastructure had an order book of £1,348m, up from £1,010m last year, including £512m in Highways and £836m in Environment.

Performance – PPP Investments

	2021	2020
Revenue (£m)	**6.4**	8.2
Operating loss	**(1.8)**	(0.3)
Net interest income	**3.9**	2.9
Directors' valuation (£m)	**49.1**	40.7

With the reduction in traditional PPP/PFI bidding opportunities, PPP Investments has continued to move its focus towards co-development projects and at the year end it was preferred bidder on two PRS (Private Rented Sector) schemes with a gross development value of £120m.

At the year end, the directors' valuation of our PPP portfolio was £49.1m (2020: £40.7m), which is the fair value included in the balance sheet reflecting a blended discount rate of 7% (2020: 9%). The valuation compared with a value invested of £36.2m (2020: £34.9m). There is an active secondary market for these assets, which generated an annuity interest income of £3.9m (2020: £5.4m) and contributes to our balance sheet strength.

Outlook

We continue to see good demand across our core markets, coupled with our disciplined approach to risk management and contract selection and are well positioned for the next phase of our strategy.

We are confident we have a clear strategy in place with the right culture, strength of our people, focus on quality, innovation and sustainability, and strong balance sheet to win future contract opportunities and enhance shareholder value.

s172(1) statement

As a business which prides itself on delivering a positive impact to a wide range of stakeholder groups, the importance of considering our stakeholders' views has featured heavily in decision-making and forms a cornerstone of our updated strategy.

Our Code of Conduct outlines our responsibilities to our colleagues, clients, suppliers, communities, the environment and governance, setting a framework to ensure everything we do is in line with our values, legally compliant and ethically acceptable. Our Stakeholder Steering Committee, a committee of the Board, takes this further by considering the priorities of each of these stakeholder groups and areas, reviewing and overseeing these relationships and reporting these views to the Board so that they can be reflected in our decision-making. The Committee also has oversight of how our sustainability framework is embedded within the Group's stakeholder engagement strategy.

s172(1) statement

The Board continues to carry out its obligations under Section 172(1) of the Companies Act 2006 with regard to considering the impact of our decisions on key stakeholders and acting in a way that promotes the long-term success of the business. We recognise the importance of this within our own strategy. Further details on how the directors discharge their duties can be found here:

- Strategic report p1.
- Governance review p58.

How the Board upholds high standards of business conduct

The Board plays an active role in monitoring and maintaining high standards of business conduct. Galliford Try has a strong ethical culture, underpinned by our values, policies and our Code of Conduct, all of which are promoted and endorsed by the Board. The Code of Conduct sets out the ethical standards everyone in Galliford Try must adhere to and provides a framework to ensure we always behave in a way that reflects our values. The Group also has specific policies and procedures to prevent bribery and corruption, as described on page 34.

How the Board engages with our stakeholders

The directors are committed to the long-term success of the Group and play an active role in understanding, considering and addressing stakeholder interests. Engagement takes place both directly and indirectly.

Established in 2019 as a Board-level Committee and chaired by Senior Independent Director Terry Miller, our Stakeholder Steering Committee reviews and oversees the Group's relationships with key stakeholders, identifies ways to create two-way communication between stakeholders and the Board, and ensures their views are considered in Board discussions and decisions. The Committee met twice during the year, as discussed on page 58.

Shareholder engagement activities are overseen by the Board, and the Chief Executive and Finance Director lead our activities, as described on page 52. The Board also engages directly with employees through the Employee Forum, which is chaired by our Senior Independent Director, Terry Miller. The Forum's role and the Forum's meetings in the year are discussed on pages 55 and 58.

Site visits by the Board typically enable directors to gain a first-hand insight into our culture in action. Presentations from our businesses on operational matters and information in monthly Board packs enable discussion around managing the interests of our people, clients, suppliers and communities.

Environmental impact

Information about the Group's environmental impact can be found on page 28.

Who and why	Top business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix	How we engage	Actions in the year	Outcomes
Our people We are reliant on our people to achieve our purpose People and culture **p23** and Health and safety **p26**	• Purpose and culture. • Health, safety and wellbeing. • Inclusion. • Investment in learning and development. • Career progression. • Rewards and benefits.	Embedding and reinforcing our culture is a continuous process. We ensure employees understand our culture and purpose from the recruitment stage. On joining, all employees take part in an induction with members of our Executive Board, outlining our purpose, strategy, values and business processes and giving the opportunity to ask their questions. Graduates attend a bespoke welcome event. New starter and refresher training ensure our culture and processes are embedded. Our Employee Engagement Forum seeks the views of employees on strategic decisions and provides updates from the business. Engagement also takes the form of a roadshow from our Chief Executive, emails from him to all staff, e-bulletins, an employee magazine, PDRs and toolbox talks. Access to our Employee Assistance Programme offers support to our people while our whistleblowing hotline enables them to confidentially report suspicion of wrongdoing. **Board engagement** • Chaired by the Senior Independent Director, the Employee Forum meets twice a year to discuss matters important to employees.	• Changed the structure of our CEO Roadshow to provide local as well as Group information, and provide a better opportunity for staff to engage in discussion. • Refreshed behavioural safety programme. • Launched a new style of Employee Engagement Survey to target specific populations with respect to topical themes and take quick action. • Introduced Wellbeing Wednesdays. • Continued focus on inclusion and diversity. • Ensured key priorities continue to be addressed by our updated strategy.	• 0.08 AFR. • 13.2% churn rate. • 83% of site staff surveyed feel supported; 82% were positive about communication and 81% had confidence in our response to Covid-19. • Reported a negative mean gender pay gap for our early careers population, which will contribute to narrowing the gender pay gap between males and females as these populations progress through their careers.
Clients Satisfied clients are essential for a sustainable and profitable business Clients **p32**	• Financial stability and ability to deliver. • Time, cost and quality. • Meeting carbon and sustainability objectives. • Creating greater social value.	We impart important information about our business through the tendering process, comprehensively addressing the key areas our clients are concerned with. On appointment, we carry out a Customer Start Meeting which identifies outcomes for the end of the project discussions and are retained for record purposes. Dedicated quality managers conduct regular audits, complemented by our internal audit department and external audits of our ISO 9001 certified management system. Frameworks allow us to deepen our relationships with our client and stakeholder groups which leads to greater innovation and better public infrastructure.	• Appointment of a Group Technical Director to oversee all aspects of our delivery, including procurement, quality and digital methodology. • Carried out research projects which compare standard build projects with newer methodologies to identify cost and carbon best practice. • Worked with the UK BIM Framework group to draft a new suite of standards and guidance resources aimed at modernising the industry's approach to information production and management. • Ensured key priorities continue to be addressed by our updated strategy.	• 87% of our order book in frameworks.

Stakeholder engagement
continued

Who and why	Top business and sustainability stakeholder interests identified in our Stakeholder Materiality Matrix	How we engage	Actions in the year	Outcomes
Suppliers The majority of our work is delivered in partnership with our supply chain so they must be aligned to our values and objectives Supply chain p31	• Health, safety and wellbeing. • Fair treatment and prompt payment. • Pipeline of work. • Collaborative relationships. • Access to training, educational resources and learning opportunities.	We seek to build long-term relationships with key suppliers and contractors who share our principles. Robust contracts set the terms for both parties in our relationships, and regular meetings, workshops and working groups ensure two-way communication. Through our Advantage through Alignment programme of support, training and education, we align our suppliers and subcontractors with our working practices, our values and our vision.	• Continued to support key subcontractors through our Advantage through Alignment programme. • Continued to promote the Supply Chain Sustainability School. • Ensured key priorities continue to be addressed by our updated strategy.	• 59% of business unit core trades spend with Aligned subcontractors. • 93% of invoices paid within 60 days. • Gold member of Supply Chain Sustainability School.
Communities We want to be welcomed in the communities we operate in and create greater social value where we operate Communities p33	• Health, safety and environment. • High quality buildings and infrastructure. • Use of local labour, resources and employment opportunities, educational opportunities and wider investment in their community.	We engage with local communities through town halls, newsletters, project websites, social media, press releases and planning meetings. As a dedicated Partner of the Considerate Constructors Scheme, we strive to continuously improve the image of the industry, focusing on the key areas of safety, community, environment, workforce and appearance. Through events such as Build UK's Open Doors, recruitment fairs, school visits and site tours, we showcase our industry and invite communities to learn more about our industry, business, projects and careers on offer.	• Developed a National Social Value Calculator. • Ensured key priorities continue to be addressed by our updated strategy.	• 40.6 average CCS score. • £250,000 donated in time, money and materials.
Shareholders We want our shareholders to have confidence in the long-term success of our business	• A sustainable business model and strategy. • Financial performance and dividend policy. • Corporate governance. • Risks to the business.	We engage directly with our shareholders through investor roadshows; face-to-face, video or telephone communications; Capital Markets Days, results presentations and webcasts; analyst briefings; AGMs; our Annual Report; consultations; and Regulatory News Service announcements. Indirect engagement includes an up-to-date website, press coverage, engaging in social media, trading updates; corporate and financial videos; and contributions to investor decision-making resources.	• AGM. • Ensured key priorities continue to be addressed by our updated strategy.	• 4.7p dividend per share.

Policies relating to each of these stakeholder groups can be found in the pages on our website. Risks are detailed from page 36.

Updating our strategy

Overview

In the lead up to the conclusion of our strategy to 2021, the Group commenced work on the development of an updated strategy, designed to ensure the long-term sustainability of the Group. Through its work on the Stakeholder Steering Committee, feedback from management and its own experience, the Board recognised the importance of considering stakeholder views as part of this process and undertook the actions detailed below.

When updating the strategy, the Board carefully considered the following factors across the environment in which we operate:

- The focus on economic recovery past the pandemic.
- Government support for major infrastructure projects (page 16).
- The UK moving into post-Brexit 'normal'.
- The urgency of the climate crisis, innovation and digitalisation, particularly with respect to our clients' objectives.
- Expectations from existing and new employees in terms of an employee value proposition.
- Maintaining a committed supply chain which will support the delivery of our objectives.
- Evolving regulatory environment post Grenfell.

Stakeholder engagement

The Board carried out extensive stakeholder engagement including the establishment of a Sustainability Working Group. The Group was led by the Finance Director, and included our General Counsel & Company Secretary, Building Managing Director, Director of Risk and Assurance, Technical Services Director, Pre-construction Director and Research & Development Manager. This Group feeds into the Stakeholder Steering Committee.

Why them?

Membership of this group was carefully selected to represent the views of a cross-section of our stakeholder groups, particularly investors and clients when updating our strategy.

How did they engage with key stakeholders?

This group was tasked with the role of researching stakeholder priorities and material impacts through conversations with investors, external advisers, ESG consultants and clients; awareness of client priorities through the framework bidding process; desktop research; and analysis of our existing position. The findings were tested with the Stakeholder Steering Committee.

What was considered?

- What's important to our stakeholders?
- What's right for us and where we want to be?
- What do we want to influence?

The result

This enabled us to develop measures and targets, action plans, data capture and reporting, supported by appropriate governance.

Review of dividend policy and dividend payments

Overview

Following the outbreak of Covid-19 in March 2020, the Board considered it prudent to cancel dividend payments to shareholders in order to preserve liquidity during a period of significant uncertainty and resume payment of dividends on the Group's return to profitability. Following a return to profitability in the first half of this financial year, the Board took the opportunity to review and refresh the dividend policy.

In considering the dividend policy objectives and resumption of dividends, the Board carefully considered the following factors:

- The Group's return to profitability, its strong balance sheet and high-quality order book.
- The medium-term balance between business growth and dividend progression and the Group's longer-term prospects.
- The Group's cash performance and availability of Group cash resources.
- The broader capital structure and requirements of the Group.
- Repayment of furlough monies.

Stakeholder engagement

Several trading updates were provided to investors during the financial year. In addition, the Board considered feedback provided by investors through direct investor meetings.

Outcome

The Board reviewed the Group's results and outlook for the financial year and agreed to introduce a dividend cover range of 2.0–2.5 times cover and declare an interim dividend of 1.2p per share, which was paid to shareholders in April 2021.

In addition, the Board declared a final dividend of 3.5p to be paid on 10 December 2021 to shareholders on the register at 12 November 2021.

A strong and effective Board

The past year has shown the strength and resilience of Galliford Try in challenging circumstances. We have proven our business, returned to profitability, and successfully laid the foundations upon which we can deliver our updated strategy.

Corporate governance

Maintaining and applying effective governance during the Covid-19 pandemic

The global impact of the Covid-19 pandemic has brought many challenges to our business and to all of our stakeholders, and as a consequence, the Board has spent considerable time considering a number of material issues during the year and their impact on our stakeholders. Following an encouraging return to profitability during the first half of the financial year, a strong balance sheet and overall capital position, the Board declared an interim dividend of 1.2p per share which was paid to shareholders in April 2021. Having reviewed the Group's results and the outlook, the Board is recommending a final dividend of 3.5p per share which, subject to approval, will be paid on 10 December 2021 to shareholders on the register at 12 November 2021. This will result in a total dividend for 2021 of 4.7p per share. We recognise the importance of dividends to shareholders and, in formulating our dividend policy, we considered the Group's financial performance, its strong balance sheet and high-quality order book, as well as its longer-term prospects.

High standards of corporate governance are at the core of our culture and underpin our strategy, so that we may deliver sustainable performance and long-term stakeholder value.

Peter Ventress
Chairman

During the year, we remained focused on monitoring our approach to health and safety and the wellbeing of all our employees, subcontractors and supply chain and supporting them during this challenging period. We have overseen arrangements with management to ensure that all our projects, where permitted, remained operational in line with the latest Government and industry guidelines; that our employees could work safely and flexibly on our sites and in our offices; our working practices remained of a high standard; and site teams had all of the necessary support and guidance to operate safely in a Covid-19 environment. We also worked closely with our supply chain to ensure that they were implementing and adhering to our working practices and safety measures.

Promoting our culture, values and purpose

We are a people-orientated, progressive and values-driven business, and strive to create a culture where everybody feels valued, included and motivated to perform at their best. Following the announcement of our 2020 full year results in September 2020, Bill Hocking, Chief Executive, held 14 virtual staff roadshows updating everyone on our plans for the business and future direction of the Group. We also carried out an employee survey of our site-based staff in December 2020, to better understand how they felt about our approach to dealing with the pandemic and wellbeing generally. Participation in the survey was excellent, with 68% of those invited taking part, and providing more than 1,400 comments. Overall responses to the survey were positive and we will address feedback from the survey in the coming year.

Please see our People and culture section on pages 23 to 25 for further information.

Employee voice and stakeholder engagement

Since its introduction in 2019, the Employee Forum has been instrumental in providing staff with an effective platform to debate key issues, provide suggestions and ideas on improving work–life balance and, through our Employee Forum Chair, reporting employee-voiced matters to the Board for consideration. One of the important initiatives during the year was the introduction of a series of online weekly wellbeing sessions for staff and their families, delivered by both in-house and external subject matter experts. The response to these initiatives has been positive and we hope to build upon them in the year ahead.

In addition, the Stakeholder Steering Committee has met twice during the year to review our arrangements for engaging with our key stakeholders. Our key stakeholders are detailed on pages 50 to 53. Our stakeholders are integral to our business, and their interests are factored into the Board's discussions and decision-making.

Our strategy

The future of our business is positive. Earlier this year, the Board performed a review of the Group's five-year strategy to 2026 to reassess our strategic ambitions over this period, identify which sectors have profitable growth potential, assess both the barriers and opportunities to enter new markets, and our operational capabilities to deliver long-term value creation to our stakeholders. At the heart of our strategy are the six sustainability pillars which are integral to our strategic priorities.

Please see pages 18 to 19 for further information.

Reducing our carbon footprint

We recognise the critical importance of climate change and the impact of our business operations on the environment. We manage and mitigate our environmental impacts through our ISO 14001 certified management system, and will continue to work towards reducing our carbon footprint, focusing on our offices, site accommodation, fleet and site waste.

Please see our Environment and climate change section on pages 28 to 30 for further information.

In June 2021, we published our commitment to achieve net zero across the Group's own operations by 2030 and across all activities by 2045, validated by Science Based Targets.

The Board is mindful of the requirement for companies with a premium listing to report under the Task Force on Climate-Related Financial Disclosures (TCFD), which apply to financial years beginning on or after 1 January 2021, and will undertake further work as necessary to ensure that we may report fully on these new requirements in our 2022 Annual Report.

Communicating effectively with shareholders and investors

During the year, we have continued to engage with our shareholders, prospective new investors and major institutions in a positive manner, utilising technology and virtual platforms to good effect. We have updated investors on key activities, our response to the pandemic and areas of focus for the Board, as well as our strategic plans for the Group. Further detail can be found on page 66.

As a result of the pandemic, shareholders were unable to attend our 2020 AGM in person. Arrangements were put in place to allow shareholders to submit their questions in advance of the meeting to the General Counsel & Company Secretary by email.

This year's AGM will be held at the offices of Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT on Friday 12 November 2021 at 11.00am. The Board remains cognisant of the continued uncertainty around the Covid-19 pandemic and ongoing public health risk and recognises that the situation in relation to the pandemic can change quickly. The Board will continue to monitor developments and will make changes to the arrangements for the AGM as necessary. Any changes to the AGM arrangements will be communicated to shareholders before the AGM through our website at www.gallifordtry.co.uk and, where appropriate, by RNS announcement. Further information on arrangements for the AGM and voting instructions are set out fully in the Notice of AGM and Form of Proxy.

I would like to close by thanking our employees for their dedication and contributions during these challenging times, and our investors, clients and supply chain with whom we have worked closely to ensure the safe and successful delivery of our objectives despite the pandemic.

On behalf of the Board

Peter Ventress
Chairman

Directors and Executive Board
Our Board and Leadership

Our Board

Peter Ventress N R
Chairman

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

Skills and experience: Peter has significant experience of chairing boards and of being a Non-executive Director of both public and private companies. He brings a wealth of commercial, financial and high-level management experience, including being former Chief Executive Officer of European textile service business Berendsen plc from 2010 to 2016. He has also held several senior executive roles, including International President of Staples Inc and Chief Executive Officer of Corporate Express N.V.

In 2008, he was appointed head of all Staples' activities outside the United States and Canada. Peter was formerly a Non-executive Director of Signature Aviation plc, Softcat plc, Premier Farnell plc and Staples Solutions B.V.

External appointments: Peter is Chairman of Bunzl plc, the FTSE 100 specialist international distribution and services group.

Andrew Duxbury E
Finance Director

Appointment date: Andrew Duxbury joined the Board of Galliford Try on 26 March 2019 as Finance Director.

Skills and experience: Andrew is a chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales with extensive knowledge of the operating environment in construction. He has operational responsibility for managing the Group's finances and oversees the Risk and Assurance, Finance, Tax and Treasury, IT and Shared Service Centre functions.

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

Gavin Slark A N R
Non-executive Director

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

Skills and experience: Gavin has strong leadership skills and commercial experience gained in his various executive level roles. He is Chief Executive Officer of Grafton Group plc and was Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors.

External appointments: Since July 2011, Gavin has been Chief Executive Officer of Grafton Group plc, a publicly quoted distributor of building materials operating in the merchanting, DIY retailing and mortar manufacturing markets in the UK, Ireland and Belgium.

Marisa Cassoni A N R
Non-executive Director

Appointment date: Marisa Cassoni was appointed to the Board of Galliford Try on 1 September 2018.

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

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

Bill Hocking E
Chief Executive

Appointment date: Bill Hocking was appointed as Chief Executive of Galliford Try on 3 January 2020 following the sale of the Group's housing divisions.

Skills and experience: Bill is a civil engineer with more than 30 years of experience in the construction industry. He has full day-to-day responsibility for delivering the Group's strategy, having regard to the Group's responsibilities to its shareholders, clients, employees and other stakeholders.

Bill was Chief Executive of the Construction & Investments division from 1 August 2016, having joined Galliford Try as Managing Director of Construction in September 2015. He 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 that company in 1990.

Terry Miller A N R
Senior Independent Director

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

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

External appointments: Terry is a Non-executive Director of Goldman Sachs International and Goldman Sachs International Bank, part of the global Goldman Sachs Group of investment banking and financial services businesses. She is also a Non-executive Director of insurance company Rothesay Life Plc.

Executive Board

Kevin Corbett E
CEng MICE MIStructE
General Counsel & Company Secretary

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

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

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

Vikki Skene E
HR Director

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

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

Ian Jubb E
Managing Director, Building

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

Skills and experience: Ian has more than 37 years' experience in the industry, with the last 20 years including senior positions with Miller Construction and Taylor Woodrow. He joined the Group as Managing Director for the North and Scotland Building division on the acquisition of Miller Construction in July 2014, subsequently taking responsibility for all Building operations in May 2019.

Mark Baxter E
Managing Director, Specialist Services

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

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

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

plc Board composition (page 56)

Balance of non-executive and executive directors	
Non-executive	4
Executive	2

Diversity	
Male	4
Female	2

Length of appointment	
0–2 years	1
2–5 years	2
5–10 years	3

As at 30 June 2021

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

Group governance structure

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

plc Board

The Board's role is to promote the long-term sustainable success of the Company and it is the key decision-making forum for all strategic matters of the Group.

Please see page 56 on directors' biographies.

Audit Committee

Oversees matters in relation to financial reporting; keeps under review the adequacy and effectiveness of the Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems; and seeks to ensure the adequacy and security of the Company's whistleblowing arrangements for its employees and contractors.

Please see Audit Committee report on pages 68 to 69 for further information.

Nomination Committee

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

Please see Nomination Committee report on page 67 for further information.

Remuneration Committee

Responsible for designing remuneration policies and schemes that support strategy and promote long-term sustainable success.

Please see Remuneration Committee report on pages 70 to 85 for further information.

Executive Board

Oversees the operational management of the Group and is responsible for implementing the policies and strategy, including the Group's Health, Safety & Sustainability, financial, HR and risk policies, as agreed by the plc Board.

Please see page 66 for further information.

Executive Risk Committee

Assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks.

Please see page 36 for further information.

Stakeholder Steering Committee

Meets twice per year to review and oversee relationships with the business's key stakeholders, collating stakeholder views and reporting these views to the Board. Considering the importance of the Group's sustainability strategy across all stakeholders, the Board agreed the Committee's remit should also include oversight of the sustainability work of the Group and its overall governance. This will be reviewed and developed in parallel with the development of the Group's sustainability strategy. The Committee is chaired by Terry Miller, Senior Independent Director, and comprises representatives from Building, Infrastructure and support services, the Health, Safety & Environment Director and the Sustainability Manager.

Please see page 50 for further information.

Employee Forum

Meets twice per year to receive and gather the views of the workforce and reports them to the Board. The Committee is chaired by Terry Miller, Senior Independent Director, and comprises employee representatives from across the Group.

Please see page 79 for further information.

The role of the Board and its Committees

As at 30 June 2021, the composition of the Board comprised the Chairman, three independent non-executive directors, the Chief Executive and the Finance Director. Biographical summaries for each of the directors as at 30 June 2021, their respective responsibilities and their external directorships are set out on page 56.

All of the non-executive directors, as well as the Chairman, are considered by the Board to be independent. The role of the non-executive directors is to offer advice and guidance to the executive directors and, when required, constructively challenge the executive directors and Group senior management on performance and strategy related matters. The Chief Executive has responsibility for the day-to-day leadership and management of the business, within the authority limits delegated by the Board.

The roles and responsibilities of the non-executive directors are specified in their letters of appointment. The letters of appointment are available for inspection on request at the Group's registered office and will be available immediately prior to and during the 2021 AGM. Additionally, and in line with the UK Corporate Governance Code, the roles of the Chairman, Chief Executive and Senior Independent Director were reviewed during the year. These documents can be found on our website at www.gallifordtry.co.uk/about/governance-and-policies/.

To ensure compliance with regulatory requirements, the Board delegates certain matters to its Committees, which are required to consider these in accordance with their terms of reference. The terms of reference for the Board and each Committee are reviewed annually against corporate governance best practice and are available on our website.

Director appointments and succession planning

As reported in our 2020 Annual Report, Jeremy Townsend stepped down from the Board on 30 September 2020, having served as a Non-executive Director since September 2017. There were no other changes to the Board during the year. In line with the UK Corporate Governance Code, all directors will stand for re-election at the 2021 AGM. The performance of the directors continues to be effective, and commitment to their respective roles is clearly demonstrated.

Succession plans were reviewed and refreshed during the year. Good progress has been made with refining our leadership programme to target each individuals' development requirements and support them in their progression and development within the Company.

Delegated authorities

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

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

2020/21 Board and Committee meetings attendance table

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

1 Jeremy Townsend stood down as Non-executive Director and Chair of the Audit Committee on 30 September 2020.

Board activities during the year

The Board, supported by the General Counsel & Company Secretary, ensures that Board meetings are carefully structured to allow enough time for open discussion. The Board regularly reviews and discusses the following topics:

- The financial performance of the businesses.
- Reports on health, safety, environment and sustainability.
- Corporate strategy and operational reviews.
- The relative performance of the Company's share price.
- Comments by market analysts, along with any shareholder feedback, to ensure that the Board has a full understanding of the views of major shareholders.

In addition, the Board receives regular presentations from the businesses on operational matters, assisting Board members to stay up to date with specific operational matters and 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.

Governance review
continued

Key areas of Board discussion during 2020/21

The Board met on eight occasions during the year and there was full attendance at each meeting.

Since March 2020, all meetings of the Board and Committees have been held in a virtual and hybrid format. The Board agenda is structured between standing agenda items, governance requirements and areas of operational and strategic focus (including material contracts). Activities and actions taken during the year are summarised in the table below.

Activity	Actions taken
Board's response to Covid-19	Approved temporary fee/salary reductions for the non-executive directors, Executive Board members and senior management. Considered arrangements for the 2020 AGM and, to comply with Government guidelines, agreed that the meeting was to be held as a closed meeting. Facilitated virtual and hybrid Board and Committee meetings throughout 2020/21. Monitored the Group's liquidity and approved plans to cease claiming the Government's furlough grant from 1 September 2020 and for staff to be returned from furlough.
Financials and performance	Reviewed Group and divisional budgets which form the basis for setting the Group's 2020–2023 annual budget. Reviewed performance against half and full year forecasts, cash forecasts and impact of VAT changes. Reviewed and approved the Group's 2020 results in September 2020 and 2021 interim results in March 2021. Declared an interim dividend of 1.2p paid to shareholders in April 2021 and approved a new dividend policy to reduce dividend cover to 2.0–2.5 times. Reviewed Prompt Payment Code performance.
Strategy review and operations	Received business review presentations in relation to information on the business, its people, health and safety, sector and clients, opportunities and financial performance. Approved several large projects (value over £100m) to support the growth and strategy of the Group. Held a Board Strategy Meeting with the Executive Board in April 2021 to review the Group's plans and five-year strategy to 2026.
Health and safety	Received regular reports and a presentation on the health and safety strategy from the Director of Health, Safety & Environment.
People, culture and values	Monitored Covid-19 site and safety procedures and practices. Received reports from the Employee Forum Chair. Approved the launch of the all-employee Sharesave scheme and SAYE invitation to staff in March 2021. Approved publication of the Gender Pay Report.
Risk management	Reviewed regular reports from the Head of Internal Audit and Assurance on the status of the internal audit programme and commercial health checks. Considered changes to the Group's principal risks and emerging risks that could impact long-term strategy.
Stakeholder engagement	Received reports from the Stakeholder Steering Committee Chair following each Committee meeting and took into account feedback provided by representatives.
Governance	Approved the adoption of the Board's terms of reference and matters reserved for the Board. Agreed the Board evaluation 2021 process and review of progress on actions from the 2020 evaluation exercise. Received regular reports from the General Counsel & Company Secretary on the latest governance developments, and best practice. Conducted an internal performance evaluation on the performance of the Board and Committees in April 2021, with the results presented to the Nomination Committee in May 2021.

Board Strategy Meeting

Working in collaboration with the Executive team to review our progress and set our strategic priorities to 2026.

The Board held its Strategy Meeting in April 2021 with the Executive Board, the agenda for which was agreed between the Executive Board and non-executive directors.

The Chief Executive provided an overview of the strategy presentation, setting the context and background. The Board reviewed the successes achieved for the construction business during 2020 and discussed the strategic objectives to 2026, focusing on margin enhancement, controlled revenue growth, the importance of Environment, Social and Governance (ESG) factors to the strategy, and opportunities in markets that have the potential to deliver growth. The Board reviewed the macro environment and the competitive landscape facing the business. Debate focused on the challenges and opportunities presented to the business, how the Group was responding to these and the risk appetite that the Board was prepared to take in pursuit of its strategic objectives.

The Executive Board provided an overview and update of the markets and operations in the various sectors in which the Group operates, highlighting the business's capabilities in these areas and potential opportunities available to the business to 2026. The HR Director reported on the Group's emphasis on people, including diversity initiatives, improving HR data and plans, and succession. The Board discussed risk management processes and the General Counsel & Company Secretary highlighted plans to further improve risk management across the business.

The strategy discussions concluded with the Finance Director providing an update on financial performance, the investor relations strategy to drive greater shareholder value, and future capital allocation plans.

The Board considered the interests of all stakeholders and the contributions from Executive management in the discussions.

UK Corporate Governance Code compliance

As a UK premium listed company, the 2018 UK Corporate Governance Code (Code) is the standard against which we measured ourselves during 2020/21. Throughout the year, the Board has applied the Principles and complied with all the Provisions of the Code as set out below:

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose		
A. The Board's role A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is collectively responsible for the long-term success of the Company, including its relationships and engagement with all shareholders, and operates via a formal schedule of matters reserved for its decision.	See page 59 for further information and list of matters reserved for the Board.
B. Setting purpose, values and strategy The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved for the Board, which is reviewed by the Board annually, provides that the Board is responsible for establishing the values and strategy of the Company. The Employee Forum chaired by Terry Miller, Senior Independent Director, remains a key element in the Board's oversight of culture. Our Code of Conduct also defines the behaviours we expect of our people and the ethical standards we adhere to.	See our People and culture section on pages 23 to 25 for further information.
C. Risk management The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The annual budget is reviewed and agreed by the Board in July each year. In addition, the Group has continued to review its mature risk management and governance processes in place to identify, report and manage risk, ensuring they remain robust. The Executive Risk Committee provides regular reports to the Board and assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks.	See our Principal risks section on pages 37 to 40 for further information.
D. Stakeholder engagement In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from these parties.	The Stakeholder Steering Committee, chaired by Terry Miller, Senior Independent Director, continued to meet during the year. The Committee oversees relationships with the business's key stakeholders, including collating stakeholder views and reporting these to the Board.	See our Stakeholder engagement section on pages 50 to 53 for further information.
E. Workforce policies The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Code of Conduct 'Doing the right thing' sets out our organisational policies and procedures and defines behaviours. In addition, there are Group policies that define our approach to managing health, safety, environmental and social matters affecting our employees. These policies are regularly reviewed and are published on our website and described in our Annual Report. In addition, there is also an independent and anonymous whistleblowing procedure allowing any employee or third party to confidentially raise any concerns.	See our People and culture section on pages 23 to 25 for further information.
2. Division of responsibilities		
F. Chair leadership The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chairman is responsible for leading the Board, setting the purpose, direction and values of the Group and ensuring the highest standards of corporate governance are adhered to. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all non-executive directors and, in conjunction with the General Counsel & Company Secretary, ensures that directors receive accurate, timely and clear information. The performance of the Chairman is monitored through the annual Board evaluation process and through a separate annual meeting of the non-executive directors, led by the Senior Independent Director without the Chairman present.	See page 64 for further information and Board effectiveness review.

Governance review
continued

Principle	How we apply the Principle	Further information
G. Balance of the Board The Board should include an appropriate combination of Executive and non-executive (and in particular, independent Non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.	The Board comprises the Chairman (who was independent on appointment), Chief Executive, Finance Director and three other independent non-executive directors. The roles of the Chairman and Chief Executive are separate with distinct accountabilities set out in their role profiles. The Chief Executive is responsible for the day-to-day executive leadership and management of the business through defined delegated authority limits. The non-executive directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy and performance of the Group.	See page 58 for further information.
H. NEDs' role and time commitment Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge and strategic guidance, offer specialist advice and hold management to account.	The annual Board evaluation process continues to assess the performance and effectiveness of directors and their commitment to meet their Board responsibilities.	See the section on Board evaluation on page 64 for further information.
I. The Company Secretary The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The General Counsel & Company Secretary ensures that the Board receives papers of a high quality in a timely manner. He advises the Board on all governance matters, including compliance with the Code. He works with the Chairman and Committee Chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters. He arranges directors' inductions and Board evaluation exercises and supports succession planning and recruitment of new non-executive directors.	
3. Composition, succession and evaluation		
J. Board appointments Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.	Succession plans were reviewed and refreshed during the year. The Board and Executive management recognise its importance to overall business performance. Inclusion and diversity is a key driver to the Group's overall development plans.	
K. Skills, experience and knowledge The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Nomination Committee and annual non-executive directors' meeting regularly review the balance, composition and structure of the Board, as well as the length of service of each Board member and recommends the re-appointment of the non-executive directors and any extensions to their term.	
L. Board evaluations Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	In line with the requirement of the Code, the Board has continued to conduct an annual evaluation of the performance of the Board and Committees and each individual director. The Board undertook an internally-facilitated Board evaluation this year, and further information can also be found on page 64.	

Principle	How we apply the Principle	Further information
4. Audit, risk and internal control		
M. Financial reporting integrity The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of the Group's system of internal controls to the Audit Committee, to ensure the integrity of the Group's full year and half year results and the Annual Report and Accounts. On the recommendation of the Audit Committee, the Board reviewed and approved the 2021 half year and full year results and the 2021 Annual Report. In addition, the Board evaluation process confirmed that the Group's system of internal controls had operated effectively during the year.	
N. Fair, balanced and understandable assessment The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2021 Annual Report and Accounts in September 2021 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. The Audit Committee reported its findings to the Board.	See the Financial and operating review section on pages 42 to 49 for further information.
O. Risk management and internal control framework The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The procedures for managing risk have continued to work well during the year. Both the Executive Risk Committee and Audit Committee monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis. The Executive Risk Committee (chaired by the General Counsel & Company Secretary) reviews the Group's principal and emerging risks and recommends any changes to risk appetite to the Board. The Group risk register is reviewed regularly by the Board.	See Our risk management process section on page 36 for further information.
5. Remuneration		
P. Supporting strategy and long-term sustainable success Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	The Remuneration Policy was approved by 99.66% of shareholders who voted at the 2020 AGM. The Remuneration Committee continues to review remuneration policies and practices to ensure that they are aligned to the Group's long-term success and based on stretching performance metrics that reflect the interests of shareholders.	See the Directors' Remuneration Policy report on pages 73 to 79.
Q. Remuneration Policy A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Committee has continued to apply robust procedures for determining executive remuneration and operates in accordance with its terms of reference. The remuneration of non-executive directors is a matter for the Chairman and the executive members of the Board. No director, committee attendee, executive, senior manager or other person can be involved in any discussion or decision as to their own remuneration.	The Remuneration Policy can be found on pages 73 to 79 within the Directors' Remuneration Policy report. The terms of reference for the Remuneration Committee can be found on our website at www.gallifordtry.co.uk/about/governance-and-policies/.
R. Independence of remuneration outcome decisions Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee comprises solely independent non-executive directors. The Committee takes advice from external remuneration consultants and ensures that remuneration for the Board and senior management is suitably structured so as to attract, retain and motivate executives, and to link reward to corporate and individual performance and all relevant internal and external factors.	

Governance review
continued

Board evaluation: 2020 update and 2021 performance evaluation

The 2020 Board evaluation exercise was internally-facilitated and closely followed those undertaken in 2017 and 2018. The evaluation found that the Board and its Committees were operating effectively. The findings were presented to the May 2020 Board meeting and actions were subsequently 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.

2020 Board evaluation recommendations	Actions taken during the year
Succession planning	A detailed review of succession plans at executive level was undertaken by the Nomination Committee in December 2020.
Inclusion and diversity initiatives	The Nomination Committee received a presentation from the HR Director covering inclusion and diversity initiatives in December 2020.
Commercial audit reports	Summary reports of commercial health checks undertaken by the Internal Audit team are regularly included in the Audit Committee papers. An annual review of internal controls and risk management was undertaken by the Board in September 2020 ahead of publication of the full year's results.
Sustainability session	Our approach to sustainability was reviewed at the Board's strategy session in April 2021.

Board effectiveness review

In line with the Code, the Board continues to review its own effectiveness and that of its Committees on an annual basis, with an externally-facilitated review at least every third year (the last being undertaken in May 2019). The 2021 Board evaluation was once again internally facilitated by the Chairman in conjunction with the General Counsel & Company Secretary, and conducted between March and May 2021. Questions were reviewed in line with the Code and best practice to ensure their continued relevance, but remained broadly similar to previous internal evaluations to allow the comparison of results over time and to measure progress and change. This year's evaluation included additional questions on section 172 duties (understanding around key stakeholders), ESG factors and succession planning.

The format of the 2021 effectiveness review followed that undertaken in 2020, whereby a detailed and comprehensive questionnaire was securely sent online to each individual director to complete and return. Each director was asked to complete online questionnaires specific to their Board and Committee responsibilities; the completed questionnaires were then collated and the responses were reviewed by the Chairman and the General Counsel & Company Secretary. In line with best practice, performance evaluation of individual directors is conducted by the Chairman on an annual basis. The Chairman holds one-to-one meetings with each Board member and the General Counsel & Company Secretary to discuss their performance, contribution, commitment and training and development needs. The Senior Independent Director holds a session annually with all Board members and the General Counsel & Company Secretary, except the Chairman, to discuss the performance of the Chairman. The Senior Independent Director then meets with the Chairman to provide feedback.

The findings of the evaluation exercise were presented to the Board in May 2021. Overall, the evaluation confirmed that the Board and its Committees are continuing to operate effectively. The evaluation results found that the composition of the Board remains appropriate for the size and structure of the business currently, however, the Board has identified a need to consider succession to the Board within the next two-to-four years in view of the length of service of several non-executive directors.

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

- Succession planning: review and plan for required non-executive director succession.
- ESG: review and develop the scope of the Stakeholder Steering Committee to include oversight of sustainability and its overall governance within the Group.
- Stakeholder engagement: continue to receive regular reports to the Board from the Stakeholder Steering Committee and Employee Forum Chair on stakeholder engagement and employee matters.
- Shareholder relations: continue to engage as required with institutional shareholders on key matters of relevance to the Group and its operations.

Inclusion and diversity

As at 30 June 2021, women held 33% of Board positions, meeting the targets set by the Hampton and Alexander Review, the final report being published in February 2021.

Strategies to improve inclusion and diversity at all levels in the workforce have continued to build on the work undertaken in 2020, to ensure each business has the right culture, procedures and policies in place. The Company actively supports the National Association for Women in Construction to encourage individuals to pursue, establish and sustain successful careers in the construction industry, and the Leadership & Diversity Group Scotland, and is a member of the Supplier Diversity Group Working Party supported by Highways England, a key client. Membership of these groups highlights our commitment to promote equality, diversity and inclusion, share learning with industry peers and promote opportunities in our business. In addition, a variety of inclusive initiatives, such as gender-neutral recruitment advertising, supporting diversity programmes and the promotion of agile working are used to make the Group more attractive to a wider group of employees.

Further diversity disclosures can be found in the People and culture section on pages 24 and 25.

Q&A with Terry Miller, Senior Independent Director

Q. **What has changed for the Board over the past year?**

A. This has been a transformative year for Galliford Try. Despite the unprecedented challenges presented by the pandemic, the Company has transitioned seamlessly into a new business with a strong vision, purpose and culture at its core. This, together with the change in 'normal' have made quite a difference to the way the Board engages. For example, our review of the business's activities is much closer to operations due to the more straightforward structure of the business. We have also become accustomed to meeting virtually/hybrid. We can also meet more people from across the business with more ease.

Q. **How does your role as Chair of both the Employee Forum and Stakeholder Steering Committee help you and the Board to better understand the needs of our stakeholders?**

A. Being involved in the Employee Forum and the Stakeholder Steering Committee has given me a great opportunity to regularly meet with a cross-section of individuals, teams, roles and site and office staff from the Group and discuss the matters that are most important to them. It builds on the conversations we already have in our Board meetings, our site visits when we are safely able to conduct them, and the presentations we receive from the business, providing another valuable channel for the Board to hear directly from our people. There is full participation at these meetings and debate often leads to some excellent insights on key issues and actions which enable me to better support the interests of our employees and wider stakeholders at our Board meetings.
The minutes from these meetings are also included in the Board packs for disclosure and discussion. Over the past year, it has become increasingly clear that the sustainability strategy is extremely important for all our stakeholders and is now a key element of the Committee's ongoing agenda.

Q. **What is the Board dynamic like?**

A. The Board is a strong group of talented individuals who work well together. The spirit of our Board meetings is collegial and one of constructive challenge; our Board meetings are well chaired and there is always a good debate on anything requiring consideration, with everyone on the Board lending their views and expertise to reach the right outcome.

Q. **What excites you about the future of Galliford Try?**

A. Our business has coped remarkably well with the challenges brought about by the pandemic over the past 18 months and what has stood out is the extraordinary teams we have across the business.
I can honestly say that the spirit and determination with which our site teams in particular have risen to the challenges we have been presented with have been admirable. In my view, much of this has been achieved as a result of the people-orientated culture led by Bill and the Executive Board, so that the teams at Galliford Try truly believe in the Company purpose and carrying out an excellent job. This, coupled with Galliford Try's excellent platform for future growth, supported by a strong Board and Executive team, presents a great opportunity to deliver our strategy to 2026 and provide long-term value creation to our stakeholders.

I am proud to be a director of Galliford Try, and as Senior Independent Director,
I appreciate the support from the Board and management, including from levels below the Executive Board.

Terry Miller
Senior Independent Director

Governance review
continued

Executive Board report

Membership of the Executive Board is detailed on page 57.

The Chief Executive is responsible for the effective leadership of the senior Executive management and chairs the Executive Board which, in addition to the Chief Executive, consists of the Finance Director, the General Counsel & Company Secretary, the Managing Directors of Building and Specialist Services and the HR Director. The Executive Board is responsible for the operational management of the Group under terms of reference delegated by the Board, which include responsibility for making recommendations to the Board on all items included in the formal schedule of matters reserved for Board authorisation. The Executive Board receives and considers regular performance and operational reports and presentations from business management. The Assistant Company Secretary acts as Secretary to the Executive Board and the minutes of Executive Board meetings are included in the Board packs.

Despite the challenges of the pandemic, the Executive Board has continued to maintain its programme of 11 scheduled meetings during the year. Meetings of the Executive Board have been held virtually/hybrid; however, in line with our office safety procedures and protocols, a number of our Executive Board members have visited office locations to maintain a visible presence among staff and provide support during these challenging times.

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 and business ethics featuring as the first agenda items at every meeting, highlighting the importance of such matters to the Group.

Governance policies

The Group has continued to operate a suite of governance and risk management policies, procedures and training programmes, all of which address obligations arising under relevant legislation. Policies, procedures and authority matrices by which the central functions and businesses operate, were reviewed and refreshed during the financial year.

Reporting, risk, internal audit and controls

The Governance review, commencing on page 54, 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 Risk management section on page 36.

A separate programme of 11 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Shareholder relations

Despite the pandemic, the Chief Executive and Finance Director continued to meet with existing and prospective institutional shareholders throughout the year, utilising various virtual formats. The management team also engaged with Capital Access Group, Vox Markets and Investor Meet Company during the year to expand the reach to further investors. In total, 74 meetings were held during the course of the year, with 92 institutions including 25 shareholders, who together represented 44% of the share register, and 67 potential investors. The management team attended four conferences in the year, meeting with 18 institutions. Key areas of discussion included the Company's strategy and targets, dividend policy, capital allocation, future pipeline and ESG factors.

The Finance Director has this year focused on building strong investor relationships, engaging with a third-party specialist advisory business to schedule roadshows and provide further research coverage, while Vox Markets has been engaged to create digital content following news updates.

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

Due to the pandemic, and in order to safeguard the health and wellbeing of the Company's shareholders, as well as its directors, officers and employees and in accordance with Government guidance, the Company's AGM was held as a closed meeting in November 2020. Shareholders were able to submit questions relating to the business of the AGM in advance of the meeting. No questions were received in advance of the meeting. However, where considered, appropriate questions of a non-AGM nature received following the AGM were responded to specifically by the General Counsel & Company Secretary. Attendance was limited to the minimum number of directors, such that the legal requirements to hold the meeting were satisfied. Arrangements for the meeting, including notice period and voting arrangements, followed the requirements of the Code and related best practice.

We hope to welcome shareholders to this year's AGM, which will be held on Friday 12 November 2021 at the offices of Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT at 11.00am. Shareholders who wish to attend the AGM will receive an update on the Company's performance and have the opportunity to put their questions to the Board directly. However, as the situation surrounding the pandemic continues to be uncertain, we will follow Government guidelines in place at the time to protect the health and safety of our shareholders as well as our directors, officers and employees. Arrangements for the meeting and voting instructions will be set out fully in the Notice of AGM and Form of Proxy.

Compliance statement

The Group remains compliant with the Financial Conduct Authority's Listing Rule 9.8.6 and Disclosure Guidance and Transparency Rule 7.2.1. Related information can be found in the Directors' report on pages 86 to 88.

Additionally, the Group has complied with sections 414CA and 414CB as well as section 414C of the Companies Act 2006. Relevant information can be found throughout the Strategic report and Governance section of this Annual Report. The summary table on page 35 in the Strategic report highlights where non-financial information can be found within this Annual Report.

Nomination Committee report

I am pleased to report on the Committee's activities during the financial year.

During the year, Jeremy Townsend stepped down from his role as a Non-executive Director and Chair of the Audit Committee, having served as a Non-executive Director since September 2017. On the same date Marisa Cassoni, Non-executive Director and then Chair of the Remuneration Committee, assumed the role of Chair of the Audit Committee with Terry Miller, Senior Independent Director, replacing Marisa as Chair of the Remuneration Committee. Terry was previously interim Chair of the Remuneration Committee between November 2017 and February 2019.

Composition and remit

Membership of the Committee is detailed on page 56. The General Counsel & Company Secretary acts as Secretary to the Committee.

The Committee has reviewed the terms of reference and updated them to ensure that they are in line with the Code. The terms of reference of the Committee can be found on the Group's website (www.gallifordtry.co.uk) and have not been significantly changed from the previous year.

The principal authorities delegated to the Committee by the Board are:

- 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.
- Keeping the leadership and succession requirements of the Group under active review.

The principal tasks of the Committee during the financial year have been to continue the development, monitoring and oversight of succession planning processes below the Executive Board and identify potential candidates for future promotion and the steps necessary to support their ability to move forward. Succession plans developed by the business were reviewed during the year. Overall, good progress has been made in succession considerations generally across the Group, with the business taking ownership of the process and management understanding the importance of good succession and developing their teams. In addition, the Committee received updates from the HR Director in relation to the implementation of a range of inclusive and diversity-supporting initiatives within the Group.

At the financial year end, the Committee comprised a majority of independent non-executive directors, complying with provision 17 of the Code. During the financial year, the Committee prioritised the calendar of key activities and areas of focus as set out below.

Calendar of 2020/21 Committee activities and areas of focus

December 2020	Succession planning.
May 2021	Succession planning. Non-executive directors appointment review and Committee membership. Terms of reference review and approval.

Board appointments

There were no new appointments made to the Board during the financial year. Any new appointments to the Board continue to be subject to formal, rigorous and transparent procedures. The Committee oversees and advises the Board on the identification, assessment and selection of candidates for appointment to the Board.

Review of the composition of the Board

The Board evaluation process continues to assess whether the composition of the Board and mix of skills, experience, knowledge and diversity of opinion remain suitable in the context of the new structure of the Group. The composition of the Board and its Committees continues to be regularly reviewed. Given the size and simpler structure of our Group, the size and composition of the Board and Nomination Committee remain appropriate. Further details on how the Board evaluation process was conducted and its outcomes can be found on page 64.

Inclusion and diversity

The Committee remains committed to embedding inclusion and diversity at Board and executive level and generally throughout the Group. The gender balance of those in senior grades is reported in the People and culture section on page 24. Inclusion and diversity will be a key consideration when assessing the composition of the Board to ensure the development of a diverse pipeline for succession.

During the year, the Company has continued to monitor inclusion and diversity across the Group more effectively, and achieved recognition for our efforts in this area. Highlights include:

- Supporting the National Association for Women in Construction through our presence at their events, sharing best practice from our organisation and promoting opportunities in our business.
- Supporting the Leadership & Diversity Group Scotland, which focuses on best practice through collaboration in terms of the equality, diversity and inclusion agenda, through our position on the group's steering committee.
- Supplier Diversity Group – we are a member of the working party which is focused on improving inclusive behaviour, creating a more diverse industry, sharing learning and best practice.
- Maintained accreditation as a Disability Confident Employer – a Government initiative to challenge attitudes towards disability, remove barriers to disabled people and those with long-term health conditions in employment, and ensure that disabled people have the opportunities to fulfil their potential and realise their aspirations.

Other inclusion and diversity activities include a range of initiatives with direct participation from management, action plans to increase inclusivity and diversity, and access to agile working arrangements to ensure that the Group provides and offers a flexible culture, environment and working practices to suit everybody's needs. The Committee remains dedicated to retaining and attracting the best candidates and ensuring the full development of all its employees across the Group.

For further information on our approach to gender diversity, please see our People and culture section on pages 23 and 24.

Peter Ventress
Nomination Committee Chair

The Committee continues to monitor plans to develop our pipeline of diverse talent and put into place robust succession plans to ensure that our next leaders can deliver on the Group's strategy.

Peter Ventress
Nomination Committee Chair

Audit Committee report

On behalf of the Board, I am pleased to present my first report as Chair of the Audit Committee, summarising the work that has been carried out in 2020/21.

The Committee comprises independent non-executive directors. Additional details on the Committee's members can be found on page 56. Following Jeremy Townsend's departure from his role as a Non-executive Director on 30 September 2020, I assumed the role as Chair of the Committee effective from that date.

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

Composition of the Committee

The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Director of Risk and Assurance and the Director of Group Finance. The General Counsel & Company Secretary acts as Secretary to the Committee.

The Committee has continued to ensure that each Committee member has sufficient knowledge, training and expertise to contribute effectively to the work of the Committee – a key requirement of Provision 24 of the Code and the FRC's Guidance on Audit Committees.

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

Terry Miller has wide-ranging commercial experience, including construction experience from overseeing the negotiation of the construction contracts as General Counsel for the London 2012 Olympic and Paralympic Games. She also has extensive experience as a Non-executive Director and currently serves a s a Non-executive Director with two Goldman Sachs group companies and a regulated insurance company. Gavin Slark is Chief Executive Officer of Grafton Group plc, an independent company operating in the merchanting, DIY retailing and mortar manufacturing markets in Britain, Ireland and Belgium. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors.

Prior to stepping down from the Board on 30 September 2020, Jeremy Townsend had significant financial expertise gained in his previous executive and non-executive roles on various FTSE-listed company Boards, and of chairing Audit Committees in his non-executive roles. The Board remains satisfied that, as a whole, the Committee has competence relevant to the sector in which the Group operates.

The Committee considers that the 2021 Annual Report and financial statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

Remit and activities

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

The authorities and calendar of work remain in line with the requirements of the Code.

The Committee continued to monitor and review the effectiveness of our internal and external audit functions, the integrity of the financial statements, the principal and emerging risks for the Group and the effectiveness of risk management and internal controls.

Marisa Cassoni
Audit Committee Chair

The table below summarises the key activities undertaken by the Committee during the financial year. The Committee also continues to meet with internal and external audit teams, without Executive management present, in order to discuss any matters which the auditor may wish to raise in confidence.

Calendar of 2020/21 Committee activities and areas of focus

September 2020	• Contract accounting judgments. • Committee review of 2019/20 full year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process. • Review of draft 2020 annual results statement. • Risk, internal audit and whistleblowing reports. • Review of UK Corporate Governance Code.
February 2021	• Contract accounting judgments. • Committee review of 2020/21 half year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process. • Review of draft half-year 2021 results statement. • Risk, internal audit and whistleblowing reports.
May 2021	• Review and approval of the Internal Audit Plan 2021/22. • Approval of the external audit plan. • Review of Audit & Corporate Governance White Paper. • Anti-money laundering update. • Risk, internal audit and whistleblowing reports. • Review of terms of reference and Non-Audit fee policy.

FRC Audit Quality Review

We note that, as part of their normal cycle of reviews of auditors, the Financial Reporting Council (FRC) is reviewing BDO LLP's audit of the 30 June 2020 Annual Report. We met with the FRC as part of this review and will consider their findings once finalised.

Risk and internal audit

The Committee continues to review and approve the scope of work of the Risk and Internal Audit team on an annual basis, including assessing the adequacy of the team's resources.

During the financial year, the Risk and Internal Audit team has continued to focus 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. Status reports on commercial health checks, based on a sample of 12 contracts from across the business, are reported to the Audit Committee at each meeting. Projects included in commercial health checks provide a representative mix of business units, project values, current commercial performance and stage of completion.

The risks of the Group are reviewed by the Executive Risk Committee, which reports to the Executive Board and the Board. In addition, the Committee has continued to review procedures in place to identify emerging risks. The Executive Risk Committee has a standing agenda item at its meetings to review and document emerging risk themes that could have a significant impact on our business. More information about the Group's principal risks, its process of identifying and managing emerging risks, its long-term viability and its risk management systems can be found in the Risk management section on pages 36 to 40.

In line with the requirements of the Code, an annual review of the effectiveness of the Group's risk management and internal control systems is reviewed by the Board prior to the approval of the full-year results, covering all material controls, including financial, operational and compliance controls. In addition, the Director of Risk and Assurance provides an Internal Audit Report to the Audit Committee at each Committee meeting, which includes the status of audits from the agreed internal audit plan and implementation of agreed actions.

External auditor effectiveness and independence

The Company's external auditor is BDO LLP. Their appointment as auditor was approved by shareholders at the 2019 AGM, following an audit tender process undertaken in the second half of 2018. The audit plan is submitted annually and is approved by the Committee. The Committee meets privately with the auditor, and the Chair of the Committee speaks regularly with the audit partner throughout the year.

Each year, the Committee assesses the independence and effectiveness of the external audit process, which includes discussing feedback from the members of the Committee and key senior management within the Group. The Committee is satisfied that the external audit relationship is effective and that BDO LLP remained sufficiently independent in accordance with the relevant professional ethical standards.

Non-audit services

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.

There were no non-audit-related assurance services provided by BDO LLP during the financial year.

Internal control framework

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

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

Code of Conduct: the Group continues to promote a culture of acting ethically and with demonstrable integrity. Our ethical standards and approach are set out in 'Doing the right thing', our Code of Conduct. It is supported by specific training modules in key areas and its key themes and importance are communicated to new starters as part of their induction.

Contractual review and commitments: the Group has continued to maintain 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. During the year, the Group has reviewed and enhanced its procedures for the approval and sign-off of Commercial and Legal Authorities Matrices (CLAM) for specific projects.

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

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

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

Internal audit: the Risk and Internal Audit team develops and delivers an annual programme of internal audits, which includes business unit key control reviews, contract and developments commercial audits, audits of Group processes and reviews of significant change programmes.

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

Significant issues and other accounting judgments

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

Contract revenue and provisions: in conjunction with the annual audit, the Committee continued to review key judgments in respect of revenue recognition and contract provisions, in relation to certain significant long-term construction contracts.

Going concern and viability: The Committee considered other commercial and economic risks to the Group's going concern status and longer-term viability, and reported to the Board on its findings.

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

Deferred tax assets: The Committee reviewed the Group's considerations on future profitability to evaluate the judgment that it is probable the deferred tax assets are recoverable.

PPP portfolio valuation: The Committee reviewed the discount rate used to determine the fair value of each of the Group's PPP investments.

Significant transactions: the Committee has given particular consideration to the accounting for and presentation of individually significant transactions, and areas where alternative performance measures are required to ensure that the financial statements give a fair, balanced and understandable view of the Group's performance, and that statutory measures are equally clear and prominent.

Marisa Cassoni
Audit Committee Chair

Remuneration Committee report

Committee Chair's annual statement

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the financial year ended 30 June 2021. The 2021 Remuneration report is divided into three parts: this Annual Statement; the Directors' Remuneration Policy report, which sets out the Remuneration Policy (Policy) that was approved by shareholders at the 2020 AGM, describing the framework within which the Company remunerates its directors; and an Annual report on remuneration, which sets out how the Policy was applied during the year ending 30 June 2021.

The Remuneration Committee has primarily focused on addressing the challenge of the pandemic around management remuneration and implementation of the Policy approved by shareholders at the 2020 AGM. The Committee continued to apply the recommendations of the UK Corporate Governance Code insofar as they relate to remuneration, and decisions relating to remuneration matters are set out in the relevant sections of this report.

During 2020, and in response to the global pandemic, the Company implemented a temporary salary reduction for the Board and senior management while protecting our lower paid employees. From 1 May to 30 June 2020, the directors and Executive Board volunteered a 25% salary or fee reduction. Salaries and fees were reinstated to normal levels with effect from 1 July 2020. The Company made no use of the Government's Recovery Loan Scheme; however, for a limited duration, the Company used the Government's Job Retention Scheme until August 2020 and has since repaid all amounts that were claimed from the scheme during the 2020/21 financial year (£1.5m).

This report has been prepared in accordance with the relevant provisions of the Companies Act 2006, The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules.

Board and Committee changes

On 30 September 2020, Jeremy Townsend, Non-executive Director and Chair of the Audit Committee, stepped down from the Board. On the same date, Marisa Cassoni, Non-executive Director and then Chair of the Remuneration Committee, assumed the role of Chair of the Audit Committee, and I replaced Marisa as Chair of the Remuneration Committee. I was previously interim Chair of the Remuneration Committee between November 2017 and February 2019. Marisa remains a member of the Remuneration Committee and I am grateful for her support during the handover.

Remuneration Policy

The Policy was submitted to shareholders for approval at the 2020 AGM held in November 2020. It was subject to a binding vote and was approved by 99.66% of shareholders who voted. The three-year life of the Policy will expire at the 2023 AGM, where we will be required to seek approval for a new binding Policy. The Committee considers the existing Policy, which was updated in accordance with best practice, and its structure comprising base salary, pension, benefits, annual bonus and Long Term Incentive Plan (LTIP), remain appropriate. The Policy is set out in full on pages 74 to 79.

Application of Remuneration Policy in 2021/22

For 2021/22, no changes to the Policy are proposed. The key elements of how the Policy is being applied are set out below:

Base salaries: as a consequence of the Covid-19 pandemic, the 2020/21 salary review, usually undertaken in July, was deferred to April 2021. The Committee has determined that further annual salary reviews will be undertaken in April going forward. Merit-based salary increases were awarded to staff on review in April 2021, and a budget of 2.5% was provided to the Group to cover all salary increases. Bill Hocking and Andrew Duxbury's salaries have been increased by 2.0%, in line with the average increase across the workforce. Andrew Duxbury's salary review is effective 1 April 2021 and Bill Hocking's is effective 1 July 2021. The Committee continues to monitor and review pay and conditions across the Group and in line with the external market.

The principal work of the Remuneration Committee this year has been to review management remuneration against the backdrop of the pandemic and implement the Remuneration Policy approved by shareholders at the 2020 AGM.

Terry Miller
Remuneration Committee Chair

Annual Bonus Plan (ABP): no changes to metrics or structure are planned for 2021/22.

The metrics for the Annual Bonus Plan for 2021/22 are based on the 2020/21 performance metrics, which remain relevant to the Group's objectives and are in accordance with the approved Policy. Profit, cash and construction order book are key elements of business performance. However, the Committee will, during the year, review developing practices on ESG performance metrics with a view to introducing ESG metrics for the 2022/23 Annual Bonus Plan. All bonus awards will be subject to an overall Committee discretion, taking into account health and safety, ESG factors and the underlying performance of the Group.

LTIP: no changes to metrics or structure are proposed for the 2021 awards. The metrics will continue to comprise earnings per share (EPS) and average cash management.

There will be one advisory vote at the AGM in November 2021, on the Directors' Remuneration report.

Committee activities during 2020/21

The Committee met three times during the year. The key activities during the year are summarised below:

July 2020	Proposal of performance metrics for LTIP 2020 grant of awards. Update on 2019/20 annual bonus forecast, performance and proposal of 2020/21 annual bonus scheme. Determination of 2019/20 bonus payments. Long Term Bonus Plan (for roles below Executive Board level) 2020 proposal. Finalisation of 2020 Remuneration Policy review. 2020 Directors' Remuneration report.
September 2020	2020 Long Term Incentive and Bonus Plan awards. Review of 2019/20 annual bonus performance to 30 June 2020. Approval of the 2020 Directors' Remuneration report. Review of Executive Annual Bonus Plan rules. Employee Share Trust market purchase programme (Sept 2020 – March 2021).
February 2021	2020/21 Salary review outcome. Approval of the Executive Annual Bonus Plan rules. Review of Terms of Reference. Review of Employee Share Trust shareholdings.

Terry Miller
Remuneration Committee Chair

Remuneration at a glance

The following is a summary of the executive directors' remuneration in 2020/21 and proposed application of the Policy approved at the 2020 AGM.

Remuneration Policy and framework

Our approach to remuneration and our Policy are set out on pages 73 to 79 of this report. The Policy was approved by 99.66% of shareholders who voted at the 2020 AGM.

The elements of executive directors' remuneration are:

- **Fixed element:** comprises base salary, taxable benefits (such as a company car or cash equivalent allowance, private medical insurance), and a pension.
- **Variable element:** annual bonus which incentivises and rewards the achievement of stretching annual targets (both financial and non-financial) that support the Group's annual and strategic objectives, with two-thirds of any bonus earned in excess of 50% of salary required to be deferred into restricted shares.
- **Long-term element:** the LTIP incentivises the achievement of sustained long-term financial and operational performance over a three-year performance period. Any share awards that vest are subject to a two-year holding period.

Actual remuneration in 2020/21

The following table summarises the executive directors' remuneration in 2020/21:

Director	Role	Fixed remuneration[1] £000	Variable remuneration[2] £000	Total remuneration £000
Bill Hocking[3]	Chief Executive	487	540	1,027
Andrew Duxbury	Finance Director	394	366	760

1 Comprises base salary, taxable benefits and pension contributions. See page 80 for further information.
2 Comprises annual bonus awarded during the year (including deferred element). See page 81 for further information.
3 As disclosed on page 72 of the 2020 Annual Report, Bill Hocking was granted an incentive award in October 2019 relating to the successful completion of the disposal of the Group's housebuilding businesses to Vistry Group plc in January 2020. The award was granted prior to his appointment as Chief Executive and to the Board on 3 January 2020, and accordingly, he received a payment of £181,587 in December 2020 in his prior capacity as Chief Executive of the Construction Division. See page 81 for further information.

Variable pay outcomes

Annual bonus payments for 2020/21

The annual bonus payments made to the executive directors are summarised in the table below.

Director	On-target bonus (% of salary)[1]	Bonus outcome (% of salary)	Cash £000	Shares £000
Bill Hocking	100%	120%	£330	£210
Andrew Duxbury	100%	100%	£244	£122

1 Under the Policy, the maximum bonus opportunity is 120% of salary for the Chief Executive and 100% of salary for other executive directors. No more than half of the maximum opportunity is earned for target performance. See page 81 for further information.

Proposed application of the Policy in 2021/22

Element	Bill Hocking	Andrew Duxbury
Base salary	£459,000	£373,000
Pension	8% of salary	6% of salary
ABP	Maximum bonus opportunity of 120% of salary for the Chief Executive and 100% of salary for other executive directors.	
LTIP	Award of up to 150% of salary, based on performance metrics, 75% of the award is based on earnings per share (EPS) and 25% on a cash performance metric (average month-end cash as a percentage of revenue). The EPS number to be achieved in the final year of the performance period (1 July 2023 to 30 June 2024) is 17.7p. Achieving 15.9p would generate 25% vesting and 19.5p would generate 100% vesting on a straight-line basis. Average month end cash to be achieved in the final year of the performance period is 9% as a percentage of annual turnover. Achieving 8% would generate 25% vesting and 10% would generate 100% vesting on a straight-line basis. Any vested LTIP shares must be held for two years after vesting (after payment of tax).	
Malus and clawback	Malus and clawback apply at any time within a three-year period post-vesting or payment of cash bonuses in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.	

Directors' Remuneration Policy report

This report sets out the Remuneration Policy that was approved by shareholders at the 2020 AGM, describing the framework within which the Group remunerates its directors.

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

- Ensure that remuneration packages are appropriately positioned and structured to promote the long-term success of the Group, taking into account pay and conditions across the Group.
- Engender a performance culture which will position Galliford Try as an employer of choice and deliver shareholder value.
- Deliver a significant proportion of total executive pay through performance-related remuneration and in shares.
- Position performance-related elements of remuneration so that these are capable of appropriately rewarding the delivery of outstanding results and peer sector outperformance.
- Ensure that failure is not rewarded. The Policy is shaped by ESG factors, which help to determine the design of incentive structures to encourage responsible behaviour. Furthermore, recognising that even well-designed incentives cannot cater for all eventualities, should any unforeseen issues arise that would make any payments unjustifiable, the Committee can use its discretion to address such outcomes by scaling back payments. Any use of such discretion would be fully disclosed in the Annual report on remuneration.

The clawback provisions are contained within both the ABP and LTIP and facilitate the retrieval of payments made to directors and Executive management in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

How the Remuneration Policy aligns with the 2018 UK Corporate Governance Code

The Code sets out principles against which the Committee should determine the Policy for executives, as follows:

Principle	Committee approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee has continued to operate a consistent approach, which is well understood internally and by investors. Consultation with shareholders on the revisions to the Policy was undertaken before shareholder approval was sought at the AGM.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee has continued to take measures to ensure pay arrangements are balanced, simple in their design with a small number of relevant performance measures, and clearly linked to strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Incentive targets have been set which the Committee believes are stretching and achievable within the risk appetite set by the Board. Under the Policy, the Committee has discretion to override formulaic incentive outcomes if they do not accurately or fairly reflect the underlying performance of the Group. The incentive scheme recovery provisions include reputational damage or corporate failure arising from poor risk management, which ensures that malus and clawback provisions are considered to be sufficiently wide-ranging.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee has continued to maintain clear annual caps on incentive opportunities and has used its discretion where necessary.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee ensures performance metrics continue to be clearly aligned with the Group's strategy each year, maintaining an appropriate balance between base pay, short- and long-term incentive opportunities. The Committee has discretion to reward exceptional individual contributions within the limits set out in the Policy. When doing so, the Committee will have regard to governance best practice and views expressed to the Committee previously by shareholders.
Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Bonus and incentive schemes are reviewed by the Committee to ensure consistency with the Group's purpose, values and strategy.

Directors' Remuneration Policy report
continued

The full Remuneration Policy is detailed in the table below:

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Salary To provide a competitive and appropriate level of basic fixed pay, sufficient to attract, motivate and retain executive directors of high calibre, able to develop and execute the Group's strategy.	Normally reviewed annually, with any changes typically taking effect from 1 April 2021. The Committee sets salaries at competitive rates, taking into consideration pay and employment conditions across the Group, the economic environment, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels among relevant construction peers and other companies of broadly similar size and complexity. The Committee reserves the right to reduce salary levels (and has done so in the past) if the circumstances warrant it.	When reviewing salaries, both Group and individual performance are considered. While there is no prescribed maximum, the Committee's policy on salary increases for executive directors is for increases to be broadly in line with the average across the workforce, unless there is a promotion or material change in role or business circumstances, in which case increases may be higher. Salaries for the year ahead are set out in the Annual report on remuneration.
Benefits To provide cost-effective and market-competitive benefits.	Benefits provided to executive directors may include entitlements to a Group 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 an executive 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. Directors may become eligible for any new benefits introduced for the wider workforce on comparable terms.	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 Group pension contributions (or a combination of both).	The rate offered of 8% for the Chief Executive and 6% (increasing to 8% at age 50) for the Finance Director is unchanged and in line with that offered across the employee population. Any new executive director would also receive a pension contribution in line with the wider workforce.

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Annual Bonus Plan (ABP) Rewards the achievement of stretching annual goals that support the Group's annual and strategic objectives. Compulsory deferral of part of the bonus into shares provides alignment with shareholders.	Executive directors and selected senior management, subject to invitation and approval by the Committee, may participate in the Annual Bonus Plan. For executive directors, two-thirds of any bonus earned in excess of 50% of salary is required to be deferred into restricted shares. Although beneficially held by the participants, the restricted shares are legally retained by the trustee of the Galliford Try Employee Share Trust (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, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management. Any bonus payment may be 'clawed back' within a period of three years after the payment date should: i. The Company discovers that there was a material misstatement of the financial results or an error in the calculation of any performance condition, which resulted in excess annual bonus being received by the employee. ii. The Company becomes aware of any material wrongdoing on the part of an employee that would have entitled the Company to terminate the employment summarily. In these scenarios, the Committee shall be entitled to recover the balance of the overpayment from future bonus payments, unvested share awards (if any), or if all of these possibilities have been exhausted, by cash payment from the employee via deduction(s) from their salary or via bank transfer/cheque from ex-employees. Both scenarios shall repay the sum on demand. The application and extent of the clawback provision shall operate at the sole discretion of the Committee.	The maximum opportunity is 120% of salary for the Chief Executive and 100% of salary for other executive directors. No more than half of the maximum opportunity is earned for target performance. For financial elements, bonuses start to be earned from 0% of salary for achieving threshold performance. Payments are 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 Group's underlying performance during the year, taking into account factors including safety and ESG. 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, if to the benefit of the Executive management, will be detailed in the Annual report on remuneration.

Directors' Remuneration Policy report
continued

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Long Term Incentive Plan (LTIP) Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Making of annual awards aids retention.	Executive directors may be granted awards under the rules of the LTIP. The LTIP provides for awards in the form of nil or nominal cost options or conditional awards, which vest dependent on the achievement of performance conditions and continued service. Any share awards that vest (after allowing for 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, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management. Dividends may accrue on LTIP awards over the vesting and holding periods and, subject to the discretion of the Committee, be paid out either as cash or shares on vesting, in respect of the number of shares that have vested.	Performance metrics for FY21 were 75% based on earnings per share and 25% on a cash performance metric, based on average month end cash as a percentage of revenue. 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 consultation with the Group's major shareholders. The Committee may, at its discretion, acting fairly and reasonably, adjust LTIP vesting outcomes if it considers the payout is inconsistent with the Group's underlying performance over the performance period, taking into account factors including safety and ESG. 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, if to the benefit of the Executive management, will be detailed in the Annual report on remuneration. Under the LTIP rules, the maximum value that may be granted in any financial year to any individual is 150% of salary. Up to 25% of the relevant part of the award may vest for achieving threshold performance.
All-employee schemes To encourage employee share participation.	The Group may from time to time operate tax-approved share plans (such as an approved Save As You Earn (SAYE) scheme for the benefit of all staff) for which executive directors could be eligible on the same terms as other staff. A new SAYE invitation was launched in March 2021 following the announcement of the Group's half-year results.	The schemes are subject to the limits set by HM Revenue & Customs (HMRC) and may be further limited at the Committee's discretion.
Shareholding guidelines To ensure the interests of the executive directors are aligned to those of shareholders.	The Group's share retention policy requires executive directors to build and maintain a shareholding equivalent in value to at least 200% of basic salary. Executive directors are required to retain a minimum of half the after-tax number of vested share awards (deferred bonus and LTIP) until the guideline is met. On leaving the Group, executive directors are required to retain the lesser of their in-post shareholding guideline and their actual shareholding on departure for two years. This requirement applies to share awards granted to executive directors following the approval of the Policy at the 2020 AGM. The Committee will assess the guideline annually and take into account vesting levels and personal circumstances when assessing progress against the guideline.	Not applicable.

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
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 sector 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 occasion may need to recognise, for example, changes in responsibility or time commitments. Current fee levels are disclosed on page 85.

Notes to the policy table

Performance measure selection and approach to target setting

Measures used under the ABP and LTIP are reviewed annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

Targets applying to the ABP and LTIP are also reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Discretions retained by the Committee in operating incentive plans

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

The Committee will operate the ABP and LTIP according to their respective rules, the Policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans, subject to any limitations set out in the rules of the applicable plan or, in the case of executive directors, in the Policy set out above. These include (but are not limited to) the following:

- Who participates in the plans.
- The timing of grant of an award and/or a payment.
- The size of an award and/or a payment.
- The choice of (and adjustment of) performance measures, weightings and targets for each incentive plan, in accordance with the Policy set out above and the rules of each plan.
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction.
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes, based on the rules of each plan and the appropriate treatment under the plan rules.
- 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 Group's major shareholders.

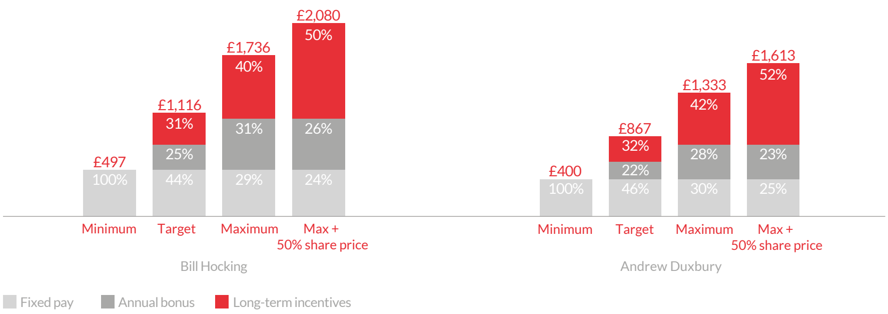
Executive director remuneration scenarios

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

- For minimum remuneration: only fixed salary, benefits and pensions payments have been included.
- For on-target remuneration: fixed salary, benefits and pension plus 50% payout of the ABP and 50% of the LTIP (face value) awards have been included.
- For maximum remuneration: fixed salary, benefits and pension plus full payout under the ABP and full vesting of the LTIP (face value) awards have been included.
- For maximum plus share price growth: same values as the maximum scenario plus a 50% increase in the value of the LTIP (face value) awards have been included.

Salary levels are based on those applying on 1 April 2021 or 1 July 2021, for the Chief Executive, and the value of taxable benefits is estimated based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2021. 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)



Directors' Remuneration Policy report
continued

Policy on recruitment

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

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

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases (potentially above the average increase across the Group), as the new appointee becomes established in the role.
Pension and benefits	In line with the policy for existing executive directors.	In line with the Policy, pension contribution rates are aligned with those offered across our employee population. Relocation expenses or allowance, legal fees and other costs relating to recruitment may be paid as appropriate.
ABP	In line with existing schemes.	Where a director is appointed part way through a financial year, different performance measures could be introduced to reflect the change in role and responsibilities. The annual bonus limit remains at 120% of base salary for a Chief Executive and 100% for other directors. Pro-rating applies as appropriate for intra-year joiners. Where an individual is appointed to the Board, different performance measures to those for continuing directors may be set for the period of time remaining in that performance year.
LTIP	In line with Group policies and LTIP rules.	An award of up to 150% of salary may be made in accordance with the Remuneration Policy table. An award may be made in the year of joining or can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

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

For internal promotions to executive director positions, the Committee's policy is for legacy awards or incentives to be capable of vesting on their original terms (which may involve participation in schemes that operate exclusively for employees below Board level) or, at the discretion of the Committee, they may be amended to bring them in 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 2021 are detailed below:

	Contract date[1]	Notice period[2,3] (months)
Non-executive directors		
Peter Ventress	3 January 2020	6
Terry Miller	3 January 2020	6
Gavin Slark	3 January 2020	6
Marisa Cassoni	3 January 2020	6
Executive directors		
Bill Hocking	3 January 2020	12
Andrew Duxbury	3 January 2020	12

1 Date shown is the director's contract as an executive or non-executive director of the Group. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointments are subject to a rolling notice period as stated. All directors will stand for re-election at the 2021 AGM.

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

3 Subject to the recommendation 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 Group's registered office and will be available for inspection at the 2021 AGM.

For executive directors, at the Group's discretion, a sum equivalent to 12 months' salary and benefits may be paid in lieu of notice. The contracts include mitigation provisions to pay any such lump sum in monthly instalments, subject to offset against earnings elsewhere. This will also be the case for any future appointments.

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

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

For 'good leavers', bonuses may be payable pro rata for the proportion of the financial year worked at the 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.

External directorships

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

Shareholder consultation

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to the Policy, where appropriate, or individual executive director salary packages. As reported in our 2020 Annual Report, the most recent consultation took place in June 2020 in connection with the Remuneration Policy which was presented to shareholders for approval at the 2020 AGM.

Wider workforce remuneration and how the views of employees have been taken into account

The Group ceased claiming the Government's Job Retention Scheme from 1 September 2020 and has since repaid all amounts that were claimed from the scheme during the 2020/21 financial year (£1.5m). During the time that the Group accessed support under the Government's Job Retention Scheme, pay for impacted employees was topped up above the minimum level of government support to protect those employees during the challenging period.

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors. Consideration is given to the overall salary increase budget and the incentive structures that operate across the Group, taking into account available market sector data obtained through benchmarking pay and benefits data, Government policies and advice from the Executive management team. The Group offers a comprehensive range of benefits which include a 28-day minimum holiday entitlement, plus the opportunity to purchase further holidays, as well as a comprehensive pension plan, a regular SAYE scheme and health insurance plan. The wider total package on offer remains competitive at all levels.

The Board engages with employees through the Employee Forum. The agenda for the Employee Forum meetings includes business updates, feedback from Employee Representatives on key topics such as reward and benefits, people and engagement initiatives, communication and wellbeing. The purpose of the Employee Forum is to:

- Provide a voice for employees and enable better engagement with the workforce.
- Strengthen the internal communication process, providing information exchange and representation of employee groups and their views.
- Act as a representative body for communication with and feedback from employees about enhancements and changes that may affect their employment.
- Seek suggestions and ideas from employees and provide feedback on developments and proposals.
- Champion change and support good governance.

The Employee Forum is chaired by Terry Miller, Senior Independent Director and Committee Chair.

Annual report on remuneration

This part of the Directors' Remuneration report sets out how the Policy was implemented over the year ended 30 June 2021. It will be put to an advisory vote at the 2021 AGM. Certain sections of the Annual report on remuneration have been subject to audit.

The Directors' Remuneration report has been prepared in accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (applying to financial years starting on or after 10 June 2019), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules. The auditor is required to report on the remuneration data disclosed in the Directors' Remuneration report section and state whether, in its opinion, that part of the report has been properly prepared in accordance with relevant provisions of the Companies Act 2006 (as amended).

Directors' remuneration and single-figure annual remuneration (audited)

The remuneration of the directors serving during the financial year under the current Policy, together with 2020 comparative figures, was as follows:

	Salary and fees £000		Taxable benefits[1] £000		Pensions[2] £000		Total fixed remuneration £000		Annual bonus £000		LTIP £000		Sharesave £000		Total variable remuneration £000		Total remuneration £000	
	2021	2020[3]	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Executive directors																		
Bill Hocking[4]	**450**	205	**1**	5	**36**	18	**487**	228	**540**	98	**–**	–	**–**	–	**540**	98	**1,027**	326
Andrew Duxbury	**367**	350	**5**	19	**22**	21	**394**	390	**366**	250	**–**	–	**–**	–	**366**	250	**760**	640
Non-executive directors																		
Terry Miller	**63**	54	**–**	–	**–**	–	**63**	54	**–**	–	**–**	–	**–**	–	**–**	–	**63**	54
Gavin Slark	**44**	42	**–**	–	**–**	–	**44**	42	**–**	–	**–**	–	**–**	–	**–**	–	**44**	42
Peter Ventress	**202**	193	**1**	1	**–**	–	**203**	194	**–**	–	**–**	–	**–**	–	**–**	–	**203**	194
Marisa Cassoni	**52**	53	**–**	–	**–**	–	**52**	53	**–**	–	**–**	–	**–**	–	**–**	–	**52**	53
Former directors																		
Jeremy Townsend[5]	**13**	50	**–**	–	**–**	–	**13**	50	**–**	–	**–**	–	**–**	–	**–**	–	**13**	50

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

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

3 In the context of Covid-19, from 1 May 2020, the executive directors and non-executive directors volunteered a temporary 25% salary and fee reduction. Normal salaries and fees were reinstated from 1 July 2020.

4 Remuneration received by Bill Hocking in respect of 2020 relates to the period from appointment as Chief Executive on 3 January 2020. As disclosed on page 72 of the 2020 annual report, Bill Hocking was granted an incentive award in October 2019 for the successful completion of the disposal of the Group's housebuilding businesses to Vistry Group plc in January 2020. The award was granted to Bill Hocking in his role prior to his appointment as Chief Executive and to the Board on 3 January 2020 and accordingly, he received a payment of £181,587 in December 2020.

5 Jeremy Townsend stepped down from the Board on 30 September 2020 and his remuneration in the table reflects the time period he served as a director.

2021 Annual bonus outcome (audited)

For the financial year ended 30 June 2021, the annual bonus measures, targets and performance against those targets are set out in the table below. Senior management was subject to similar targets, which were applied to their respective business performance. The weightings and performance targets are shown in the table below:

		Performance target				
Measure	Weighting	Threshold (% of maximum bonus)	On-target (% of maximum bonus)	Maximum (% of maximum bonus)	Actual performance	Payout % of bonus maximum
Pre-exceptional full year Group profit before tax	50.0%	£6.7m (0%)	£7.1m (25%)	£7.8m (50%)	£11.4m	50.0%
Group cash management	37.5%	(18.7%)	(18.7%)	(37.5%)	37.5%	37.5%
Construction order book	12.5%	83.0% secured (0%)	85.0% secured (6.2%)	87.0% secured (12.5%)	90% secured	12.5%
Total payout (% of maximum bonus)	**100.0%**	**18.7%**	**50.0%**	**100.0%**		**100.0%**

The Committee considered the performance of the Group in its first full financial year as a pure construction business and, notwithstanding the challenge of the pandemic, the Group achieved a strong performance against targets set at the start of the financial year. Taking into account the Group's return to profitability and resumption of dividends to shareholders, the Committee determined that the bonus level produced by the scorecard (100%) is an appropriate reward given overall performance. This treatment is consistent with that applied for all participants of the ABP. Under the approved Policy, the Committee may, at its discretion, acting fairly and reasonably, adjust bonus outcomes if it considers the payout is inconsistent with the Group's performance during the year, taking into account factors including safety and ESG. A formulaic health and safety bonus deductor, based on a health and safety matrix in force across the entire Group that could reduce bonus by specified percentages relating to the number of accidents, incidents and other reportable events. In reviewing the Group's health and safety performance, the Committee took these factors into consideration. The Group achieved an overall Accident Frequency Rate (AFR) of 0.08 for 2020/21, with seven business units achieving an AFR of zero during the year.

The Committee determined that, in respect of the year to 30 June 2021, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2020/21 (£000)	Cash (£000)	Shares (£000)
Bill Hocking	100%	120%	540	330	210
Andrew Duxbury	100%	100%	366	244	122

Two-thirds of the bonus earned in excess of the 50% of salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the allocated restricted shares are legally retained by the Employee Share Trust 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. Malus and clawback apply at any time within a three-year period post-vesting or payment of cash bonuses in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

Incentive awards made prior to Board appointment

As previously reported on page 72 of our 2020 Annual Report, Bill Hocking was granted an incentive award in October 2019 for the successful completion of the disposal of the Group's housebuilding divisions in January 2020, and prior to his appointment as Chief Executive and to the Board on 3 January 2020. He received a payment of £181,587 in December 2020.

Directors' share plan interests (audited)

Outstanding awards held by Bill Hocking and Andrew Duxbury are detailed in the table below.

Director	Plan	Date	Share price at grant	Number of awards outstanding at 1 July 2020	Granted	Vested	Lapsed	Number of awards outstanding at 30 June 2021	Value of awards vested during financial year £000	Actual or anticipated vesting date
Bill Hocking	LTIP[1]	13.03.20	£1.1554	584,213	–	–	–	584,213	–	13.03.23
	LTIP	23.09.20	£0.80	–	843,750	–	–	843,750	–	23.09.23
Andrew Duxbury	LTIP[1]	13.03.20	£1.1554	474,705	–	–	–	474,705	–	13.03.23
	ABP[2]	23.09.20	£0.8442	–	52,969	–	–	52,969	–	23.09.23
	LTIP	23.09.20	£0.80	–	685,593	–	–	685,593	–	23.09.23

1 Awards are based on a maximum percentage of salary. The number of shares shown in the table represents the maximum number of shares, ie 150% of salary.
2 In accordance with the rules of the Annual Bonus Plan, the average of the Company's closing share price for the five business days following (and including) the announcement of the annual results on 16 September 2020 was 84.42 pence.

Awards granted during the year (audited)

On 23 September 2020, the following conditional LTIP awards were made to Bill Hocking and Andrew Duxbury.

Director	Date of grant	Number of shares awarded	Basis of award	Share price used to determine level of award[1] £	Face value £
Bill Hocking[1]	23 September 2020	843,750	150% of base salary	£0.80	675,000
Andrew Duxbury[1]	23 September 2020	685,593	150% of base salary	£0.80	548,475

1 The share price used for awards made on 23 September 2020 was the closing mid-market share price of the Company on the day prior to the award.

The performance conditions attached to these awards made in September 2020 are as follows:

Date of grant	Performance conditions
September 2020	Vesting based on underlying EPS performance over the three years to 30 June 2023. Vesting of up to 75% of the award is based on underlying EPS. 25% will vest for 12.6p, increasing to 100% vesting on a straight-line basis if 15.4p is achieved. Vesting of up to 25% of the award is based on average month end cash as a percentage of annual turnover. 8% would generate 25% vesting and 10% would generate 100% vesting on a straight-line basis. Any shares which vest will be subject to a two-year post vesting holding period in accordance with the shareholder approved Remuneration Policy. Malus and clawback apply at any time within a three-year period post-vesting or payment of cash bonuses in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

Annual report on remuneration
continued

Directors' share interests (audited)

As at 30 June 2021, the directors held the following beneficial, legal and unvested ABP interests in the Group's ordinary share capital.

	Legally owned[1]				Total	% of salary held under share ownership guidelines[2]
Measure	30.6.21	30.6.20	LTIP (unvested)	Deferred bonus awards (unvested)	30.6.21	
Executive directors						
Bill Hocking	119,778	119,778	1,427,963	–	1,547,741	37%
Andrew Duxbury	24,955	2,939	1,160,298	52,969	1,238,222	29%
Non-executive directors						
Terry Miller	2,066	2,066	–	–	2,066	n/a
Gavin Slark	1,600	1,600	–	–	1,600	n/a
Marisa Cassoni	–	–	–	–	–	n/a
Peter Ventress	14,098	14,098	–	–	14,098	n/a
Former directors						
Jeremy Townsend[3]	3,333	3,333	–	–	3,333	n/a

1 Either held by the individual or connected persons.
2 Under the current Remuneration Policy, the share ownership guideline for executive directors is 200% of base salary. Bill Hocking and Andrew Duxbury were appointed as Chief Executive and Finance Director on 3 January 2020 and 26 March 2019, respectively, and are still building up to the guideline level.
3 The shareholdings of Jeremy Townsend are based on the number of shares held at the time of leaving the Group on 30 September 2020.

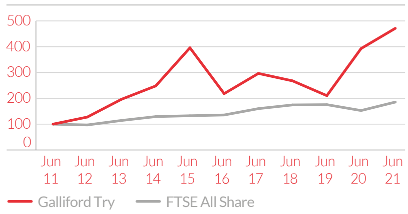
There were no changes in the directors' interests from 30 June 2021 to the date of this Annual Report.

Performance graph

The graph shows the TSR for Galliford Try shares over the past 10 financial years. It shows the value to 30 June 2021 of £100 invested in Galliford Try on 30 June 2011 compared with the value of £100 invested in the FTSE All-Share Index, this being a broad-market index of which the Company has been a constituent over the full period shown.

The closing mid-market quotation for the Company's shares on 30 June 2021 was £1.407. The high and low during the year were £0.70 and £1.474.

Total Shareholder Return
Value (£) (rebased)



Source: Datastream from Refinitiv

The total gross remuneration of the Chief Executive and the percentage achieved of the maximum ABP and LTIP awards are shown in the table below for the past 10 financial years.

	Year ended 30 June										
	2012	2013	2014	2015[1]		2016	2017	2018	2019[2]	2020[3]	2021
					Chairman	Chief Executive					
Total remuneration (£000)	2,468	4,114	3,212	2,811	1,262	1,461	1,043	1,448	824	660	**1,027**
Annual bonus (% of maximum)	88%	94%	97%	79%	74%	74%	46.3%	86.5%	57.0%	36.7%	**100.0%**
LTIP (% of maximum)	93%	87%	63%	63%	47%	–	16.5%	36.6%	16.5%	–	–

1 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. Peter Truscott stepped down as Chief Executive and from the Board on 26 March 2019.
2 Graham Prothero was appointed Chief Executive on 26 March 2019, succeeding Peter Truscott. He stepped down from the Board and as Chief Executive following the successful completion of the sale of the housebuilding divisions to Vistry Group plc on 3 January 2020.
3 Bill Hocking was appointed Chief Executive on 3 January 2020. A full-year remuneration figure based on the aggregate paid to Bill and Graham is shown here to aid comparison.

Payments for loss of office to former directors (audited)

As previously reported on page 73 of our 2020 Annual Report, Graham Prothero, former Chief Executive of Galliford Try, left the Group with effect from 3 January 2020 following the successful completion of the sale of the housebuilding divisions to Vistry Group plc. Payment of his pro-rata 2019/20 bonus for the period up to 31 December 2019 was subject to the finalisation of the corporate transaction closing adjustment. The Company finalised the closing adjustment with Vistry Group plc in September 2020, and accordingly, a bonus payment of £64,189 was made to Graham Prothero in November 2020.

CEO pay ratios

Under Option B (gender pay data), three employees have been identified as the best equivalents to represent the lower, median and upper quartiles. Option B provides a clear methodology involving fewer adjustments to calculate full-time equivalent earnings.

Year	Method	CEO single figure	All UK employees	Lower quartile	Median	Upper quartile
2019/20	Option B	£660,587	Ratio	24:1	15:1	9:1
			Total pay	£27,407	£43,165	£74,351
			Salary	£25,500	£35,249	£61,057
2020/21	Option B	£1,026,671	Ratio	27:1	19:1	14:1
			Total pay	£37,399	£54,374	£73,385
			Salary	£36,134	£43,781	£66,927

To allow a comparison to be made to 2019/20, the components of employee remuneration used to calculate each of the pay ratios in the table above were salaries, bonus, taxable benefits and pension contributions. As required by the Companies (Miscellaneous Reporting) Regulations 2018, we will build this analysis over a 10-year reporting period.

Compared to 2020/21, there were increases in all three ratios reflecting the fact that a greater proportion of the Chief Executive's total reward is linked to annual performance through a higher annual bonus opportunity than that of the average employee (of which a percentage is subject to deferral into restricted shares). The Committee is comfortable that the resulting calculations are representative of pay levels at the respective quartiles and that the applicable relativities are appropriate given the profile of the workforce.

Percentage change in remuneration of executive directors and non-executive directors

The table below shows the percentage change in salary or fee, taxable benefits and annual bonus of each individual director in respect of the financial years ended 30 June 2020 and 30 June 2021:

	Year ended 30 June					
	2021			2020		
	Salary change[1]	Benefits change[2]	Bonus change	Salary change[6]	Benefits change	Bonus change
Executive directors						
Bill Hocking[3,4]	**119.5%**	**(85.5)%**	**449.8%**	n/a	n/a	n/a
Andrew Duxbury	**4.9%**	**(70.9)%**	**46.5%**	273%	226%	369%
Non-executive directors						
Peter Ventress	**5.0%**	**n/a**	**n/a**	(1.3)%	n/a	n/a
Terry Miller	**15.3%**	**n/a**	**n/a**	(1.3)%	n/a	n/a
Gavin Slark	**5.0%**	**n/a**	**n/a**	(1.3)%	n/a	n/a
Marisa Cassoni	**(1.1)%**	**n/a**	**n/a**	49.3%	n/a	n/a
Former directors						
Jeremy Townsend[5]	**(73.9)%**	**n/a**	**n/a**	(1.2)%	n/a	n/a
P50 median employee	**24.2%**	**4.5%**	**50.0%**	(1.2)%	0.6%	–

1 Salaries for the executive directors were increased by 2.0% with effect from 1 April 2021 (Andrew Duxbury) and 1 July 2021 (Bill Hocking). Fees for the non-executive directors (including the Chairman) were increased by 2.5% with effect from 1 April 2021. The salary increases shown in the table above were also inclusive of the reinstatement of salary and fees to normal levels with effect from 1 July 2020, following the voluntary reduction referred to in note 6 below.

2 Benefits received include pension contributions (or cash equivalent), company car (or equivalent cash allowance), and private medical insurance. Executive directors and senior management, subject to invitation and approval by the Committee, may participate in the ABP and LTIP.

3 Bill Hocking was appointed as Chief Executive on 3 January 2020. As such, the percentage increase numbers shown above compare his salary, benefits and bonus for the full financial year ended 30 June 2021 against a five-month period in the prior financial year (ie 3 January 2020 to 30 June 2020). The percentage increase numbers are therefore misleadingly high. If a comparison is made against a full prior financial year and Bill Hocking had been employed as a director for the full year, the percentage changes for Bill Hocking's salary, benefits and bonus (including elements of salary and bonus awards earned in his former role as Chief Executive of Construction & Investments) would be 4.3% for salary, (94.8)% for benefits and 93% for bonus.

4 As disclosed on page 81, Bill Hocking was granted an incentive award in October 2019 for the successful completion of the disposal of the Group's housebuilding businesses to Vistry Group plc in January 2020. The award was granted prior to his appointment as Chief Executive and to the Board on 3 January 2020. He received a payment of £181,587 in December 2020.

5 Jeremy Townsend stepped down from the Board on 30 September 2020.

6 As reported on page 74 in our 2020 Annual Report, as a consequence of the Covid-19 pandemic, the Board volunteered a temporary salary/fee reduction of 25% of base salary/fee from 1 May 2020. Salary and fees were reinstated to normal levels with effect from 1 July 2020.

To allow for comparison, the Committee has elected to compare the total remuneration of the P50 median employee (median) from this year (2020/21) to that used last year. The Committee continues to ensure that the wider total package on offer to employees remains competitive at all levels.

Annual report on remuneration
continued

Relative importance of spend on pay

	2019/20	2020/21	Change
Total overall spend on pay (£m)	188.8	**165.3**	(12.4)%
Dividends (£m)	–	**5.2**	100%
Share buyback (£m)	–	–	–
Group corporation tax credit/(charge) (£m)[1]	6.8	**(1.0)**	£(7.8)m
Effective tax rate (%)[1]	11.4	**8.8**	(2.6) ppts

1 Pre-exceptional measures for 2019/20.

The equivalent total overall spend on pay in 2020/21 is disclosed in note 5 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £62,100 per annum for the year ended 30 June 2021 (2020: £61,100).

Composition of Remuneration Committee and attendance

Membership of the Committee is detailed on page 56. Aside from the Chair, Terry Miller, the other members were Marisa Cassoni, Gavin Slark and Peter Ventress. The General Counsel & Company Secretary acts as Secretary to the Committee. The Chief Executive has a standing invitation to attend all Committee meetings, although each meeting commences with the non-executive directors meeting without Executive management present. No director nor the General Counsel & Company Secretary is present when his or her own remuneration is being considered.

The Committee is governed by formal terms of reference agreed by the Board and is composed solely of non-executive directors. The terms of reference were reviewed during the year and are available on the Group's website (www.gallifordtry.co.uk).

Remuneration advice and advisers

The Committee is informed of key developments and best practice in the field of remuneration and regularly obtains advice from independent external consultants, when required, on individual remuneration packages and on executive remuneration practices in general. Mercer Limited (Mercer) remained as the Committee's remuneration consultant throughout the year. Fees paid to Mercer during the financial year were £26,250 (2020: £79,907).

Mercer does not provide any other services to the Group, although Mercer is part of Marsh & McLennan Companies, a subsidiary of which Marsh JLT Specialty Limited provides insurance broking services to the Group. The Committee is satisfied that these services do not impinge on the independence of Mercer. Furthermore, Mercer is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial.

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

Employee Share Trust and dilution

The Employee Share Trust (EST) is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. Following the announcement of the 2020 final year results in September 2020, the EST entered into a six-month trading plan with the Company. The EST instructed Peel Hunt LLP to acquire ordinary shares of 50 pence each in the Company for the Trust. Purchases were made at the best price and limited to 250,000 shares in any single calendar month. The shares are to be used to satisfy potential future vesting(s) to be made to employees under the various executive share incentive schemes.

As at 30 June 2021, the EST held 1,721,603 ordinary shares in the capital of the Company (1.55%) (2020: 221,603 shares). Under the terms of the Trust Deed, the Trust may only hold up to a maximum of 5% of the issued shares in the Company.

As reported on page 76 of the 2020 Annual Report, following the completion of the sale of the housebuilding divisions to Vistry Group plc in January 2020, the EST received one new share in Galliford Try Holdings plc for every share held in Galliford Try plc and 0.57406 shares in Vistry Group plc for every share held in Galliford Try plc. During the 2020/21 financial year, the EST sold 14,132 Vistry Group plc shares for £183,000 cash, which is available to purchase new Galliford Try shares in the market to satisfy future awards that may vest under the executive share schemes.

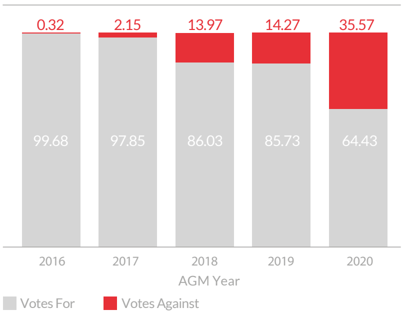
During the financial year, no new shares were issued arising from share scheme-related activities under the SAYE share option scheme. As at 30 June 2021, the total number of shares outstanding under the SAYE share option scheme was 1,989,993. The Group has complied with the dilution guidelines of the Investment Association (Guidelines).

Applying the Guidelines, the Group has 8.21% headroom against the 10% in 10 years' rule and, on the basis that the Group's practice is that all awards granted pursuant to discretionary plans are satisfied using shares purchased in the market, 5% headroom against the '5% in 10 years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration report

The Committee takes account of annual shareholder voting trends in connection with the Directors' Remuneration report. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration report during the past five AGMs are included in the chart below.

Votes cast
(%)



In 2020, 35.57% of the votes cast were against the Directors' Remuneration report. The proportion of votes withheld were 58,078 shares (0.10%). The Board understands that shareholders' concern was the Finance Director's 2019/20 annual bonus, where 50% was based on the successful completion of the disposal of the Group's housebuilding divisions in January 2020. While appreciating the view of many shareholders that transaction-focused measures should not be regularly included in executive director incentives, the Committee's decision to base half of the Finance Director's 2019/20 annual bonus on the successful completion of the disposal reflected that this transformational corporate transaction represented a significant focus of the Finance Director's duties and responsibilities in the 2019/20 financial year. In making the award in respect of the disposal, the Committee carefully considered the one-off nature of the transaction in the context of the Finance Director's wider contribution and the underlying performance of the Group. This decision was permitted under the remit of the Committee and the Company's Remuneration Policy in force at the time of granting the bonus award.

The Board will continue to engage with shareholders to ensure their views are fully understood and considered and can be taken into account by the Committee in the future.

The current Policy was approved by 99.66% of shareholders who voted at the 2020 AGM.

Forward-looking implementation of Policy

Base salaries

The 2020/21 salary review was completed in April 2021. The Committee carefully scrutinised pay and conditions across the Group. Against a backdrop of market conditions, sector peer group comparisons and overall performance of the Group, the overall pay budget increased to 2.5%. With effect from 1 April 2021, Andrew Duxbury was awarded an annual salary increase of 2.0%, taking his annual salary from £365,650 to £373,000. Additionally, and with effect from 1 July 2021, Bill Hocking's annual salary increased from £450,000 to £459,000, an increase of 2.0%. These increases are no higher than the average pay increase across the workforce.

ABP

For the financial year to 30 June 2022, the Committee has determined that the existing bonus structure remains appropriately aligned to corporate strategy. It will therefore remain in its current form, with an opportunity of 120% of salary for the Chief Executive, and 100% for other executive directors.

Bonus outcomes will be subject to overall Committee discretion taking into account factors including safety, ESG and the underlying performance of the Group. The Committee will review ESG annual bonus objectives aligned to the Group's strategy on ESG, with a view to introducing appropriate ESG objectives in 2022/23. Malus and clawback apply at any time within a three-year period post-vesting or payment of cash bonuses in circumstances of error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

LTIP

Any award granted to the executive directors in 2021 will be within the current approved Remuneration Policy and based on performance metrics comprising 75% based on earnings per share and 25% on a cash performance metric, based on average month end cash as a percentage of revenue.

Performance measures applied over a three-year performance period to 30 June 2024 are:

- 25% of the EPS element will vest if underlying EPS is 15.9p, increasing to 100% vesting on a straight-line basis if 19.5p is achieved.
- 25% of the cash element will vest if average month end cash is 8% of revenue, increasing to 100% vesting on a straight-line basis if 10% is achieved.

Any shares which vest will be subject to a two-year post-vesting holding period in accordance with the shareholder approved Remuneration Policy.

Chairman and non-executive fees

The Committee determined that the Chairman's fee for 2021 be increased by 2.5% with effect from 1 April 2021. In addition, and following a review of the non-executive directors' fees by the Board, it was agreed that the non-executive directors' fees would increase by 2.5% from 1 April 2021.

Accordingly, the annual fees effective from 1 April 2021 are as follows:

	2021	2020[2]	Increase %
Chairman[1]	**£206,128**	£201,100	2.5%
Non-executive directors			
Base fee	**£44,690**	£43,600	2.5%
Additional fees:			
Senior Independent Director	**£4,459**	£4,350	2.5%
Chairs of Board Committees	**£8,405**	£8,200	2.5%
Chair of Employee Forum and Stakeholder Steering Committee	**£8,405**	£8,200	2.5%

1 Peter Ventress received no benefits in connection with his position as Chairman, other than membership of the Group's medical insurance plan.
2 As reported in our 2020 Annual Report, the Chairman and non-executive directors voluntarily reduced their fees by 25% with effect from 1 May to 30 June 2020. Salaries and fees were reinstated to normal levels with effect from 1 July 2020.

For and on behalf of the Board

Terry Miller
Remuneration Committee Chair

16 September 2021

Directors' report

The directors present their Annual Report and audited financial statements for the Group for the financial year ended 30 June 2021.

Principal activities

Galliford Try is a trading name of Galliford Try Holdings plc, a leading UK construction group which is listed on the London Stock Exchange. Operating as Galliford Try and Morrison Construction, the Group carries out building and infrastructure projects with clients in the public, private and regulated sectors across the UK. Galliford Try Holdings plc, registered in England and Wales with company number 12216008, is the Parent Company of the Group. More detailed information regarding the Group's activities during the year under review, and its prospects, is provided in the Strategic report on pages 2 to 53. The principal subsidiaries and joint ventures operating within the Group's businesses are shown in note 33 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 2 to 53.

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

In accordance with section 414CZA of the Companies Act 2006, the Strategic report also contains a section 172 (1) statement describing how the directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172. Please refer to pages 50 to 53.

The Corporate governance report on pages 54 to 66 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

The Annual Report and financial statements use financial and non-financial key performance indicators wherever possible and appropriate.

Results, dividends and capital

The profit for the year before income tax was £11.4m, as shown in the consolidated income statement on page 97. On 4 March 2021, the Board declared an interim dividend of 1.2p per share which was paid to shareholders on 9 April 2021. The Board is recommending a final dividend of 3.5 pence per share which, subject to approval will be paid on 10 December 2021 to shareholders on the register at 12 November 2021. Together with the interim dividend of 1.2 pence per share paid in April, this will result in a total dividend for 2021 of4.7 pence per share. Dividend cover is expected to be in the range of 2.0–2.5 times earnings.

Please refer to page 6 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50p. The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the Main Market of the London Stock Exchange. At 30 June 2021, the Company had 111,053,489 ordinary shares in issue. Votes may be exercised at general meetings of the Company by members in person, by proxy or by corporate representatives (in relation to corporate members). The Articles of Association of the Company (the Articles) provide a deadline for the submission of proxy forms (electronically or by paper) of not less than 48 hours, taking no account of any part of a day that is not a working day, before the time appointed for the holding of the general meeting or the adjourned meeting (as the case may be).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities will expire at the AGM. Resolutions to be proposed at the 2021 AGM will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of 2021 AGM sent separately to shareholders. During the year, 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 Employee Share Trust (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 UK Market Abuse Regulation. In certain specific circumstances, the directors are permitted to decline to register a transfer in accordance with the Articles. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of shares in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or voting rights.

There are no shares carrying specific rights with regard to control of the Company, with the exception that the EST holds shares in the Company in connection with Group share plans, which have rights with regard to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of any shares so held. The EST currently holds 1.55% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards.

Articles of Association

The Articles, adopted on 5 November 2019, 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 a general meeting. Amendments to the Articles require the approval of shareholders in a general meeting expressly by way of special resolution. Copies of the Articles are available by contacting the General Counsel & Company Secretary at the registered office.

Significant direct and indirect holdings

As at 16 September 2021, being the date of this Annual Report, the Group had been made aware, pursuant to the FCA's Disclosure Guidance and Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
Premier Miton Group plc	13,478,603	12.13
Standard Life Aberdeen plc	6,436,890	5.80
Aberforth Partners LLP	5,857,304	5.27
J O Hambro Capital Management Limited	5,738,929	5.17
Ameriprise Financial Inc.	5,734,661	5.16
Dimensional Fund Advisors LP	5,552,697	4.97
Brewin Dolphin Ltd	5,169,266	4.66

Change of control provisions

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

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

Directors' interests and indemnities

Summary biographies of the directors of the Company as at 30 June 2021 are on page 56. As reported in our 2020 Annual Report, Jeremy Townsend stepped down from the Board on 30 September 2020, having served as a Non-executive Director since September 2017. There were no other changes to the Board during the year. The interests of the directors in the share capital of the Company are set out in the Annual report on remuneration on page 82 and details of executive directors' service contracts and non-executive directors' letters of appointment can be found in the Directors' Remuneration Policy report on page 78.

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

Employees

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

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

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

Details of where to find information regarding the Group's employees, remuneration policies, employment practices and employee involvement are provided in the Directors' Remuneration Policy report on pages 73 to 79. Details of where to find information on other matters of importance to stakeholders such as environmental, social and community matters, human rights and anti-corruption, related policies and their impact can also be found in the Strategic report.

Significant agreements

There are no persons with whom the Group has contractual or other arrangements which are essential to its business.

Charitable and political donations

For information regarding charitable donations made through employees volunteering or donation of materials, please refer to the Strategic report on page 33.

It is Group policy to avoid making political donations of any nature and accordingly none were made during the financial year. The Group notes the wide application of Part 14 of the Companies Act 2006, but does not consider the 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 29 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 subcontractors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. The Group remained a signatory to the Prompt Payment Code throughout the financial year which contains, among other things, commitments to pay suppliers within agreed contract terms.

Financial instruments

Further information regarding the Group's financial instruments, including interest rate hedges, related policies and a consideration of its liquidity and other financing risks, can be found in the Financial review from page 42 and in note 24 to the financial statements.

Important developments during the year

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2021.

Directors' report
continued

Going concern

In accordance with the Financial Reporting Council's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies published in 2009, the requirements of the Code and Listing Rule 9.8.6(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. 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 Group'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 reappointment of BDO LLP as auditor of the Group, at a rate of remuneration to be determined by the Audit Committee.

AGM

The 2021 AGM will be held at Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT on Friday 12 November 2021 at 11.00am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Further information on arrangements for the AGM and voting instructions will be set out fully in the Notice of AGM and Form of Proxy.

Fair, balanced and understandable

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

Approval of report

This Directors' report, the Strategic report, on pages 2 to 53, and the Corporate Governance report and Directors' Remuneration report, on pages 70 to 85, were approved by the Board of Directors on 16 September 2021.

For and on behalf of the Board

Kevin Corbett
General Counsel & Company Secretary

16 September 2021

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 that law, the directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Directors' report, a Strategic report and Directors' Remuneration report which comply with the requirements of the Companies Act 2006.

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

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, position, business model and strategy.

Each of the directors, whose names and functions are listed on page 56, confirms that to the best of their knowledge:

- The Parent Company financial statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the Parent Company.
- The Annual Report and Accounts includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Group's auditors are aware of that information.

For and on behalf of the Board

Bill Hocking
Chief Executive

16 September 2021

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 auditors' report
to the members of Galliford Try Holdings plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Galliford Try Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, balance sheets, consolidated and company statements of changes in equity, statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the members on 13 November 2020 to audit the financial statements for the year ended 30 June 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ending 30 June 2020 to 30 June 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the appropriateness of the Group's cash flow forecasts in the context of the Group's secured ongoing contracts, the secured new work and forecast potential work which were agreed to the Board approved forecasts.
- We evaluated the directors' downside sensitivities including delays to construction resulting in reduced volume of work, impact of materials and labour price inflation as well as the cash impact of a potential further lockdown where construction may be paused.
- We assessed the actual cash performance against forecast for current financial year and post year end to evaluate the directors' accuracy and achievability of the forecasts prepared.
- We evaluated the monthly cash position during the financial year and post year end.
- We evaluated the adequacy of the disclosures within the Directors' report in relation to the specific risks posed, the scenarios the directors have considered and conclusions made.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	92% (2020: *%) of Group profit before tax		
	97% (2020: 96%) of Group revenue		
	99% (2020: 96%) of Group total assets		
Key audit matters		**2021**	2020
	Revenue and profit recognition for construction contracts	✓	✓
	Recognition and recoverability of claims and variations	✓	✓
	Revenue and profit recognition for housing developments		✓
	Accounting for the disposal of Linden Homes and Partnerships & Regeneration		✓
	Impairment of goodwill		✓
	Going concern		✓
	Revenue and profit recognition for housing developments and the accounting for the disposal of Linden and Partnerships are no longer considered to be key audit matters because the Linden and Partnerships divisions were disposed in the prior period.		
	Impairment of goodwill is no longer considered to be a key audit matter because the CGUs have returned to profitability.		
	Going concern is no longer considered to be a key audit matter because the Group has returned to profitability, has significant cash reserves and no debt.		
Materiality	Group financial statements as a whole		
	£1.5m (2020: £2.6m) based on 0.14% (2020: 0.15%) of revenue		

1 These are areas which have been subject to a full scope audit by the group engagement team.

* Due to the profit on disposal and the losses in certain significant components, it is not feasible to present a meaningful comparison of the coverage of the prior year profit.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

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

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgment in the financial results.

All of the Group's five significant components were subjected to full scope audits for Group purposes. Due to the requirements of statutory audits for the insignificant components, full scope audits were also performed concurrently with the group audit. All components are located in the UK and were audited by the Group audit team.

Independent auditors' report
continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue and profit recognition for construction contracts	
Note 1 on page 103 to the financial statements gives further detail regarding the estimates and judgments made by the Group in this regard. Note 1 on page 104 to the financial statements provides the accounting policy for construction services. For the majority of long term contracts, the Group recognises revenue over time and measures progress based on the input method by considering the costs incurred to date, relative to the total estimated forecast costs applied to the estimated forecast revenue. This is considered a significant audit risk as the stage of completion, forecast value and forecast costs on contracts are areas of significant judgment. These judgments have a consequential impact on a number of contract balances within the financial statements including the related judgments and estimates disclosures. Having considered the above we determined that contract revenue and other related contract balances have an inherent high degree of estimation uncertainty with a potential range of estimation uncertainty higher than our Group materiality.	We obtained an understanding of and evaluated management's processes and controls for ensuring contracts meet the requirements of IFRS 15. We focused our work on those contracts with the greatest estimation uncertainty and challenged the judgments made with the project teams as well as senior operational, legal, commercial and financial management. On each contract selected, we specifically challenged and critically assessed the explanations provided by management and carried out the following detailed testing; • Obtaining an understanding of the contract and its particulars. • Agreeing forecast revenue to contractual agreements, supplemental agreements and agreed variations. • Reconciling revenue recognised with amounts applied for and amounts certified by clients, agreeing the amounts received to bank. • Reperforming the key calculations behind the margin applied, the profit taken and the stage of completion, as well as balance sheet exposure. • Testing a sample of accrued costs. • Corroborated a sample of forecast costs for significant subcontractor packages to documentary evidence and challenged management when subcontractor projected final accounts significantly differed from the amount included in the contract forecast. • Compared the % procured to the forecast costs and challenged management where there are substantial costs yet to procure as this presents a greater risk. We corroborated a sample of un-procured subcontractor costs to documentary evidence. • Assessing the recoverability of balance sheet items by comparing to external certification of the value of work performed. • Holding discussions with management to understand and challenge other areas of judgment taken including anticipated completion date and impact of any delays, whether there are any disputes with third parties on the contract and the reason for any movements in forecasts from tender to 30 June 2021. We obtained corroborating evidence for the explanations provided. • Where appropriate, reviewing legal correspondence and expert advice obtained in respect of the judgments and where necessary speaking directly with management's experts who had provided this advice. We carried out targeted testing on the remaining population which includes comparing the revenue recognised to amounts certified or final accounts where applicable. From the specific contract information reviewed for these contracts, we considered whether there was an indication of risks within the contract such as delays and un-procured costs for which we then performed additional procedures to address the risk. We visited a sample of sites across the business. We inspected the physical progress of the sites and discussed progress with personnel working on the specific sites. We assessed the reliability of management's estimates by reviewing the fluctuations in budgeted end of life margin from 30 June 2020 to 30 June 2021 for projects that are substantially completed at the year-end as well as from tender to the 30 June 2021 for all contracts. We considered the adequacy of the disclosures in the financial statements in relation to specific contracts and also the disclosures in respect of significant judgments and estimates. Key observations: We consider that the estimates and judgments made by management in respect of revenue recognition and the associated disclosures are appropriate.

Key audit matter	How the scope of our audit addressed the key audit matter
Recognition and recoverability of claims and variations	
Note 1 on page 103 to the financial statements gives further detail regarding the estimates and judgments made by the Group in this regard. Note 1 on page 104 to the financial statements provides the accounting policy for construction services. In a number of the Group's projects there are assumptions of amounts contractually due from customers, and contract assets can include variations and claims which are not yet certified or formally agreed but have been assessed as highly probable of not reversing under IFRS 15. The Group has submitted claims of £95m and recognised significant recoveries in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. The Group has been successful in adjudications on these projects and has assumed recoveries from these claims. The parties have agreed that the claim will be resolved through an arbitration process that is currently underway. The assessment of revenue that is highly probable that there will not be a significant reversal requires judgment. Similarly, the assessment of the expected credit loss as regards contract assets is judgmental. There is a risk these significant judgments and estimates are not adequately disclosed. In addition there are some downstream claims against third parties other than customers which are only recognised once they are considered to be 'virtually certain' of recoverability, in accordance with IAS 37. These assumptions impact revenue recognised on these contracts, as well as contracts assets balances.	We challenged management's forecasts, in particular the key assumptions, which included the expected recovery of variations, claims and compensation events from clients, to determine the basis on which the associated revenue was considered to be 'highly probable of not reversing'. We considered the adequacy of provisions held based on our understanding of the contracts, meetings with in-house counsel and review of key project correspondence. In respect of the three contracts with entities owned by a major infrastructure fund, we assessed the adjudication results obtained and evidence of the recovery on instructed variations previously agreed on those contracts. We assessed the reconciliation between management's assessment of the claim and the contract asset recorded in the financial statements as highly probable of not reversing and obtained explanations for the difference between these positions. We challenged management's assessment of the revenue constraint on the basis of this analysis and the recoveries from previous adjudications and agreed variations on these contracts. We assessed the evidence supporting the claims submitted including meeting with management's internal and external legal and other experts regarding the claims. This followed a review of the correspondence to date, including the most recent correspondence as regards the ongoing arbitration. We obtained management's previous legal advice regarding the basis of the contract terminations and the financial and ownership status of the parties with whom the Group was contracted. We met with management's external legal counsel numerous times throughout the year. We challenged whether management's assessment of the revenue constraint remained appropriate, also considering the passage of time. We obtained and challenged management's assessment of IFRS 9 expected credit loss in respect of these contract assets. We challenged this assessment based on the most recently filed annual report of the immediate parent and investor in these entities. We assessed the disclosures included in the financial statements in respect of these infrastructure contracts, including whether they convey the estimates involved and judgments taken by management. We also challenged those assumptions in respect of estimated recoveries from subcontractors, designers, and insurers included in the forecast, to determine whether these could be considered 'virtually certain' of recoverability. We assessed the evidence provided by management regarding recovery of these amounts to evidence of agreement with customers or insurance reserves provided by the insurers. Key observations: We consider that the estimates and judgments and associated disclosures made by management in respect of revenue recognition and downstream claims are reasonable.

Independent auditors' report
continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2021 £m	2020* £m	**2021 £m**	2020 £m
Materiality	1.5	2.6	1.4	1.5
Basis for determining materiality	0.14% of turnover	0.15% of turnover	95% of Group materiality	95% of specific materiality
Rationale for the benchmark applied	See below	See below	See below	See below
Performance materiality	65%	65%	65%	65%
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's overall control environment and history of adjustments, our judgment was that overall performance materiality for the Group should be 65% of materiality			

* In the year ended 30 June 2020 financial statement materiality was set at £2.6m due to the impact of the disposal of Linden Homes and Partnerships & Regeneration. We set a lower specific materiality of £1.6m for the continuing business based upon 0.15% of the turnover for the continuing business.

Rationale for the benchmark applied

On an ongoing basis and in previous years an adjusted measure of profit before tax has been the basis which users of the financial statements would be interested in and which has been used as the basis of materiality.

We adjusted this basis in the prior year due to previous losses incurred by the continuing businesses and the continuing impact of Covid-19 on the business. As the Group continues to return to profitability, we have considered what would be a stable basis of operations and have benchmarked to other peers materiality as a proportion of revenue. Based on this we have set Group materiality at 0.14% (2020: 0.15%) of Group revenue.

Component materiality

We set materiality for each component of the Group based on a percentage of between 5% and 95% (2020: 5% and 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.1m to £1.35m (2020: £0.3m and £2m). In the audit of each component, we further applied performance materiality levels of 65% (2020: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000 (2019:£52,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 88; and • The directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 41.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 88; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 36; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and • The section describing the work of the audit committee set out on page 68.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent auditors' report
continued

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We designed audit procedures at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and tax legislation.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of Board and committee meeting minutes, enquiries with management, enquiries of in-house legal counsel and we considered the adequacy of controls around procurement fraud.

There are inherent limitations in the audit procedures described above and, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors within the significant judgments and estimates that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 September 2021

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

Consolidated income statement
for the year ended 30 June 2021

	Notes	2021 Total £m	2020 Pre-Exceptional items £m	2020 Exceptional items (note 4) £m	2020 Total £m
Revenue	3	**1,124.8**	1,089.6	32.0	1,121.6
Cost of sales		**(1,049.7)**	(1,085.9)	(6.3)	(1,092.2)
Gross profit		**75.1**	3.7	25.7	29.4
Administrative expenses		**(67.1)**	(68.0)	(0.6)	(68.6)
Operating profit/(loss)		**8.0**	(64.3)	25.1	(39.2)
Share of post tax profits/(losses) from joint ventures	16	**0.5**	(0.2)	–	(0.2)
Finance income	6	**4.1**	5.8	–	5.8
Finance costs	6	**(1.2)**	(1.0)	–	(1.0)
Profit/(loss) before income tax	7	**11.4**	(59.7)	25.1	(34.6)
Income tax (expense)/credit	8	**(1.0)**	6.8	(4.8)	2.0
Profit/(loss) from continuing operations for the year		**10.4**	(52.9)	20.3	(32.6)
(Loss)/profit from discontinued operations, net of income tax for the year	34	**(2.7)**	353.0	–	353.0
Profit for the year		**7.7**	300.1	20.3	320.4
Earnings/(loss) per share					
Basic					
— Profit from continuing operations attributable to ordinary shareholders	10	**9.5p**	(47.7)p		(29.4)p
— Profit attributable to ordinary shareholders	10	**7.0p**	270.9p		289.2p
Diluted					
— Profit from continuing operations attributable to ordinary shareholders	10	**9.1p**	(47.7)p		(29.4)p
— Profit attributable to ordinary shareholders	10	**6.8p**	270.9p		289.2p

There were no exceptional items in the year.

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

Consolidated statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 £m	2020 £m
Profit for the year		**7.7**	320.4
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations – discontinued operations		–	2.0
Total items that will not be reclassified to profit or loss		–	2.0
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges:			
— Movement arising during the financial year – discontinued operations		–	0.8
— Reclassification adjustments for amounts included in profit or loss – discontinued operations		–	(0.4)
Movement in fair value of PPP and other investments – continuing operations	17	7.3	(1.8)
Deferred tax on items recognised in equity that may be reclassified – discontinued operations		–	(0.1)
Total items that may be reclassified subsequently to profit or loss		7.3	(1.5)
Other comprehensive income for the year net of tax		7.3	0.5
Total comprehensive income for the year		**15.0**	320.9

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

Balance sheets

	Notes	Group 30 June 2021 £m	Group 30 June 2020 £m	Company 30 June 2021 £m	Company 30 June 2020 £m
Assets					
Non-current assets					
Intangible assets	11	**5.7**	7.8	**–**	–
Goodwill	12	**77.2**	77.2	**–**	–
Property, plant and equipment	13	**4.4**	3.8	**–**	–
Right-of-use assets	14	**19.5**	22.8	**–**	–
Investments in subsidiaries	15	**–**	–	**173.9**	141.2
Investments in joint ventures	16	**0.2**	0.2	**–**	–
PPP and other investments	17	**49.1**	40.7	**–**	–
Retirement benefit asset	35	**–**	1.0	**–**	–
Deferred income tax assets	23	**14.3**	4.3	**–**	–
Total non-current assets		**170.4**	157.8	**173.9**	141.2
Current assets					
Trade and other receivables	18	**243.3**	247.5	**–**	–
Current income tax assets		**8.8**	23.1	**–**	–
Cash and cash equivalents	19	**216.2**	197.2	**100.7**	100.0
Total current assets		**468.3**	467.8	**100.7**	100.0
Total assets		**638.7**	625.6	**274.6**	241.2
Liabilities					
Current liabilities					
Trade and other payables	20	**(485.4)**	(458.8)	**–**	–
Lease liabilities	14	**(7.3)**	(9.5)	**–**	–
Provisions for other liabilities and charges	21	**–**	(13.9)	**–**	–
Total current liabilities		**(492.7)**	(482.2)	**–**	–
Non-current liabilities					
Lease liabilities	14	**(11.9)**	(12.8)	**–**	–
Provisions for other liabilities and charges	21	**–**	(10.1)	**–**	–
Total non-current liabilities		**(11.9)**	(22.9)	**–**	–
Total liabilities		**(504.6)**	(505.1)	**–**	–
Net assets		**134.1**	120.5	**274.6**	241.2
Equity					
Ordinary shares	25	**55.5**	55.5	**55.5**	55.5
Other reserves	27	**118.4**	85.7	**118.4**	85.7
Retained earnings	27	**(39.8)**	(20.7)	**100.7**	100.0
Total equity attributable to owners of the Company		**134.1**	120.5	**274.6**	241.2

The profit for the Parent Company for the year was £34.7m (2020: loss of £46.5m in the period).

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

The financial statements on pages 97 to 142 were approved and authorised for issue by the Board on 16 September 2021 and signed on its behalf by:

Bill Hocking
Chief Executive

Andrew Duxbury
Finance Director

Galliford Try Holdings plc
Registered number: 12216008

Consolidated and Company statements of changes in equity

for the year ended 30 June 2021

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 30 June 2019		55.5	197.7	4.8	421.3	679.3
Adjustment as a result of transition to IFRS 16[1]		–	–	–	(1.0)	(1.0)
Adjusted equity at 1 July 2019		55.5	197.7	4.8	420.3	678.3
Profit for the year		–	–	–	320.4	320.4
Other comprehensive income		–	–	–	0.5	0.5
Total comprehensive income for the year		–	–	–	320.9	320.9
Transactions with owners:						
Dividends	9	–	–	–	(38.9)	(38.9)
Distribution of Galliford Try Homes Ltd	34	–	–	–	(840.0)	(840.0)
Capital re-organisation[2]	27 & 34	–	(197.7)	80.9	116.8	–
Share-based payments – discontinued operations		–	–	–	0.2	0.2
At 30 June 2020		55.5	–	85.7	(20.7)	120.5
Profit for the year		–	–	–	7.7	7.7
Other comprehensive income		–	–	–	7.3	7.3
Total comprehensive income for the year		–	–	–	15.0	15.0
Transactions with owners:						
Dividends	9	–	–	–	(1.3)	(1.3)
Purchase of shares		–	–	–	(1.1)	(1.1)
Share-based payments – continuing operations		–	–	–	1.0	1.0
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	27	–	–	32.7	(32.7)	–
At 30 June 2021		55.5	–	118.4	(39.8)	134.1
Company statement						
On incorporation at 19 September 2020[2]		–	–	–	–	–
Loss for the year		–	–	–	(46.5)	(46.5)
Other comprehensive income		–	–	–	–	–
Total comprehensive expense		–	–	–	(46.5)	(46.5)
Transactions with owners:						
Capital reorganisation[2]	27 & 34	55.5	–	232.2	–	287.7
Recycling of merger reserve to retained earnings on impairment of investment in Galliford Try Limited	27	–	–	(146.5)	146.5	–
At 30 June 2020		55.5	–	85.7	100.0	241.2
Profit for the year		–	–	–	34.7	34.7
Total comprehensive expense		–	–	–	34.7	34.7
Transactions with owners:						
Dividends	9	–	–	–	(1.3)	(1.3)
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	27	–	–	32.7	(32.7)	–
At 30 June 2021		55.5	–	118.4	100.7	274.6

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

2 Galliford Try Holdings plc was incorporated on 19 September 2019. On 3 January 2020, as part of the overall process to dispose of the Group's housebuilding operations to Vistry Group plc, a scheme of arrangement was completed under section 26 of the Companies Act 2006 which resulted in the admission of Galliford Try Holdings plc to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange. Consequently, the previously consolidated share premium and merger reserve balances of Galliford Try Limited (previously known as Galliford Try plc) were replaced by the equivalent balances of Galliford Try Holdings plc (note 34).

Statements of cash flows
for the year ended 30 June 2021

	Notes	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020[1] £m
Cash flows from operating activities					
Profit/(loss) for the year		**7.7**	320.4	**34.7**	(46.5)
Adjustments for:					
Loss/(profit) for the year from discontinued operations	34	**2.7**	(353.0)	**–**	–
Income tax expense/(credit) – continuing operations	8	**1.0**	(2.0)	**–**	–
Net finance income – continuing operations	6	**(2.9)**	(4.8)	**–**	–
Profit/(loss) before finance costs for continuing operations		**8.5**	(39.4)	**34.7**	(46.5)
Adjustments for continuing operations:					
Depreciation and amortisation	11, 13 & 14	**13.3**	13.8	**–**	–
(Reversal of impairment)/impairment of investment in subsidiary undertaking	15	**–**	–	**(32.7)**	146.5
Profit on sale of PPP and other investments	17	**–**	(0.6)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(2.0)**	(100.0)
Share-based payments		**1.0**	–	**–**	–
Share of post-tax (profits)/losses from joint ventures	16	**(0.5)**	0.2	**–**	–
(Decrease)/increase in provisions	21	**(0.3)**	23.2	**–**	–
Net cash generated from/(used in) operations before changes in working capital		**22.0**	(2.8)	**–**	–
Decrease in trade and other receivables		**9.4**	128.5	**–**	–
Increase/(decrease) in trade and other payables		**27.4**	(257.1)	**–**	–
Net cash generated from/(used in) operations		**58.8**	(131.4)	**–**	–
Interest received		**4.1**	4.9	**–**	–
Interest paid		**(1.2)**	(1.0)	**–**	–
Net surplus returned on wind up of defined benefit pension scheme		**1.0**	–	**–**	–
Income tax received		**4.5**	7.5	**–**	–
Net cash generated from/(used in) operating activities from continuing operations		**67.2**	(120.0)	**–**	–
Net cash used in operating activities from discontinued operations		**(3.6)**	(32.1)	**–**	–
Net cash generated from/(used in) operating activities		**63.6**	(152.1)	**–**	–
Cash flows from investing activities					
Dividends received from joint ventures and associates	16	**0.5**	–	**–**	–
Amounts advanced to joint ventures		**(5.2)**	(2.4)	**–**	–
Acquisition of PPP and other investments	17	**(1.9)**	(6.6)	**–**	–
Proceeds from disposal of PPP and other investments and loan repayments	17	**0.7**	5.8	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**2.0**	100.0
Acquisition of property, plant and equipment	13	**(2.1)**	(1.4)	**–**	–
Net cash (used in)/generated from investing activities from continuing operations		**(8.0)**	(4.6)	**2.0**	100.0
Net cash (used in)/generated from investing activities from discontinued operations		**(23.7)**	362.6	**–**	–
Net cash (used in)/generated from investing activities		**(31.7)**	358.0	**2.0**	100.0
Cash flows from financing activities					
Repayment of lease liabilities	14	**(10.5)**	(10.0)	**–**	–
Purchase of own shares		**(1.1)**	–	**–**	–
Dividends paid to Company shareholders	9	**(1.3)**	(38.9)	**(1.3)**	–
Net cash used in financing activities from continuing operations		**(12.9)**	(48.9)	**(1.3)**	–
Net cash used in financing activities from discontinued operations		**–**	(101.4)	**–**	–
Net cash used in financing activities		**(12.9)**	(150.3)	**(1.3)**	–
Net increase in cash and cash equivalents		**19.0**	55.6	**0.7**	100.0
Cash and cash equivalents at 1 July	19	**197.2**	141.6	**100.0**	–
Cash and cash equivalents at 30 June	19	**216.2**	197.2	**100.7**	100.0

1 Galliford Try Holdings plc was incorporated on 19 September 2019. On 3 January 2020 its entire share capital was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange (note 34).

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try Holdings plc (the Company) is a public limited company incorporated, listed and domiciled in England and Wales. The address of the registered office is 3 Frayswater Place, Cowley, Uxbridge, UB8 2AD. The Company has its listing on the London Stock Exchange.

Following the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try Limited (formerly Galliford Try plc), effective from 3 January 2020, the entire issued share capital of Galliford Try Holdings plc was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange with a corresponding cancellation of trading in all shares of Galliford Try Limited (formerly Galliford Try plc). As a result of the disposal, the Linden Homes and Partnerships & Regeneration segments have been treated as discontinued operations in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations for both the current and prior years. Further details of the transaction and discontinued operations can be found in note 34, in addition to the details within notes 9 and 32 of the Group's annual financial statements for the year ended 30 June 2020.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. All accounting policies have been consistently applied relevant to its operations. 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 and financial assets and liabilities (including derivative financial instruments) at fair value through other comprehensive income.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Viability Statement (on page 41) and the Strategic Report (from page 1).

As at 30 June 2021, the Group had substantial cash balances, no debt, and a strong forward secured order book. The directors regularly review the working capital requirements of the Group while considering downside sensitivities, including any economic uncertainties resulting from Covid-19. All sites were open throughout the year, with appropriate operating procedures adopted, including social distancing measures (see page 26).

The Group's forecasts have been prepared in the context of the current economic conditions (as at 30 June 2021) and additionally, the directors have considered a range of downside sensitivities (as discussed in detail in the Viability Statement on page 41). Even in the worst-case scenario, the Group is forecast to continue to meet its obligations and remain cash positive for a period of at least 12 months from the date the financial statements are authorised for issue.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement and statement of comprehensive income.

New standards impacting the Group that have been adopted for the first time in this set of financial statements are listed below:

- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9 (effective 1 January 2020)
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8 on the Definition of Material (effective 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective 1 January 2020)
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions (effective 1 June 2020)

These standards have been assessed to have no significant impact on the Group's results (other than certain revised disclosures) as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's previous accounting policies.

The following are new standards, interpretations and amendments, that are not yet effective or have not been endorsed. The Group has chosen not to adopt these early. These may however have an effect on the Group's future financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)
- Narrow scope amendments to IFRS 3, IAS 16, IAS 37 (effective 1 January 2022)
- Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022)
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities as current or non-current (effective 1 January 2023)
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1 January 2023)
- IFRS 17 'Insurance Contracts', including amendments (effective 1 January 2023)
- Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

The Group has yet to assess the full outcome of these new standards, amendments and annual improvements. It is not expected that these will significantly impact the financial statements of the Group.

Basis of consolidation

The Group financial statements incorporate the results of Galliford Try Holdings plc, its subsidiary undertakings and the Group's share of the results of joint arrangements. Subsidiaries are all entities over which the Group has control. The exposure or right to variable returns from its involvement with an investee, and the ability to influence those returns, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

Due to the disposal of the Group's housebuilding operations to Vistry Group plc on 3 January 2020, the Linden Homes and Partnerships & Regeneration segments (which comprise the housebuilding operations) and certain other assets and liabilities which were transferred to Vistry Group plc as part of this transaction have been treated as discontinued operations in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations in both the current and prior year.

The disposal of the housebuilding operations to Vistry Group plc did not represent either a common-control transaction or a business combination as defined by IFRS 3 Business Combinations, it was accounted for as a reorganisation using merger accounting principles. Consequently, the prior year consolidated financial statements were prepared with the consolidated Group balances of the retained businesses unchanged from the transaction with the consolidated total equity reflecting the legal position of the Group (the share capital and merger reserve of the parent, Galliford Try Holdings plc, and retained earnings representing the balance).

1 Accounting policies (continued)

Basis of consolidation (continued)

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 performance before exceptional items and earnings per share before exceptional items. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under international accounting standards and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, international accounting standards measures of profit.

Covid-19

The Group has continued to operate sites in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. The Group performed a review of its accounting policies in light of the outbreak of the pandemic. Some of the key points that remain applicable from this review are highlighted below:

- The Group utilised the Government's Job Retention Scheme in the previous year, with all income received in respect of July and August 2020 repaid. The grant income received was offset against the costs incurred in line with our existing accounting policy in the Income Statement (in accordance with IAS 20).
- The Group has reviewed any potential impairment indicators of both financial and non-financial assets (in accordance with IAS 36 and IFRS 9 in particular), especially where operations have been curtailed or customers are in financial distress. This has been further incorporated into the impairment reviews and sensitivity analysis over goodwill, which is detailed in note 12. As detailed in the Strategic report, the Group benefits from a customer base predominantly within the public sector, which the Group considers provides greater financial security over the balances held within trade and other receivables.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Critical judgments are those management has made when applying its significant accounting policies, whereas critical estimates are assumptions and estimates made at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates and judgments about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates and judgments. The estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and judgments are recognised in the period in which the estimate or judgment is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Material estimates, judgments and assumptions are made in particular with regards to establishing the following policies:

(i) Impairment of goodwill and intangible assets (judgment and estimate)

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 as well as resulting operating margin 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 associated sensitivity analysis performed are included in note 12.

(ii) Revenue and profit recognition for long term contract accounting (judgment and estimate)

In order to determine the profit and loss that the Group is able to recognise on its construction contracts in a specific period, the Group has to estimate the outcome of both the total costs to complete the contract as well as the final contract value. The Group has to allocate total costs of the construction contracts between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation.

The estimation of final contract value includes assessments of the recovery of variations which have yet to be agreed with the client, compensation events and claims where these meet the criteria set out in the Group's accounting policies and are in accordance with IFRS 15 Revenue from Contracts with Customers and are therefore highly probable to be agreed. The amount of these variations and claims can be substantial and at any time, these are often not fully agreed with the customer due to timing and requirements of the normal contractual process.

The Group recognises recoveries of claims from clients in certain situations where clear entitlement has been established, such as through dispute-resolution processes. Therefore, assessments are based on an estimate of the potential cost impact of the compensation events and revenue is constrained to the extent that amounts that the Group believes are highly probable of not being subject to a significant reversal.

The estimation of costs to complete is based on all available relevant information such as procured packages and management experience and includes estimation of final accounts and any potential maintenance and defect liabilities. Recoveries resulting from actual or potential claims against a subcontractors are accounted for in accordance with IAS 37 and are recognised only when they meet the virtually certain threshold.

Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions. As with most large, complex construction projects, there is an element of estimation uncertainty over costs to complete and final account settlements. This is, however, reduced by the experience of the management team and the controls that we have in place. The settlement of these final accounts may give rise to an over or under-recognition of profit or loss and associated cash flows, which could be material.

The Group's five largest unagreed variations and claims positions at the year end are summarised in aggregate below, the most significant of which relates to three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (as detailed further below). Of these five projects, three are materially complete with two remaining on-site:

	£m
Overall contract value (including total estimated end of contract variations and claims after IFRS 15 constraints)	447.2
Revenue in the year	106.4
Total estimated end of contract variations and claims before IFRS 15 constraints	167.0
Total estimated end of contract variations after IFRS 15 constraints	62.7

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)

Critical accounting estimates and judgments (continued)

(ii) Revenue and profit recognition for long term contract accounting (judgment and estimate) (continued)
These five positions represent the most significant estimates of revenue. The aggregate unagreed variations and claims constrained revenue recognised at year end of the subsequent five largest unagreed variations and claims is £4.0m.

In respect of contract assets of £159.1m, and in assessing receivable provisions calculated on an expected loss basis, the Group has recorded a provision of £14.0m (2020: £14.0m). The directors' estimate represents a reasonably possible outcome within an estimated reasonable range of outcomes of nil to £24m (2020: nil to £21m).

It is unclear whether the outstanding uncertainties will be resolved within the next 12 months.

There is one significant estimated claim recovery in our Infrastructure business in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Included in contract assets of £159.1m is an assessment of the recovery to be made in respect of the outstanding claims on these contracts, which are still being assessed with customers and recoveries have been assumed as highly probable. Our claims, supported by third-party advice, exceed the amounts recognised. However, there is a range of possible outcomes when these claims are finally settled. Further details are included in the Financial review on page 44 and note 18.

(iii) Taxation (judgment and estimate)
Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will arise against which the temporary differences will be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits (note 23).

The Group has assessed that an asset equal to the value of unutilised tax credits expected to be utilised over the next three financial years is appropriate, as, based on the already secured work for that timeframe, management has assessed it is probable that the Group will have sufficient taxable profits to enable the deferred tax asset to be recovered. Any remaining unutilised tax credits have not been recognised.

(iv) Exceptional items (judgment)
Exceptional items are items of financial performance which the Group believes should be presented separately on the face of the income statement, to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of underlying items or non-underlying items requires judgment. Details of exceptional items included in the financial statements are included in note 4.

(v) PPP and other investments measured at fair value through other comprehensive income (estimate)
At 30 June 2021, £49.1m (2020: £40.7m) of PPP and other investments were classified as financial assets measured at fair value through other comprehensive income. In the operational phase, the fair value of these financial assets is measured at each reporting date by discounting the future value of the cash flows allocated to the financial asset. Individual discount rates have been used which result in an overall blended discount rate of 7.0% (2020: 9.0%), which reflects the rates typically experienced in the marketplace and this resulted in a gain through other comprehensive income of £7.3m in the year (2020: £1.8m). A 1.0% reduction in the discount rate would result in an increase in the value of the investments recorded in the balance sheet of approximately £4.3m (note 17).

(vi) Impairment of investments in subsidiaries (judgment and estimate)
During the prior year, the value of the investment held by Galliford Try Holdings plc in Galliford Try Limited was impaired, following an assessment of the impact of Covid-19 on the company. This impairment required an estimation of the value in use of this entity and its assets, using the same key assumptions used in reviewing the goodwill and intangible assets balances. Further details of this impairment are included in note 15, some of which reversed in the current year.

Exceptional items
Exceptional items are material or significant irregular items of income and expense which the Group believes should be disclosed in the income statement, to assist in understanding the underlying financial performance achieved by the Group, by virtue of their nature or size. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses and property, plant and equipment, significant unanticipated losses on contracts, cost of restructuring and reorganisation of businesses, acquisition costs and asset impairments.

Segmental reporting
Segmental reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

Revenue and profit
Revenue is recognised when the Group transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value-added tax. Where consideration is subject to variability, the Group estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods.

Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under joint operations.

Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue for the Group's continuing operations is recognised as follows:

Construction services
Revenue comprises the value of construction services transferred to a customer during the period. The results for the period include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

Fixed price contracts – the amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete and is recognised over time. The estimated final value includes variations, compensation events and certain claims where it is highly probable that there will not be a significant reversal. Provision will be made against any expected loss as soon as it is identified.

Cost-reimbursable contracts – revenue is recognised based upon costs incurred to date plus any agreed fee and is recognised over time. Where contracts include a target price, consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once it is highly probable that there will not be a significant reversal. Revenue includes any variations and compensation events where it is highly probable that there will not be a significant reversal.

Facilities management – management services and facilities management contracts typically represent a single performance obligation. Revenue is recognised over time as control passes to the customer and is typically measured on a straight-line basis as this is considered to be a reliable estimate of the pattern of transfer to the customer.

Recoveries from claims against third parties
The recognition of expected reimbursements resulting from certain third-party claims is accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This requires recovery to be 'virtually certain' before an asset can be recognised.

1 Accounting policies (continued)

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.

Contract costs

Incremental costs to obtain a contract are capitalised to the extent the contract is expected to be sufficiently profitable for them to be recovered. All other costs to obtain a contract are expensed as incurred. Incremental costs to fulfil a contract are expensed unless they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to satisfy the obligations under the contract and are expected to be recovered. These costs are amortised over the shorter of the duration of the contract or the period for which revenue and profit can be forecast with reasonable certainty. Where a contract becomes loss making, capitalised costs in relation to that contract are expensed immediately.

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 tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the statement of comprehensive income or to equity, when it is charged or credited there.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event, by considering the net present value of future cash flows. For purposes of testing for impairment, the carrying value of goodwill is compared to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is charged immediately to the income statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated.

Goodwill is allocated to Cash Generating Units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets

Intangible assets can include brands, customer contracts and customer relationships acquired on acquisition of subsidiary companies, and computer software developed by the Group. The intangible assets are reviewed for impairment at least annually or when there is a triggering event. Intangible assets are stated at cost less accumulated amortisation and impairment. Cost is determined at the time of acquisition as being directly attributable costs or, where relevant, by using an appropriate valuation methodology.

Intangible assets are being amortised over the following periods:

(a) Customer contracts and relationships – on a straight-line basis over up to 10 years.

(b) Computer software – once the software is fully operational, amortisation is on a straight-line basis over up to 10 years.

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings comprise mainly offices.

Depreciation is calculated to write off the cost of each asset to its estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation on cost, applied on a straight line basis, are as follows:

- Freehold buildings 2%
- Plant and machinery 15% to 33%
- Fixtures and fittings 10% to 33%

In addition to systematic depreciation, the book value of property, plant and equipment is written down to estimated recoverable amounts should any impairment in the respective carrying values be identified.

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

Repairs and maintenance expenditure is expensed as incurred, on an accruals basis.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

A joint venture is an entity over which the Group has joint control and rights to the net assets of the entity. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Unrealised gains on transactions with the Group's joint ventures are eliminated to the extent of the Group's interest in the joint venture. Accounting policies of joint ventures have been changed on consolidation where necessary, to ensure consistency with policies adopted by the Group. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, results and net assets are based on unaudited accounts drawn up to the Group's accounting reference date.

Notes to the consolidated financial statements
continued

1 Accounting policies (continued)

Joint arrangements (continued)
A joint operation is a joint arrangement that the Group undertakes with third parties, whereby those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of profits and losses in the consolidated income statement. The Group recognises its share of associated assets and liabilities in the consolidated balance sheet.

PPP and other investments
PPP and other investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition, the asset is recognised at cost.

The Group applies equity accounting for its investments in PPP/PFI entities. These investments are treated as associates as the Group has significant influence over them. On initial recognition, the investments in these entities are recognised at cost, and the carrying amounts are increased or decreased to recognise the Group's share of the profit or loss of the PPP/PFI entities after the date of acquisition. The Group's share of the investments' profits or losses is recognised in the profit or loss net of any impairment losses. Distributions received reduce the carrying amount of the investments.

The debt element of the Group's PPP/PFI entities is accounted for under IFRS 9 'Financial Instruments' with fair value movements recorded in other comprehensive income and with recycling of gains and losses through the income statement. This reflects the fact that the Group has a demonstrable track record of investing in PFI assets as part of an overall construction procurement strategy, with a view to churning these investments on a regular basis. In light of the disposal of the Group's housebuilding divisions in the prior year, management has reviewed the classification of PPP investments and considers that the business model continues to be hold to collect and sell, though the 'collect' period may be longer than it has historically been. The investments therefore continue to be held at fair value through other comprehensive income.

Leases
The Group has applied the principles of IFRS 16 to all accounting periods beginning on or after 1 July 2019. In accordance with IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the lease term on a straight-line basis, unless the useful life of the asset is shorter than the lease term.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model (general or simplified approach, as detailed under impairment of financial assets). The amount of the loss is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against costs in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment of financial assets
IFRS 9 establishes a new model for recognition and measurement of impairment in financial assets. Loans and receivables and contract assets apply the 'Expected Credit Losses' (ECL) model. All other assets are classified and measured at fair value, with movements going through the income statement or other comprehensive income. Expected credit losses are recognised and measured according to one of three approaches – a general approach (12 months ECL), a simplified approach (lifetime ECL) or the 'credit adjusted approach'. The Group has taken the practical expedient to apply a simplified 'provision matrix' for calculating expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. For large one-off balances where there is no historic experience, analysis is completed in respect of a number of reasonably possible scenarios.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are included for purposes of cash flow movements and the cash flow statement.

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant. Cash held in escrow accounts is classified as a short-term deposit where the escrow agreement allows the balance to be converted to cash, if replaced by a bond repayable on demand.

Trade payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate.

Provisions for liabilities and charges
Provisions for liabilities and charges are recognised when, as a result of past events, the Group has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Retirement benefit obligations
For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

Accounting for Employee Share Ownership Plan
Own shares held by the Galliford Try Employee Share Trust (the 'Trust') are 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.

1 Accounting policies (continued)

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Equity instruments

Equity instruments, such as ordinary share capital, issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Consideration paid for shares in the Company held by the Trust are deducted from total equity.

Investments in subsidiaries

The Company's investments in subsidiaries are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment annually.

The following policies are relevant only to the Group's discontinued operations.

Revenue

Private housing development

Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid.

Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time.

Contracts for onward sale of part-exchange properties are entered into with a different customer and therefore represent separate revenue contracts.

Unit sales to Registered Providers/investors in the Private Rented Sector (PRS)

This represents sales of (affordable) housing units to Housing Associations (HAs) and other Registered Providers/PRS, treated as a single performance obligation. The Group receives payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer's land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un-invoiced amounts are presented as contract assets.

Management does not expect a financing component to exist in respect of HA contracts.

Land sales

The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts.

Revenue is therefore recognised at a point in time (unconditional exchange of contracts).

Contracting to Registered Providers/PRS

This represents the building of a number of (affordable) units on the customer's land, with any design phase treated alongside the construction phase as a single performance obligation. This is because the two stages are not distinct in the context of the contract, given that each is highly interdependent on the other (and are typically contracted together within a single contract).

Payment terms are based on a schedule of value that reflects the timing and performance of service delivery.

Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets.

Developments

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.

Other investments

The Group's housebuilding divisions operated 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.

Retirement benefit obligations

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.

Notes to the consolidated financial statements
continued

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 of the continuing Group to be Building, Infrastructure, PPP Investments and Central (primarily representing central overheads).

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

Income statement

Year ended 30 June 2021	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	789.2	329.2	6.4	–	1,124.8
Operating profit/(loss) before amortisation of intangible assets	15.9	6.0	(1.8)	(10.0)	10.1
Share of post tax profits from joint ventures	–	–	0.5	–	0.5
Finance income	–	0.1	3.9	0.1	4.1
Finance costs	(0.3)	(0.6)	–	(0.3)	(1.2)
Profit/(loss) before amortisation and taxation	15.6	5.5	2.6	(10.2)	13.5
Amortisation of intangible assets	(1.0)	–	–	(1.1)	(2.1)
Profit before taxation	14.6	5.5	2.6	(11.3)	11.4
Income tax expense					(1.0)
Profit for the year					10.4

Year ended 30 June 2020	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Pre-exceptional revenue	719.9	357.1	8.2	4.4	1,089.6
Exceptional items (note 4)	–	32.0	–	–	32.0
Revenue	719.9	389.1	8.2	4.4	1,121.6
Pre-exceptional operating loss before amortisation of intangible assets	(51.9)	(1.8)	(0.3)	(8.2)	(62.2)
Exceptional items (note 4)	(2.0)	27.3	–	(0.2)	25.1
Operating (loss)/profit before amortisation and taxation	(53.9)	25.5	(0.3)	(8.4)	(37.1)
Share of post tax profits from joint ventures	–	–	(0.2)	–	(0.2)
Finance income	–	–	4.3	1.5	5.8
Finance costs	(2.7)	(5.8)	(1.4)	8.9	(1.0)
(Loss)/profit before amortisation and taxation	(56.6)	19.7	2.4	2.0	(32.5)
Amortisation of intangibles	(1.0)	–	–	(1.1)	(2.1)
(Loss)/profit before taxation	(57.6)	19.7	2.4	0.9	(34.6)
Income tax credit					2.0
(Loss) for the year					(32.6)

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from revenue above. In the year to 30 June 2021, this amounted to £39.4m (2020: £51.8m) for continuing operations, of which £nil (2020: £16.9m) was in Building, £24.7m (2020: £21.9m) was in Infrastructure and £14.7m (2020: £13.0m) was in central costs.

2 Segmental reporting (continued)

Balance sheet

30 June 2021	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		42.9	37.2	–	2.8	82.9
Working capital employed		(82.3)	(132.0)	40.0	9.3	(165.0)
Net cash	19	87.0	44.6	(10.0)	94.6	216.2
Net assets		47.6	(50.2)	30.0	106.7	134.1
Total Group liabilities						(504.6)
Total Group assets						638.7

30 June 2020	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		43.9	37.2	–	3.9	85.0
Working capital employed		(160.7)	(26.1)	37.7	(12.6)	(161.7)
Net cash	19	111.1	(66.3)	(10.0)	162.4	197.2
Net assets		(5.7)	(55.2)	27.7	153.7	120.5
Total Group liabilities						(505.1)
Total Group assets						625.6

Other segmental information

Year ended 30 June 2021	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Investment in joint ventures	16	–	–	0.2	–	0.2
Contracting revenue		789.2	329.2	–	–	1,118.4
Capital expenditure – property, plant and equipment		0.3	0.4	–	1.5	2.2
Total depreciation	13 & 14	4.5	4.5	–	2.2	11.2
(Decrease) in provision for receivables	18	–	–	–	(1.5)	(1.5)
Share-based payments	26	0.2	0.1	0.1	0.6	1.0
Amortisation of intangible assets	11	1.0	–	–	1.1	2.1

Year ended 30 June 2020	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Investment in joint ventures	16	–	–	0.2	–	0.2
Contracting revenue		712.4	353.5	7.4	–	1,073.3
Capital expenditure – property, plant and equipment		0.2	0.1	–	1.1	1.4
Total depreciation	13 & 14	4.5	4.0	0.1	3.1	11.7
Increase in provision for receivables	18	0.1	–	–	1.1	1.2
Share-based payments	26	0.1	0.1	–	(0.2)	–
Amortisation of intangible assets	11	1.0	–	–	1.1	2.1

Notes to the consolidated financial statements
continued

3 Revenue

Nature of revenue streams

(i) Building and Infrastructure segments

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

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed price	A number of projects within these segments are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation. Even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract, given that each is highly dependent on the other. The Group typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management does not expect a financing component to exist.
Cost-reimbursable	A number of projects within these segments are undertaken using open-book/cost-reimbursable (possibly with a pain/gain share mechanism) contracts. Contracts are typically accounted for as a single performance obligation, with the majority of these contracts including a build phase only. The Group typically receives payments from the customer based on actual costs incurred. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management does not expect a financing component to exist.
Facilities management*	Contracts undertaken within the Building segment that provide full life-cycle solutions to clients, are accounted for as a single performance obligation, with revenue recognised over time and typically on a straight-line basis.

* Facilities management represents less than 5% of the total Building segment turnover.

(ii) Investments segment

Through public private partnerships, the business leads bid consortia and arranges finance, makes debt and equity investments (which are recycled) and manages construction through to operations.

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

Disaggregation of revenue

The Group considers the split of revenue by operating segment to be the most appropriate disaggregation. All revenue has been derived from performance obligations settled over time (2020: £0.8m was considered to be settled at a point in time, with all remaining revenue recognised over time).

Revenue on existing contracts, where performance obligations are unsatisfied or partially unsatisfied at the balance sheet date, is expected to be recognised as follows:

Revenue – year ended 30 June 2021	2022 £m	2023 £m	2024 onwards £m	Total £m
Building	550.5	117.1	4.7	672.3
Infrastructure	239.3	72.8	14.4	326.5
Total Construction	789.8	189.9	19.1	998.8
PPP Investments	1.8	1.8	24.4	28.0
Total transaction price allocated to performance obligations yet to be satisfied	791.6	191.7	43.5	1,026.8

3 Revenue (continued)

Disaggregation of revenue (continued)

Revenue – year ended 30 June 2020	2021 £m	2022 £m	2023 onwards £m	Total £m
Building	519.3	172.9	10.3	702.5
Infrastructure	203.1	49.6	27.3	280.0
Total Construction	722.4	222.5	37.6	982.5
PPP Investments	1.9	1.6	25.1	28.6
Total transaction price allocated to performance obligations yet to be satisfied	724.3	224.1	62.7	1,011.1

Any element of variable consideration is estimated at a value that is highly probable not to result in a significant reversal in the cumulative revenue recognised.

4 Exceptional items

	2021 £m	2020 £m
Revenue – impact of legacy contracts[1]	–	32.0
Cost of sales – charge on legacy contracts[1]	–	(4.0)
Cost of sales – restructure costs[2]	–	(2.3)
Administrative expenses – restructure costs[2]	–	(0.6)
Operating profit	–	25.1

There were no exceptional items in the year. The items in respect of the prior year were as follows:

1 The Group agreed settlement terms with a client in respect of the final account of a major infrastructure project and the settlement income of £32.0m was recognised (in revenue) net of final cost estimates of £4.0m (in cost of sales) as exceptional items.

2 Following the disposal of the housebuilding divisions and the impact of the Covid-19 pandemic during 2020, the Group completed a restructure exercise to reflect the revised size and structure of the business, resulting in £2.9m of redundancy costs (of which £2.3m was recorded in cost of sales and £0.6m was recorded in administrative expenses).

5 Employees and directors

Employee benefit expense during the year

		Group		Company	
	Notes	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Wages and salaries		**133.5**	153.1	–	–
Social security costs		**15.0**	17.3	–	–
Other pension costs		**14.3**	15.5	–	–
Share-based payments	26	**1.0**	–	–	–
Restructure costs		**1.5**	2.9	–	–
Total		**165.3**	188.8	–	–

All employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a Company contribution based on a scale dependent on the employee's age and the amount they choose to contribute. Since 1 July 2013, all non-participating and newly-employed staff have been auto-enrolled into the separate stakeholder plan and are entitled to increase their contribution rates in line with existing members. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme, which means that all employee pension contributions are paid as employer contributions on their behalf.

All pension costs in the current and prior years were in respect of the Group's defined contribution schemes. Of the total charge, £7.6m (2020: £8.2m) and £6.7m (2020: £7.3m) were included, respectively, within cost of sales and administrative expenses.

Notes to the consolidated financial statements
continued

5 Employees and directors (continued)

Average monthly number of people (including Executive and non-executive directors) employed

	Group		Company	
	2021 Number	2020 Number	**2021 Number**	2020 Number
By business:				
– Building	**1,356**	1,603	**–**	–
– Infrastructure	**1,060**	1,188	**–**	–
Construction	**2,416**	2,791	**–**	–
PPP Investments	**79**	78	**–**	–
Central	**167**	218	**6**	7
Total	**2,662**	3,087	**6**	7

Remuneration of key management personnel

The key management personnel comprise the Executive Board and non-executive directors. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures. Further information about the remuneration of individual directors, including any interests in the Company's shares, is provided in the audited part of the Directors' remuneration report.

	2021 £m	2020 £m
Salaries and short-term employee benefits	**3.4**	4.5
Retirement benefit costs	**0.2**	0.3
Share-based payments	**0.9**	–
Total	**4.5**	4.8

6 Net finance income

Group	**2021 £m**	2020 £m
Interest receivable on bank deposits	**0.1**	0.3
Interest receivable from PPP Investments and joint ventures	**3.9**	5.4
Other interest receivable	**0.1**	0.1
Finance income	**4.1**	5.8
Other (including interest on lease liabilities)	**(1.2)**	(1.0)
Finance costs	**(1.2)**	(1.0)
Net finance income	**2.9**	4.8

7 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Notes	2021 £m	2020 £m
Employee benefit expense	5	**165.3**	188.8
Total depreciation	13 & 14	**11.2**	11.7
Amortisation of intangible assets	11	**2.1**	2.1
Repairs and maintenance expenditure on property, plant and equipment		**0.8**	0.8
(Decrease)/increase in provision for receivables	18	**(1.5)**	1.2
Exceptional profit	4	**–**	25.1

In addition to the above, the Group incurs other costs classified as cost of sales relating to labour, materials and subcontractors' costs.

Services provided by the Group's auditor and network firms

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below:

	2021 £m	2020 £m
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor for other services:		
The audit of financial statements of the Company's subsidiaries	**0.5**	0.8
Audit-related assurance services	**0.1**	0.1
Total other services	**0.6**	0.9
Total	**0.8**	1.1

A description of the work of the Audit Committee in respect of the auditor's independence is set out in the Governance report.

8 Income tax charge

Group	Notes	2021 £m	2020 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**0.5**	(7.1)
Deferred tax[1]	23	**5.0**	0.3
Adjustments in respect of prior years			
Current tax		**(4.8)**	8.2
Deferred tax	23	**0.3**	(3.4)
Income tax expense/(credit)		**1.0**	(2.0)
Tax on items recognised in other comprehensive income			
Tax recognised in other comprehensive income		**–**	–
Total taxation		**1.0**	(2.0)

1 Includes impact of change in rate of tax.

Notes to the consolidated financial statements
continued

8 Income tax charge (continued)
The total income tax expense for the year of £1.0m (2020: credit of £2.0m) is lower (2020: tax credit was lower) than the blended standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
Loss before income tax	11.4	(34.6)
Loss before income tax multiplied by the blended standard corporation tax rate in the UK of 19.0% (2020: 19.0%)	2.2	(6.6)
Effects of:		
Expenses not deductible for tax purposes	0.7	0.5
Non-taxable income	(1.1)	(1.0)
Adjustments in respect of prior years	(4.5)	4.8
Change in tax rates	(2.1)	–
Other[1]	5.8	0.3
Income tax charge/(credit)	1.0	(2.0)

1 Including write-off of unutilised tax credits.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. This new law was substantively enacted in the Finance Bill 2021 and received Royal Assent on 10 June 2021. Where appropriate, deferred taxes at the balance sheet date have been measured using the appropriate tax rates (based on when the underlying balance is expected to crystallise) and reflected in these financial statements.

The Group has assessed that a deferred tax asset equal to the value of unutilised tax credits expected to be utilised over the next three financial years is appropriate, as, based on the already secured work for that timeframe, management have assessed it is probable that the Group will have sufficient taxable profits to enable the deferred tax asset to be recovered. Any remaining unutilised tax credits have not been recognised (note 23).

9 Dividends

	2021		2020	
Group and Company[1]	£m	pence per share	£m	pence per share
Previous year final	–	–	38.9	35.0
Current year interim	1.3	1.2	–	–
Dividend recognised in the year	1.3	1.2	38.9	35.0

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

	2021		2020	
	£m	pence per share	£m	pence per share
Interim	1.3	1.2	–	–
Final	3.9	3.5	–	–
Dividend relating to the year	5.2	4.7	–	–

The directors are proposing a final dividend in respect of the financial year ended 30 June 2021 of 3.5 pence per share (2020: nil), bringing the total dividend in respect of 2021 to 4.7 pence per share (2020: nil). The final dividend will absorb approximately £3.9m of equity. Subject to shareholders' approval at the AGM to be held on 12 November 2021, the dividend will be paid on 10 December 2021 to shareholders who are on the register of members at the close of business on 12 November 2021.

1 The Company became the ultimate holding company of the Group on 3 January 2020 and the dividend of 35.0 pence per share was paid in December 2019 by the previous ultimate holding company of the Group (Galliford Try Limited, previously known as Galliford Try plc).

10 Earnings per share

Basic and diluted earnings/(losses) 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.

			2021			2020
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Continuing operations						
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	10.4	109,976,145	9.5	(52.9)	110,798,602	(47.7)
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	10.4	109,976,145	9.5	(32.6)	110,798,602	(29.4)
Effect of dilutive securities:						
Options	n/a	3,804,698	n/a	n/a	–	n/a
Diluted EPS – pre-exceptional	10.4	113,780,843	9.1	(52.9)	110,798,602	(47.7)
Diluted EPS	10.4	113,780,843	9.1	(32.6)	110,798,602	(29.4)
Total operations						
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	7.7	109,976,145	7.0	300.1	110,798,602	270.9
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	7.7	109,976,145	7.0	320.4	110,798,602	289.2
Effect of dilutive securities:						
Options	n/a	3,804,698	n/a	n/a	–	n/a
Diluted EPS – pre-exceptional	7.7	113,780,843	6.8	300.1	110,798,602	270.9
Diluted EPS	7.7	113,780,843	6.8	320.4	110,798,602	289.2

The discontinued operations loss per share for the year was 2.5p (2020: earnings per share of 318.6p) and the diluted loss per share for the year was 2.3p (2020: earnings per share of 318.6p).

Notes to the consolidated financial statements
continued

11 Intangible assets

Group	Customer contracts and relationships £m	Computer software £m	Brand £m	Total £m
Cost				
At 1 July 2019	17.4	10.9	10.8	39.1
Additions	2.2	–	–	2.2
Disposals	(7.4)	–	(10.8)	(18.2)
At 1 July 2020 and 30 June 2021	**12.2**	**10.9**	**–**	**23.1**
Accumulated amortisation				
At 1 July 2019	(10.3)	(6.2)	(10.8)	(27.3)
Amortisation in year – continuing operations	(1.2)	(0.9)	–	(2.1)
Amortisation in year – discontinued operations	(0.9)	–	–	(0.9)
Disposals	4.2	–	10.8	15.0
At 1 July 2020	(8.2)	(7.1)	–	(15.3)
Amortisation in year – continuing operations	**(1.0)**	**(1.1)**	**–**	**(2.1)**
At 30 June 2021	**(9.2)**	**(8.2)**	**–**	**(17.4)**
Net book amount				
At 30 June 2021	**3.0**	**2.7**	**–**	**5.7**
At 30 June 2020	4.0	3.8	–	7.8
At 30 June 2019	7.1	4.7	–	11.8

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 two years and six months. The remaining period of amortisation on customer contracts and relationships is three years.

Additions in the prior year relate to the acquisition of Strategic Teams Group, (STG) which was subsequently sold with the housebuilding operations to Vistry Group plc on 3 January 2020.

Disposals in the prior year relate to intangible assets transferred to Vistry Group plc as part of the sale of the Group's housebuilding divisions on 3 January 2020 (note 34).

12 Goodwill

Group	£m
Cost	
At 30 June 2019	160.3
Addition	6.9
Disposal	(90.0)
At 30 June 2020 and 30 June 2021	**77.2**
Aggregate impairment at 1 July 2019	(0.7)
Disposal	0.7
At 30 June 2020 and 30 June 2021	**–**
Net book amount	
At 30 June 2021	**77.2**
At 30 June 2020	77.2
At 30 June 2019	159.6

The addition in the prior year related to the acquisition of STG and the disposal was in respect of the sale of the Group's housebuilding divisions to Vistry Group plc on 3 January 2020 (note 34).

Goodwill is allocated to the Group's CGUs identified according to business segment. The goodwill is attributable to the following business segments:

	2021 £m	2020 £m
Building	**40.0**	40.0
Infrastructure	**37.2**	37.2
	77.2	77.2

Impairment review of goodwill and key assumptions

Goodwill is tested for impairment at least annually. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on future financial budgets approved by the Board, based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue and the future profit margin achievable, in line with our strategy and targets as set out in the Strategic report. Future budgeted revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with the existing secured works and management's expectation of the future level of work available within the market sector. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category. In Building and Infrastructure, the margins currently being achieved are expected to increase in line with the strategy set out in the Strategic report.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the Financial review in the Strategic report of the Annual Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored, with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit.

Cash flows beyond the budgeted three-year period are extrapolated using an estimated growth rate within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. Furthermore, sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU, and the results are noted below.

The pre-tax discount rates for each CGU are noted below.

Any continuing impact of Covid-19 has been reflected in the Group's approved budgets for the next three years with budgeted operating margins updated on a contract by contract basis reflecting ongoing standard operating procedures and costs to reflect Government and industry health and safety guidelines.

Notes to the consolidated financial statements
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12 Goodwill (continued)

Building CGU
A pre-tax discount rate of 15.8% (2020: 14.5%) in Building has been applied to the future cash flows, based on an estimate of the weighted average cost of capital (WACC) of that division.

A long-term growth rate of 2.0% per annum has been applied to the budgeted cash flows (reflecting the Board-approved budget operating margins and working capital cash flows) into perpetuity and these assumptions result in the recoverable value of this CGU being significantly in excess of the carrying value of the CGU assets.

The Building CGU is not sensitive to changes in key assumptions and management does not consider that any reasonable possible change in any single assumption would give rise to an impairment of the carrying value of goodwill and intangibles.

Infrastructure CGU
A pre-tax discount rate of 15.7% (2020: 14.7%) in Infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of that division.

A long-term growth rate of 2.0% per annum has been applied to the budgeted cash flows (reflecting the Board-approved budget operating margins and working capital cashflows) into perpetuity and these assumptions result in the recoverable value of this CGU being in excess of the carrying value of the CGU assets (by £16m).

However, the headroom resulting from the value in use calculations indicates that this CGU is sensitive to changes in the key assumptions and management considers that a reasonably possible change in any single assumption could give rise to an impairment of the carrying value of goodwill and intangibles, if no mitigating action was taken by management.

The detailed sensitivity analysis indicates that the following changes in each of these key assumptions could result in an impairment:

- Budgeted revenue annual growth rates across the three years of the budget period, range from 12% to 17% at an average of 13.6%. A reduction of this rate to 11.1% per annum would result in the headroom being eliminated.
- Gross operating margins (before divisional and central overheads and contingencies) are forecast to increase across the three year budget period. These gross margins (ie before divisional and central overheads and contingencies) would need to reduce by an average of approximately 0.3% per annum to eliminate the headroom.
- The pre-tax discount rate is 15.7% and an increase of more than 23% to 19.3% would eliminate the headroom. This increase in discount rate would reflect an additional risk premium in respect of the current growth assumptions.
- A reduction of 24% in the overall forecast operating cash flows of the CGU would eliminate the headroom.

It should be noted that a deterioration in a combination of these key assumptions (especially the WACC) could result in a larger reduction in assessed headroom.

13 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2019	2.2	9.7	26.3	38.2
Additions	0.2	0.5	0.7	1.4
Acquisition of a subsidiary	–	0.1	0.5	0.6
Disposals	(1.9)	(8.2)	(14.1)	(24.2)
At 1 July 2020	0.5	2.1	13.4	16.0
Additions	**0.6**	**1.1**	**0.5**	**2.2**
Disposals	**–**	**(0.1)**	**(4.5)**	**(4.6)**
At 30 June 2021	**1.1**	**3.1**	**9.4**	**13.6**
Accumulated depreciation				
At 1 July 2019	(0.9)	(0.7)	(20.4)	(22.0)
Charge for the year – continuing operations	–	(0.2)	(2.2)	(2.4)
Charge for the year – discontinued operations	(0.1)	(0.1)	(0.2)	(0.4)
Disposals	0.7	–	11.9	12.6
At 1 July 2020	(0.3)	(1.0)	(10.9)	(12.2)
Charge for the year – continuing operations	**(0.1)**	**(0.2)**	**(1.3)**	**(1.6)**
Disposals	**–**	**0.1**	**4.5**	**4.6**
At 30 June 2021	**(0.4)**	**(1.1)**	**(7.7)**	**(9.2)**
Net book amount				
At 30 June 2021	**0.7**	**2.0**	**1.7**	**4.4**
At 30 June 2020	0.2	1.1	2.5	3.8
At 30 June 2019	1.3	9.0	5.9	16.2

There has been no impairment of property, plant and equipment during the year (2020: £nil).

Disposals in the prior year relate predominantly to assets transferred to Vistry Group plc as part of the sale of the Group's housebuilding divisions on 3 January 2020 (note 34).

The Company has no property, plant or equipment.

Notes to the consolidated financial statements
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14 Leases

This note provides information for leases where the Group is a lessee.

The Company holds no leases.

Right-of-use assets

Cost	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
At 1 July 2019 (on transition to IFRS 16)	19.9	10.7	11.5	42.1
Additions	0.8	1.8	5.0	7.6
Disposals	(9.7)	(4.7)	(4.0)	(18.4)
At 1 July 2020	11.0	7.8	12.5	31.3
Additions	**0.2**	**2.4**	**5.4**	**8.0**
Disposals	**(1.2)**	**(3.1)**	**(1.5)**	**(5.8)**
At 30 June 2021	**10.0**	**7.1**	**16.4**	**33.5**
Accumulated depreciation				
At 1 July 2019 (on transition to IFRS 16)	–	–	–	–
Charge for the year – continuing operations	(2.6)	(2.9)	(3.8)	(9.3)
Charge for the year – discontinued operations	(1.0)	(1.0)	(0.9)	(2.9)
Disposals	1.0	1.8	0.9	3.7
At 1 July 2020	(2.6)	(2.1)	(3.8)	(8.5)
Charge for the year – continuing operations	**(2.4)**	**(2.5)**	**(4.7)**	**(9.6)**
Disposals	**0.8**	**1.9**	**1.4**	**4.1**
At 30 June 2021	**(4.2)**	**(2.7)**	**(7.1)**	**(14.0)**
Net book amount				
At 30 June 2021	**5.8**	**4.4**	**9.3**	**19.5**
At 30 June 2020	8.4	5.7	8.7	22.8
At 1 July 2019 (on transition to IFRS 16)	19.9	10.7	11.5	42.1

Disposals in the prior year relate predominantly to assets transferred to Vistry Group plc as part of the sale of the Group's housebuilding divisions on 3 January 2020 (note 34).

Lease liabilities

	2021 £m	2020 £m
Current	**7.3**	9.5
Non-current	**11.9**	12.8
Total lease liabilities	**19.2**	22.3

The statement of profit or loss shows the following amounts relating to leases for continuing operations:

	2021 £m	2020 £m
Depreciation of right-of-use assets	**9.6**	9.3
Interest expense (included in finance cost)	**0.9**	1.0
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**7.9**	12.1
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**0.5**	0.4
Total expenses	**18.9**	22.8

The total cash outflow for leases in the year to 30 June 2021 for continuing operations was £11.4m, of which £0.9m was included in net interest expense – note 6 (2020: £11.0m and £1.0m respectively).

14 Leases (continued)

Lease liabilities (continued)

Maturity of contractual undiscounted future lease payments:

As at 30 June 2021

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
Less than 1 year	1.7	2.0	4.3	8.0
Between 1 and 5 years	2.9	1.8	5.8	10.5
More than 5 years	5.4	–	–	5.4
Total	10.0	3.8	10.1	23.9

As at 30 June 2020

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
Less than 1 year	2.9	2.4	4.2	9.5
Between 1 and 5 years	4.7	2.1	5.2	12.0
More than 5 years	0.2	5.4	–	5.6
Total	7.8	9.9	9.4	27.1

15 Investments in subsidiaries

Company	2021 £m	2020 £m
Cost		
Opening/on incorporation at 19 September 2020[1]	287.7	–
Additions	–	287.7
At 30 June	287.7	287.7
Aggregate impairment		
Opening/on incorporation at 19 September 2020[1]	(146.5)	–
Reversal of impairment/(impairment)	32.7	(146.5)
At 30 June	(113.8)	(146.5)
Net book value		
At 30 June	173.9	141.2

1 Galliford Try Holdings plc was incorporated on 19 September 2019. On 3 January 2020, its entire share capital was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange.

The addition of £287.7m in the prior year reflects the initial investment in Galliford Try Limited on 3 January 2020, as part of the scheme of arrangement and disposal of the housebuilding divisions to Vistry Group plc (note 34). This valuation reflected the net assets of Galliford Try Limited at that date. However, during the remainder of the prior year, Galliford Try Limited paid a cash-backed distribution to the Company of £100.0m, which resulted in an equivalent reduction in the fair value of the investment. Additionally, the outbreak of the Covid-19 pandemic in the prior year also resulted in an assessed further impairment in this investment of £46.5m, reducing the overall value of the investment to £141.2m as at 30 June 2020. This impairment has been determined from value in use calculations based on the same assumptions as described in note 12 (goodwill).

The carrying value of investments has been reviewed and a partial reversal of £32.7m has been recorded in the year.

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Construction Limited
Galliford Try Infrastructure Limited[1]
Galliford Try Investments Limited
Galliford Try Services Limited
Galliford Try Limited[2]

1 Incorporated in Scotland.
2 Shares of these subsidiary companies are owned directly by the Company.

Unless otherwise stated, each subsidiary has a 30 June year end, operates as a construction company, is incorporated in England & Wales and 100% of ordinary shares and voting rights are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of the Group's undertakings is set out in note 33.

Notes to the consolidated financial statements
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16 Investments in joint ventures

Group	2021 £m	2020 £m
At 1 July	0.2	67.0
Dividend received from joint ventures – continuing operations	(0.5)	–
Dividend received from joint ventures – discontinued operations	–	(1.6)
Disposals	–	(71.8)
Share of post tax (loss)/profit – continuing operations	0.5	(0.2)
Share of post tax profit – discontinued operations	–	6.8
At 30 June	0.2	0.2

Disposals in the prior year relate predominantly to those investments transferred to Vistry Group plc as part of the sale of the Group's housebuilding divisions on 3 January 2020 (note 34).

Joint ventures

At 30 June 2021, the Group held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland, as set out in note 33.

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2021 £m	2020 £m
Current assets	9.1	4.6
Non-current assets	–	–
Current liabilities	(8.9)	(4.4)
Non-current liabilities	–	–
	0.2	0.2
Amounts due from joint ventures	6.1	0.9

	Continuing operations		Discontinued operations	
	2021 £m	2020 £m	2021 £m	2020 £m
Revenue	45.3	23.9	–	100.6
Expenses	(44.7)	(24.1)	–	(87.4)
	0.6	(0.2)	–	13.2
Finance cost	–	–	–	(6.4)
Income tax	(0.1)	–	–	(0.2)
Share of post-tax profits/(losses) from joint ventures	0.5	(0.2)	–	6.6

The disclosures above exclude those material joint ventures that are separately disclosed in note 17 (PPP and other investments).

The Group's share of unrecognised losses of joint ventures is £0.8m (2020: £0.1m).

As at 30 June 2021, amounts due from joint ventures of £6.1m (2020: £0.9m) were considered for impairment. The impairment reviews were performed in accordance with IFRS 9 as described in note 1. No impairment loss has been recognised for these balances in the year ended 30 June 2021 (2020: £nil).

The Group has no commitments (2020: £nil) to provide further subordinated debt to its joint ventures.

Our share of joint ventures' external bank funding (outside of the PPP and other investments portfolio) was £nil at 30 June 2021 (2020: £nil). The joint ventures have no significant contingent liabilities to which the Group is exposed (2020: £nil). The joint ventures had no capital commitments as at 30 June 2021 (2020: £nil).

17 PPP and other investments

Group	2021 £m	2020 £m
At 1 July	**40.7**	41.6
Additions	**1.9**	6.6
Disposal of housebuilding divisions	**–**	(0.5)
Disposals and subordinated loan repayments	**(1.0)**	(5.2)
Movement in fair value	**7.5**	(1.8)
At 30 June	**49.1**	40.7

These comprise PPP/PFI investments and investments in other listed securities (acquired during the prior year as a result of the shares held in the Employee Benefit Trust in Galliford Try Limited, formerly Galliford Try plc, which resulted in the receipt of shares in Vistry Group plc, held at fair value, following the sale of the housebuilding divisions to Vistry Group plc on 3 January 2020).

None of the financial assets are past their due dates (2020: £nil) and the directors expect an average maturity profile of 10 years. Further disclosures relating to financial assets are set out in note 24.

During the year, additional subordinated loans and other investments of £1.9m (2020: £6.6m) were added to the Group's PPP/PFI investments, subordinated loans of £0.5m (2020: £2.4m) were repaid and the Group disposed of interests held at £0.5m (2020: £2.8m), generating a profit on disposal of £nil (2020: £0.6m). Of the total fair value movement in the year of £7.5m, £7.3m relates to PPP investments and has been recorded in equity whilst £0.2m relates to the residual Vistry Group plc shares held and has been recorded in the income statement. Additionally, £0.4m relating to shared equity receivables was sold during the prior year, as part of the disposal of the housebuilding divisions to Vistry Group plc.

The Group has commitments of £nil (2020: £1.9m) to provide further subordinated debt to its investments.

This portfolio reflects a blended discount rate of 7.0% (2020: 9.0%). The reduction in the year reflects the rates typically experienced in the marketplace. A further reduction of 1.0% would result in an increase in the fair value of approximately £4.3m.

Our share of PPP and other investments' external bank funding was £267.7m at 30 June 2021 (2020: £280.0m). Our share of these entities' other external funding consists of £64.1m (2020: £64.1m) of listed bonds. These balances are non-recourse to the Group.

The information disclosed reflects the amounts presented in the financial statements or management accounts of the relevant joint ventures and associates and not the Group's share of those amounts. The Group holds investments in both debt and equity within a number of entities over which it has significant influence. Predominantly all of the value that the Group recognises relates to the debt instruments (representing over 99% of the PPP and other investments portfolio) which have been fair valued within the PPP and other investments portfolio. Consequently, the material joint ventures (in which the Group also holds debt investments either directly or indirectly) are disclosed within this note (rather than in note 16, Investments in joint ventures).

Notes to the consolidated financial statements
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17 PPP and other investments (continued)

Income statement – extracts	Aberdeen Roads (Finance) Plc[1] 2021 £m	Aberdeen Roads (Finance) Plc[1] 2020 £m	Aberdeen Roads Limited 2021 £m	Aberdeen Roads Limited 2020 £m
Revenue	–	–	64.6	3.4
Depreciation and amortisation	–	–	–	–
Finance income	25.4	26.9	31.1	30.8
Finance expense	(25.4)	(26.9)	(25.4)	(26.9)
Income tax expense	–	–	–	–
Profit (100%)	–	–	–	–
Other comprehensive income/(expense)	2.4	(1.5)	–	–
Total comprehensive income/(expense) (100%)	2.4	(1.5)	–	–
Group's share of profit/(loss) and total comprehensive profit/(loss)	0.8	(0.5)	–	–
Dividends received by the Group during the year	–	–	–	–
Balance sheet – extracts				
Cash and cash equivalents	0.2	0.2	28.0	27.8
Other current assets	–	–	5.1	4.9
Current assets	0.2	0.2	33.1	32.7
Non-current assets	562.7	577.1	556.2	566.8
Current external borrowings – bank/listed bonds	(18.6)	(18.2)	–	–
Other current liabilities	(5.5)	(4.2)	(26.6)	(22.4)
Current liabilities	(24.1)	(22.4)	(26.6)	(22.4)
Non-current external borrowings – bank/listed bonds	(489.0)	(502.6)	–	–
Other non-current liabilities	(53.4)	(58.2)	(562.7)	(577.1)
Non-current liabilities	(542.4)	(560.8)	(562.7)	(577.1)
Net assets (100%)	(3.6)	(5.9)	–	–

1 Material due to their holdings and/or issuing listed debt.

Details of related party transactions with joint ventures are given in note 30. The Group's shareholding in each joint venture can be seen in note 33.

18 Trade and other receivables

	Notes	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Amounts falling due within one year:					
Trade receivables		51.8	49.4	–	–
Less: provision for impairment of receivables		(0.1)	(1.6)	–	–
Trade receivables – net		51.7	47.8	–	–
Contract assets[1]	22	159.1	172.0	–	–
Amounts due from joint ventures		6.1	0.9	–	–
Other receivables		12.8	9.8	–	–
Prepayments		13.6	17.0	–	–
		243.3	247.5	–	–

1 Contract assets of £159.1m at 30 June 2021 includes a life-time expected credit loss allowance of £14.0m (2020: £14.0m).

Retentions will be collected in the normal operating cycle of the Group and are therefore shown as a current asset. It is expected that £30.6m (2020: £36.9m) will be collected within 12 months from the balance sheet date.

As previously disclosed, the Group provided services in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company. Costs were significantly impacted by client-driven scope changes and the Group has submitted claims to the value of £95m in respect of these costs. Our work on these contracts formally ceased on their termination in August 2018. The Group has taken extensive advice on our entitlement and we have been successful in two adjudications supporting the validity of the Group's position. The Group is currently proceeding through arbitration in respect of the claims and variations in line with the expected timeframe.

18 Trade and other receivables (continued)

Taking into account the requirements of IFRS 15, in prior periods the Group had constrained the revenue recognised (and therefore the associated contract receivable carried) to the extent that it was highly probable not to result in a significant reversal in the future. While the Group has submitted a total claim value of £95m in respect of these costs within the Statement of Case, revenue has been constrained. We have constrained the revenue to a percentage recoverable that is lower than that successfully recovered from the adjudications and variations previously agreed on this contract. The underlying principle supporting the validity and recovery of the claims and variations is not considered to be impacted by the passage of time, which is driven by the nature of dispute resolution in this sector. It is likely that the process of the arbitration may not be concluded within the coming financial year.

Whilst the entities are owned by a major infrastructure fund of a blue-chip listed company, and we expect that the amounts will be repaid, we have assessed any expected credit loss provision in accordance with IFRS 9 to take into account their investment structure. Our assessment of the credit worthiness of the underlying contracting entities includes reviewing their latest audited financial statements to 31 December 2019 (as well as their immediate parent and investor whose latest filed financial statements are to 31 December 2020), for which the audit opinion includes a disclaimer of opinion in relation to material uncertainties in respect of claims and the potential impact on going concern. The Group does not consider there to be a change in credit risk over the course of the year to 30 June 2021 and consequently, there has been no change to the expected credit loss provision since the prior year, whilst recognising that the range of possible outcomes within our probability weighted matrix has changed. The expected credit loss provision (among our overall portfolio of contracts) is discussed further in note 1 Critical accounting estimates and judgments.

The expected credit loss provision for this contract (amongst our overall portfolio of contracts) is discussed further in note 1 within critical accounting estimates and judgments.

There has been no change to our assessment of the constrained revenue under IFRS 15 or the expected credit loss under IFRS 9 in the year to 30 June 2021. The Group continues to vigorously defend the counterclaims made by the counterparty, that we consider are without merit, and as such no amounts have been provided on the basis the Group considers the possibility of an outflow of resources to be remote.

Movements on the Group provision for impairment of trade receivable were as follows:

	2021 £m	2020 £m
At 1 July	(1.6)	(0.4)
Decrease/(increase) in provision for receivables impairment	1.5	(1.2)
At 30 June	**(0.1)**	(1.6)

Provisions for impaired receivables have been included in cost of sales and administrative expenses in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

Provisions for amounts due from joint venture undertakings are set out in note 16. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited, due to the Group's customer base being large, unrelated and predominantly within the public sector. Major water industry customers accounted for in total 8% (2020: 9%) 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.

As of 30 June 2021, trade receivables of £15.2m (2020: £20.9m) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2021 £m	2020 £m
Number of days past due date		
Less than 30 days	1.5	4.2
Between 30 and 60 days	3.7	1.2
Between 60 and 90 days	0.7	3.1
Between 90 and 120 days	0.3	0.8
Greater than 120 days	9.0	11.6
	15.2	20.9

As of 30 June 2021, trade receivables were considered for impairment based on management's judgment and review of the trade receivables listings. The amount provided for these balances was £0.1m (2020: £1.6m). The allocation of the provision is as follows:

	2021 £m	2020 £m
Number of days past due date:		
Greater than 120 days	0.1	1.6
	0.1	1.6

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19 Cash and cash equivalents

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Cash at bank and in hand and per the statement of cash flows	**216.2**	197.2	**100.7**	100.0

Cash at bank above includes £nil (2020: £nil) of restricted cash. The effective interest rate received on cash balances is 0.1% (2020: 0.6%). The Group has no bank borrowings or loans.

Net cash excludes IFRS 16 lease liabilities (note 14).

Cash and cash equivalents and bank overdrafts are presented on a net (offset) basis. In 2016, the IFRS Interpretations Committee released an update in respect of IAS 32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. The Group's bank arrangements and facilities with both HSBC Bank plc and Barclays Bank plc provide the legally enforceable right to offset and the Group demonstrated its intention to offset by formally sweeping the balances. Consequently, the balances have been offset in the financial statements.

20 Trade and other payables

		Group		Company	
	Notes	2021 £m	2020 £m	2021 £m	2020 £m
Trade payables		**90.9**	108.1	–	–
Contract liabilities	22	**99.1**	112.3	–	–
Other taxation and social security payable		**30.5**	18.6	–	–
Other payables		**1.2**	1.2	–	–
Accruals		**263.7**	218.6	–	–
		485.4	458.8	–	–

All payables are unsecured. Retentions will be paid in the normal operating cycle of the Group and are therefore shown as a current liability.

The undiscounted future cash flows of non-derivative financial liabilities are £355.8m (2020: 327.9m) and these are expected to be settled within one year of the balance sheet date.

21 Provisions for other liabilities and charges

Group	Total £m
At 1 July 2019	0.8
Created in the year	23.7
Utilised in the year	(0.5)
At 30 June 2020	**24.0**
Utilised in the year[1]	**(24.0)**
At 30 June 2021	**–**

	2021 £m	2020 £m
Analysis of total provisions		
Current	–	13.9
Non-current	–	10.1
At 30 June	–	24.0

The provision created in the prior year resulted from the working capital adjustment agreed in respect of the disposal of the housebuilding divisions (note 34). This was fully settled in the year to 30 June 2021. The Company does not hold any provisions.

1 £0.3m was in respect of continuing operations and £23.7m was in respect of disconnected operations.

22 Contract balances

Contract assets and liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the balance sheet. Where there is a corresponding contract asset and liability in relation to the same contract, the balance shown is the net position. The timing of work performed (and thus revenue recognised), billing profiles and cash collection results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised) and customer advances and deposits (contract liabilities), where no corresponding work has yet to be performed, being recognised on the Group's balance sheet.

The reconciliation of the Group opening to closing contract balances is shown below:

	2021		2020	
	Contract asset £m	**Contract liability £m**	Contract asset £m	Contract liability £m
At 30 June 2020	172.0	(112.3)	332.8	(264.0)
Balances removed due to business disposals[1]	–	–	(68.3)	127.6
Revenue recognised in the year (continuing operations)[2]	**1,073.5**	**51.3**	1,051.3	70.3
Net cash received in advance of performance obligations being fully satisfied	–	**(38.1)**	–	(46.2)
Transfers in the year from contract assets to trade receivables	**(1,086.4)**	–	(1,143.8)	–
30 June 2021	**159.1**	**(99.1)**	172.0	(112.3)

Revenue allocated to performance obligations that are unsatisfied at 30 June, are expected to be recognised as disclosed in note 3.

The Company has no contract balances.

1 Disposal of housebuilding divisions (note 34).
2 Of the revenue recognised in the prior year, £32m was in respect of the final agreement for Aberdeen Western Peripheral Road (AWPR). The revenue was previously constrained due to uncertainty of the ongoing negotiation as at 30 June 2019.

23 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method and is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Deferred income tax assets – non-current	**15.0**	5.3	–	–
Deferred income tax assets	**15.0**	5.3	–	–
Deferred income tax liabilities – non-current	**(0.7)**	(1.0)	–	–
Deferred income tax liabilities	**(0.7)**	(1.0)	–	–
Net deferred income tax	**14.3**	4.3	–	–

The movement for the year in the net deferred income tax account is as shown below:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
At 1 July	**4.3**	1.3	–	–
Current year's deferred income tax – continuing operations[1]	**(8.9)**	(0.3)	–	–
Current year's deferred income tax – discontinued operations	–	0.3	–	–
Adjustment in respect of prior years – continuing operations	**(0.3)**	3.4	–	–
Adjustment in respect of prior years – discontinued operations	–	(0.1)	–	–
(Expense) recognised in equity – discontinued operations	–	(0.1)	–	–
Transfer from current tax assets and change in rates of deferred income tax[1]	**19.2**	–	–	–
Acquisition of subsidiaries[2]	–	(1.0)	–	–
Disposal of subsidiaries[3]	–	0.8	–	–
At 30 June	**14.3**	4.3	–	–

1 Includes impact of change in rate of tax.
2 The acquisition of STG during the year to 30 June 2020, which was subsequently disposed as part of the housebuilding divisions on 3 January 2020.
3 Disposal of housebuilding divisions on 3 January 2020 (note 34).

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23 Deferred income tax (continued)
The Group has recorded a deferred tax asset in respect of unutilised tax credits resulting from historic trading contract losses. This asset was previously recorded within current tax assets and was transferred in the year. The Group has assessed that an asset equal to the value of unutilised tax credits expected to be utilised over the next three financial years is appropriate, as, based on the already secured work for that timeframe and the approved Group budgets, management have assessed it is probable that the Group will have sufficient taxable profits to enable the deferred tax asset to be recovered. These losses can be carried forward indefinitely and have no expiry date.

Any remaining unutilised tax credits have not been recognised and the Group has approximately £95m of unrecognised trading losses.

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets

Group	Accelerated tax depreciation, losses and other £m	Share-based payments £m	Interest provisions & intangible assets acquired £m	Total £m
At 1 July 2019	2.1	0.4	3.2	5.7
(Expense)/income taken to income statement – continuing operations	(0.1)	(0.4)	0.2	(0.3)
Expense taken to income statement – discontinued operations	(0.5)	–	–	(0.5)
Adjustment in respect of prior years – continuing operations	0.8	–	–	0.8
Adjustment in respect of prior years – discontinued operations	(0.1)	–	–	(0.1)
Expense recognised in equity – discontinued operations	(0.1)	–	–	(0.1)
Transfer from deferred income tax liabilities	(0.1)	–	–	(0.1)
Transfer to deferred income tax liabilities	–	–	0.8	0.8
Disposal of subsidiaries	3.3	–	(4.2)	(0.9)
At 30 June 2020	5.3	–	–	5.3
Expense taken to income statement – continuing operations[1]	**(9.2)**	–	–	**(9.2)**
Adjustment in respect of prior years – continuing operations	**(0.3)**	–	–	**(0.3)**
Transfer from current tax assets and change in rates of deferred income tax[1]	**19.2**	–	–	**19.2**
At 30 June 2021	**15.0**	–	–	**15.0**

1 Includes impact of change in rate of tax.

Disposals in the prior year related to the housebuilding divisions (note 34).

Deferred income tax liabilities

Group	Accelerated tax depreciation £m	Fair value adjustments £m	Retirement benefit obligations £m	Intangible assets acquired £m	Total £m
At 1 July 2019	(0.1)	(3.0)	(1.3)	–	(4.4)
Income taken to income statement – discontinued operations	–	–	0.8	–	0.8
Income taken to income statement – continuing operations	–	2.6	–	–	2.6
Transfer from deferred income tax assets	–	–	–	(0.8)	(0.8)
Transfer to deferred income tax assets	0.1	–	–	–	0.1
Disposal of subsidiaries	–	0.4	0.3	–	0.7
At 30 June 2020	–	–	(0.2)	(0.8)	(1.0)
Income taken to income statement – continuing operations	–	–	**0.2**	**0.1**	**0.3**
At 30 June 2021	–	–	–	**(0.7)**	**(0.7)**

Disposals in the prior year related to the housebuilding divisions (note 34).

24 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 cash and cash equivalents, receivables, payables and PPP and other investments that arise directly from its operations and its acquisitions.

Capital risk management

The Group is funded by ordinary shares, retained profits and its strong net cash position following the disposal of the Linden Homes and Partnerships & Regeneration divisions in the prior year. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group has no borrowing or debt facilities and hence no gearing targets.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk, other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group and Company have no material currency exposure at 30 June 2021 (2020: nil).

(ii) Price risk

Other than a residual interest in equity securities following the disposal of the housesbuilding divisions on 3 January 2020 (which are considered to have limited risk to the Group and are not held as long term investments), the Group and Company are not exposed to equity or commodity price risk.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents. Following the disposal of the Linden Homes and Partnerships & Regeneration divisions on 3 January 2020 the Group's exposure to interest rate risk is reduced given that it is well capitalised with no debt or net overdraft facilities.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group no longer holds any debt facilities. Further details of credit risk relating to trade and other receivables are disclosed in note 18. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount (book value) of each class of financial asset set out on the following page.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Following the disposal of the Linden Homes and Partnerships & Regeneration divisions on 3 January 2020, the Group finances its operations through its cash reserves and ongoing retained profits. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or gross overdrafts in all the Group's operating companies are aggregated into a total cash figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IFRS 9 'Financial Instruments', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

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24 Financial instruments (continued)

Fair value of other financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate.

Primary financial instruments held or issued to finance the Group's operations:

	Notes	2021 Book value £m	2021 Fair value £m	2020 Book value £m	2020 Fair value £m
Financial liabilities:					
Current financial liabilities measured at amortised cost	20	**355.8**	**355.8**	327.9	327.9
Financial assets:					
PPP and other investments	17	**49.1**	**49.1**	40.7	40.7
Current assets measured at amortised cost	18	**229.7**	**229.7**	230.5	230.5
Cash and cash equivalents	19	**216.2**	**216.2**	197.2	197.2

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 20.

There is no difference between the book value and the fair value of the Company's financial assets and financial liabilities.

Borrowing facilities
The Group had no committed borrowing facilities available at 30 June 2021 or 2020.

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 17.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	2021 Level 3 £m	2021 Total £m	2020 Level 3 £m	2020 Total £m
Assets				
Available for sale financial assets				
– PPP and other investments	**49.1**	**49.1**	40.7	40.7
Total	**49.1**	**49.1**	40.7	40.7

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.

Fair value measurements using significant unobservable inputs (Level 3)

	2021 £m	2020 £m
At 1 July	**40.7**	41.6
Additions	**1.9**	6.6
Movement in fair value	**7.5**	(1.8)
Disposal of housebuilding divisions (note 34)	**–**	(0.5)
Disposals and subordinated loan repayments	**(1.0)**	(5.2)
Closing balance	**49.1**	40.7

The key assumptions used in Level 3 valuations include the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10–15 years and the timing of receipts is based on historical data. The fair value of the portfolio reflects a blended discount rate of 7.0% (2020: 9.0%) and is based on current market conditions. The sensitivity to discount rates is set out in note 17. If receipts were to occur earlier than expected, the fair value would increase.

25 Ordinary shares and share premium

Group	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2019	111,032,617	55.5	197.7	253.2
Allotted under share option schemes	20,872	–	–	–
Capital reorganisation[1]	–	–	(197.7)	(197.7)
At 30 June 2020 and 30 June 2021	**111,053,489**	**55.5**	**–**	**55.5**

Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
On incorporation on 19 September 2020	–	–	–	–
Issue of shares on incorporation	2	–	–	–
Capital reorganisation[1]	111,053,487	55.5	–	55.5
At 30 June 2020 and 30 June 2021	**111,053,489**	**55.5**	**–**	**55.5**

Number of shares refers to 50p ordinary shares, which are authorised, issued and fully paid. There are no shares authorised and issued but not fully paid.

1 Following the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try Limited (formerly Galliford Try plc), effective from 3 January 2020, the entire issued share capital of Galliford Try Holdings plc was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange, with a corresponding cancellation of all shares of Galliford Try Limited (formerly Galliford Try plc).

At 30 June 2021, the total number of shares outstanding under the SAYE share option scheme was 1,989,993 (2020: nil) and under the LTIPs was 5,496,703 (2020: 2,248,829) as detailed in note 26.

26 Share-based payments

The Group operates performance-related share incentive plans for Executives, details of which are set out in the Directors' Remuneration report. The Group also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £1.0m (2020: £nil), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £1.0m (2020: £nil).

Savings related share options

The Company operates an HMRC approved sharesave scheme, under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Shares under option	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
07.04.21	1,989,993	130p	112p	01.06.21	60%	3	0.2%	3.1%	10%	50p

Notes to the consolidated financial statements
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26 Share-based payments (continued)

Savings related share options (continued)

The expected volatility is based on historical volatility in the movement in the share price over the past three years up to the date of grant (or since incorporation of the Company in January 2020). The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2021 is shown below:

	2021		2020	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	–	–	1,606,224	908p
Awards	**1,998,476**	**112p**	–	–
Forfeited	**(5,141)**	**112p**	(30,420)	867p
Cancelled	**(3,342)**	**112p**	(164,538)	879p
Expired	–	–	(1,390,394)	913p
Exercised	–	–	(20,872)	868p
Outstanding at 30 June	**1,989,993**	**112p**	–	–
Exercisable at 30 June	–	–	–	–

The weighted average fair value of awards granted during the year was 50p (2020: nil). There were nil share options exercised during the year ended 30 June 2021 (2020: 20,872) and the weighted average share price at the date of exercise was nil (2020: 868p). The weighted average remaining contractual life is 2 years and 11 months (2020: nil).

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for Executives, details of which are set out in the Directors' Remuneration report. The awards that vest are satisfied by the transfer of shares for no consideration.

The outstanding options were valued using a Black-Scholes model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Shares under option	Share price at grant date	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option
13.03.20	2,248,829	123p	36	0.3%	3.1%	112p[1]
23.09.20	3,247,874	78p	36	(0.1)%	3.1%	71p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the past three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2021 Number	2020 Number
Outstanding at 1 July	**2,248,829**	1,087,808
Granted	**3,247,874**	2,248,829
Expired	–	(1,052,695)
Exercised	–	(35,113)
Outstanding at 30 June	**5,496,703**	2,248,829
Exercisable at 30 June	–	–

The weighted average fair value of awards granted during the year was 71p (2020[1]: 0p). There were nil options exercised during the year ended 30 June 2021 (2020: 35,113). The weighted average remaining contractual life is nil as the shares are exercised on the day that they vest (2020: nil).

1 The assessment of the non-market conditions associated with the grant in the prior year resulted in the underlying fair value per option of 112p being recognised as nil.

27 Other reserves and retained earnings

Group	Notes	Other reserves £m	Retained earnings £m
At 30 June 2019		4.8	421.3
Adjustment as a result of transition to IFRS 16 on 1 July 2019		–	(1.0)
Restated at 1 July 2019		4.8	420.3
Profit for the year		–	320.4
Dividends paid	9	–	(38.9)
Actuarial gains recognised related to retirement benefit obligations – discontinued operations	35	–	2.0
Share-based payments – continuing and discontinued operations	26	–	0.2
Movement in fair value of PPP and other investments	17	–	(1.8)
Movement in fair value of derivative financial instruments		–	0.4
Deferred and current tax on movements in equity	23	–	(0.1)
Capital reorganisation[1]	1	227.4	(29.7)
Disposal of housebuilding divisions to Vistry Group plc	1 & 34	–	(840.0)
Impairment of investment in Galliford Try Limited and associated recycling of merger reserve to retained earnings	15	(146.5)	146.5
At 30 June 2020		85.7	(20.7)
Profit for the year		–	**7.7**
Dividends paid	9	–	**(1.3)**
Share-based payments	26	–	**1.0**
Movement in fair value of PPP and other investments	17	–	**7.3**
Purchase of own shares		–	**(1.1)**
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	**32.7**	**(32.7)**
At 30 June 2021		**118.4**	**(39.8)**

The Group's other reserves relates to a merger reserve amounting to £118.4m (2020: £85.7m).

Company	Notes	Other reserves £m	Retained earnings £m
On incorporation at 19 September 2019		–	–
Creation of merger reserve and other reserve on acquisition of Galliford Try Limited		232.2	–
Impairment of investment in Galliford Try Limited and associated recycling of merger reserve to retained earnings	15	(146.5)	146.5
Loss for the year		–	(46.5)
At 30 June 2020		85.7	100.0
Profit for the year		–	**34.7**
Dividends paid	9	–	**(1.3)**
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	**32.7**	**(32.7)**
At 30 June 2021		**118.4**	**100.7**

1 Following the disposal of the housebuilding divisions of Galliford Try Limited (formerly Galliford Try plc), effective from 3 January 2020, the entire issued share capital of Galliford Try Holdings plc was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange, with a corresponding cancellation of all shares of Galliford Try Limited (formerly Galliford Try plc).

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5m (2020: £9.5m).

At 30 June 2021, the Galliford Try Employee Share Trust (the Trust) held 1,721,603 (2020: 221,603) Galliford Try Holdings plc shares. The nominal value of the shares held is £0.9m (2020: £0.1m). 1,500,000 shares were acquired during the year (2020: nil) at a net cost of £1.1m (2020: £nil) and a further £nil (2020: £nil) was paid in relation to other share related transactions. Nil (2020: 61,974) 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 2021 was £2.4m (2020: £0.3m). No shareholders (2020: none) have waived their rights to dividends.

As part of and as a result of the disposal of the housebuilding operations to Vistry Group plc on 3 January 2020 and the associated scheme of arrangement completed under Part 26 of the Companies Act 2006, shares held in Galliford Try Limited (formerly Galliford Try plc) as at 3 January 2020 (221,603) were exchanged for an equivalent number of shares in Galliford Try Holdings plc and 127,189 shares in Vistry Group plc (at a rate of 0.57406 Vistry Group plc shares for each Galliford Try Limited share). As the Group is not a strategic investor and does not wish to formally trade in external shares (ie the shares held in Vistry Group plc), they are being sold in a number of tranches, with the first two tranches of a total of 84,792 shares sold in the prior year for £1.1m cash and a further tranche of 14,132 shares sold in the current year for £0.2m cash with a residual 28,265 shares held by the Group at 30 June 2021 (2020: 42,397). These shares are recorded at fair value, with the movement being reflected in profit or loss.

Notes to the consolidated financial statements
continued

28 Financial and capital commitments
The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2021 (2020: £nil), nor any commitment for other capital expenditure.

29 Guarantees and contingent liabilities
Galliford Try Holdings plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements, amounting to £146.8m (2020: £157.4m).

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.

30 Related party transactions
Transactions between the Group and its related parties are disclosed as follows:

Group

	Sales to related parties		Amounts owed by related parties	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trading transactions				
Related parties	**110.5**	75.8	**42.2**	35.9

	Interest and dividend income from related parties	
	2021 £m	2020 £m
Non-trading transactions		
Related parties	**4.4**	4.5

The related party transactions above reflect continuing operations. Sales to related parties within discontinued operations amount to £nil (2020: £50.3m) and interest and dividend income received from related parties amount to £nil (2020: £11.1m).

Sales to related parties are based on terms that would be available to unrelated third parties. Amounts owed by related parties consist predominantly of subordinated debt within the PPP and Other Investments portfolio, that if held to maturity would be due over the next 27 years (2020: 28 years). These receivables are unsecured, with interest rates varying between a range of 9% and 12%. Payables are due within one year (2020: 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	
	2021 £m	2020 £m
Non-trading transactions		
Subsidiary undertakings	**2.0**	100.0

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

31 Post balance sheet events
There have been no post balance sheet events.

32 Alternative performance measures

Throughout the Annual Report and Accounts, the Group has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as they provide relevant information on the Group's performance. They are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided below.

Providing clarity on the Group's alternative performance measures

The Group has included this note and the enclosed explanations and reconciliations with the aim of providing transparency and clarity on the measures adopted internally to assess performance. The APMs adopted by the Group are also commonly used in the sectors it operates in.

The APMs adopted by the Group are also commonly used in the sectors it operates in.

The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers.

These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Measuring the Group's performance

The following measures are referred to in this report:

Statutory measures

Statutory measures are derived from the Group's reported financial statements, which are prepared in accordance with international accounting standards in conformity with the requirements of international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in line with the Group's accounting policies, that can be found on pages 102 to 107.

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

Alternative performance measures

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

a) Pre-exceptional performance

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

b) Operating profit before amortisation

The Group adjusts operating profit to exclude the amortisation of intangible assets as this better reflects the ongoing performance of the business. Operating margin reflects the ratio of operating profit before amortisation of intangible assets and revenue. This differs from the statutory measure of operating profit which includes the amortisation of intangible assets.

Notes to the consolidated financial statements
continued

32 Alternative performance measures (continued)

Measuring the Group's performance (continued)

Alternative performance measures (continued)

b) Profit from operations and operating margin (continued)

A reconciliation of the statutory measure to the Group's performance measure is shown below, based on continuing operations:

	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2021					
Statutory operating profit/(loss)	14.9	6.0	(1.8)	(11.1)	8.0
add: amortisation of intangible assets (note 11)	1.0	–	–	1.1	2.1
Operating profit before amortisation	15.9	6.0	(1.8)	(10.0)	10.1
Revenue	789.2	329.2	6.4	–	1,124.8
Operating margin	2.0%	1.8%	n/a	n/a	0.9%
Year ended 30 June 2020					
Statutory operating (loss)/profit	(54.9)	25.5	(0.3)	(9.5)	(39.2)
add: amortisation of intangible assets (note 11)	1.0	–	–	1.1	2.1
exclude: exceptional items (note 4)	2.0	(27.3)	–	0.2	(25.1)
Pre-exceptional operating loss before amortisation	(51.9)	(1.8)	(0.3)	(8.2)	(62.2)
Pre-exceptional revenue	719.9	357.1	8.2	4.4	1,089.6
Operating margin	(7.2)%	(0.5)%	n/a	n/a	(5.7)%

c) Pre-exceptional profit before tax

The Group uses a profit before tax measure which excludes exceptional items as noted above. This differs from the statutory measure of profit before income tax, which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below, based on continuing operations:

	2021 £m	2020 £m
Statutory profit/(loss) before tax	11.4	(34.6)
add: exceptional items (note 4)	–	(25.1)
Pre-exceptional profit/(loss) before tax	11.4	(59.7)

d) Pre-exceptional earnings per share

In line with the Group's measurement of pre-exceptional performance, the Group also presents its earnings per share on a pre-exceptional basis for its continuing operations.

This differs from the statutory measure of earnings per share, which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below, based on continuing operations:

	2021			2020		
	Earnings £m	Ave number of shares	EPS pence	Earnings £m	Ave number of shares	EPS pence
Statutory results	10.4	109,976,145	9.5	(32.6)	110,798,602	(29.4)
add: exceptional items (note 4)	–	n/a	n/a	(20.3)	n/a	n/a
Pre-exceptional earnings/(loss) per share	10.4	109,976,145	9.5	(52.9)	110,798,602	(47.7)

33 Group undertakings

In accordance with section 409 of the Companies Act, the following is a list of all of the Group's undertakings as at 30 June 2021.

(i) Subsidiary undertakings

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Alumno GT Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Alumno GT Management Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Birch Construction Division Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Chancery Court Business Centre Limited	3 Frayswater Place, Uxbridge, UB8 2AD	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%
Construction Holdco 1 Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Construction Holdco 2 Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Brick Factors Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Building 2014 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Construction & Investments Holdings Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try 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	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Estates Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Facilities Management Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try HPS Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Infrastructure Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try International Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Investments Consultancy Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Investments Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Investments NEPS Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Plant Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Properties Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Qatar Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Secretariat Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Services Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Supplies Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try Telecoms Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (Barking and Havering) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (Leicester) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT (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	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Camberwell Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Car Parks Leicester (Holdings) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Car Parks Leicester Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Emblem Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Guildford Crescent Limited	3 Frayswater Place, Uxbridge, UB8 2AD	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%

Notes to the consolidated financial statements
continued

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
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%
GTFM (Cavalry) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Leicester GT Education Company Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Morrison Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Morrison Highway Maintenance Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Oak Dry Lining Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Oak Fire Protection Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Primaria Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Regeneco (Services) Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Regeneco Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Rock & Alluvium Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Schools for the Community Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Try Accord Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Try Construction Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Try Group Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group, as a majority of voting rights are held in each case.

(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
Aberdeen Roads (Finance) PLC	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Holdings Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
Aberdeen Roads Limited	Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ	33%	31-Dec
ACP: North Hub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Dec
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
Community Ventures Primary Care Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
GBV JV Limited	3 Frayswater Place, Uxbridge, UB8 2AD	50%	30-Jun
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
Hub South East Scotland Limited	8 Melville Street, Edinburgh, EH3 7NS	50%	31-Mar
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30-Jun
Space Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	83%[1]	31-Mar
Urban Vision Partnership Limited	65 Gresham St, London, EC2V 7NQ	30%	31-Dec

The above entities are all incorporated in the UK and considered to be joint ventures, based on the shareholding agreements in place.

1 Treated as a joint venture as indicated by its joint venture agreement.

33 Group undertakings (continued)

(iii) Associated and other significant undertakings

Entity name	Registered office or principal place of business	Proportion of capital held by class
Aberdeen Community Health Care Village Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Alliance Community Partnership Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, Scotland, ML4 3NJ	10%
Galliford Try Qatar LLC	PO Box 11726 Doha, State of Qatar (incorporated in Qatar)	49%
Hub North Scotland (Alford) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (FWT) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (O&C) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
James Gillespie's Campus Subhub Holdings Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
James Gillespie's Campus Subhub Limited	8 Melville Street, Edinburgh, EH3 7NS	50%
LBP DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP DBFMco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
ELCH DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
ELCH DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
WCHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
JICC DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFMCo Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
QHS DBFM Holdco Ltd	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 2 DBFM HoldCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 2 DBFMCo Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Durham & Tees Community Ventures Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures Primary Care Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures HoldCo (No.1) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures FundCo (No.1) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures HoldCo (No.2) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures FundCo (No.2) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures HoldCo (No.3) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures FundCo (No.3) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures HoldCo (No.4) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures FundCo (No.4) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Durham & Tees Community Ventures HoldCo (No.5) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	18%
Hub North Scotland (I&F) Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Tees & Durham (LIFT) Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	30%
Hub North Scotland (I&F) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub South West Scotland Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
Hub SW Cumbernauld DBFMCo Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%
Hub SW Cumbernauld Holdco Limited	Avondale House, Suites 1l – 1o Phoenix Crescent Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ	6%

The above entities are all incorporated in the UK except Galliford Try Qatar LLC, which is incorporated in Qatar.

Entities listed above with 50% ownership percentage are treated as associates, as indicated by their ownership agreements.

Notes to the consolidated financial statements
continued

34 Discontinued operations

On 3 January 2020, the Group completed the disposal of the Linden Homes and Partnerships & Regeneration divisions of Galliford Try plc (in addition to certain other assets and liabilities transferred to Vistry Group plc as part of this transaction), following the implementation of a Group restructuring and scheme of arrangement under Part 26 of the Companies Act 2006 becoming effective on 2 January 2020. Additionally, with effect from 8:00 a.m. on 3 January 2020, 111,053,489 Galliford Try Holdings plc shares with a nominal value of 50p each, being the entire issued share capital of Galliford Try Holdings plc, were admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange, with a corresponding cancellation of all shares of Galliford Try plc (note 25).

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

The (loss)/profit of these discontinued operations are as follows:

Year ended 30 June 2021	Central £m	Total £m
Revenue	–	–
Operating loss and loss before taxation	(2.7)	(2.7)
Income tax expense	–	–
Loss after tax of discontinued operations	(2.7)	(2.7)

These costs were primarily residual professional fees and other costs relating to the transaction and discontinued operations. The Group is not expecting to incur any further costs in respect of these discontinued operations.

Year ended 30 June 2020 – discontinued operations	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total £m
Revenue	303.1	348.8	–	651.9
Profit/(loss) from operations	50.1	18.7	(27.9)	40.9
Share of joint ventures' interest and tax	(6.6)	–	–	(6.6)
Profit/(loss) before finance costs, amortisation and tax	43.5	18.7	(27.9)	34.3
Net finance (costs)/income	(17.5)	(0.7)	17.5	(0.7)
Amortisation costs	–	(1.0)	–	(1.0)
Profit/(loss) before taxation	26.0	17.0	(10.4)	32.6
Income tax expense				(7.8)
Profit after tax of discontinued operations				24.8

The Linden Homes and Partnerships & Regeneration segments (which comprise the housebuilding operations) and certain other assets and liabilities were transferred to Vistry Group plc on 3 January 2020 (including the £100m Private Placement notes and two of the Group's defined benefit pension schemes).

Gain on sale and distribution of the discontinued operations	2020 £m
Net proceeds received	476.3
Transaction costs	(18.9)
Total net disposal consideration	457.4
Carrying amount of net assets sold	(969.2)
	(511.8)
Fair value of distribution of Galliford Try Homes Limited	840.0
Net gain on sale before income tax	328.2
Income tax expense on gain	–
Net gain on sale after income tax	328.2
Net profit from discontinued operations for the year per Income Statement	353.0

34 Discontinued operations (continued)

The total proceeds received of £476.3m consisted of £300.0m in cash, the transfer of the £100.0m Private Placement 10-year sterling notes to the buyer and a further working capital adjustment of £76.3m. The Group incurred total third-party adviser fees, professional fees and stamp duty in respect of the transaction of £18.9m, resulting in net disposal proceeds of £457.4m. The carrying amount of net assets immediately prior to the disposal in respect of the discontinued operations was £969.2m.

As indicated above, Linden Homes was disposed via a distribution to shareholders. The owner of each Galliford Try share (in Galliford Try Limited, formerly Galliford Try plc) received 0.57406 shares in Vistry Group plc (formerly Bovis Homes plc) as well as one replacement share in Galliford Try Holdings plc. Under IFRIC 17 Distributions of Non-cash Assets to Owners, this distribution is reflected at fair value, with the difference between the fair value of the assets distributed and their carrying value (within the total housebuilding net assets carrying value of £969.2m) reflected in profit or loss. Based on the market value of the shares in Vistry Group plc at the time of completion (of £13.12), the fair value of the assets distributed was £840.0m.

Finally, as a result of the transaction, incorporating the disposal of the housebuilding divisions, the completion of the court-approved scheme of arrangement, reorganisation of the Group structure with the insertion of Galliford Try Holdings plc as the ultimate parent of the Group (under Part 26 of the Companies Act 2006) and the subsequent capital reduction of Galliford Try Limited, the Group's consolidated share premium and other reserves were reduced by £197.7m to nil and increased by £80.9m to £85.7m respectively, with the net balance recycled through retained earnings.

This resulted in a net gain on sale from the transaction of £328.2m, which in addition to the trading profit for the year of £24.8m, resulted in a net profit for the year from discontinued operations of £353.0m, as reflected in the Income Statement.

35 Retirement benefit assets

As stated in note 5, all employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan. Previously, the Group also operated three defined benefit pension schemes, as detailed below, but all of these have either been transferred or wound-up as at 30 June 2021 and the Group has no remaining defined benefit pension schemes or liabilities.

Defined benefit schemes

Historically, the Group operated 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. However, the Group's two principal funded defined benefit pension schemes (being the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme) were transferred to Vistry Group plc as part of the disposal of the Linden Homes and Partnerships & Regeneration divisions to Vistry Group plc on 3 January 2020 (note 34) while the remaining scheme (the Galliford Group Special Scheme) was wound-up during the year and the surplus cash of £1.0m returned to the Company.

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:

	2021		2020	
	Value £m		Value £m	
Gilts	–	–%	1.0	100%
	–	–%	1.0	100%
Present value of defined benefit obligations	–		–	
Surplus in scheme recognised as non-current asset	–		1.0	

Notes to the consolidated financial statements
continued

35 Retirement benefit assets (continued)

Accounting results

The amounts recognised in the income statement for continuing operations are as follows:

	2021 £m	2020 £m
Net interest income on net defined benefit asset	–	(0.1)
Net income recognised in the income statement	–	(0.1)

The actual return on scheme assets was £nil (2020: £0.1m).

There were no amounts recognised in the statement of comprehensive income for continuing operations (2020: £nil) and there were no actuarial gains related to discontinued operations (2020: £2.0m).

Movement in present value of defined benefit obligations	2021 £m	2020 £m
At 1 July	–	238.7
Interest cost	–	2.6
Actuarial loss arising from changes in financial assumptions	–	6.0
Benefit payments	–	(5.2)
Disposal of liabilities to Vistry Group plc (note 34)	–	(242.1)
At 30 June	–	–

Movement in fair value of scheme assets	2021 £m	2020 £m
At 1 July	1.0	245.7
Interest income	–	2.7
Return on plan assets, excluding interest income	–	8.0
Employer contributions	–	4.0
Expenses	–	(0.2)
Benefit payments	–	(5.2)
Disposal of assets to Vistry Group plc (note 34)	–	(254.0)
Cash received on wind-up of scheme	(1.0)	–
At 30 June	–	1.0

Movement in fair value of net asset	2021 £m	2020 £m
At 1 July	1.0	7.0
Net interest income	–	0.1
Return on plan assets, excluding interest income	–	8.0
Actuarial losses	–	(6.0)
Employer contributions	–	4.0
Expenses	–	(0.2)
Disposal of net assets to Vistry Group plc (note 34)	–	(11.9)
Cash received on wind-up of scheme	(1.0)	–
At 30 June	–	1.0

Five-year record (unaudited)

	2017 £m	2018 £m	2019[1] £m	2020[1] £m	**2021[1] £m**
Revenue	2,662.1	2,931.6	1,400.1	1,121.6	**1,124.8**
Profit/(loss) before exceptional items	147.6	188.7	(17.2)	(59.7)	**11.4**
Exceptional items	(88.9)	(45.0)	(47.3)	25.1	**–**
Profit/(loss) before taxation	58.7	143.7	(64.5)	(34.6)	**11.4**
Tax	(10.0)	(25.4)	15.0	2.0	**(1.0)**
Profit/(loss) after taxation attributable to shareholders	48.7	118.3	(49.5)	(32.6)	**10.4**
Fixed assets (including IFRS 16 right-of-use assets), investments in joint ventures, PPP and other investments	72.6	93.4	124.8	67.5	**73.2**
Intangible assets and goodwill	179.1	174.9	171.4	85.0	**82.9**
Net current assets/(liabilities)	509.6	579.8	340.2	(14.4)	**(24.4)**
Other long term assets	113.7	155.9	246.7	5.3	**14.3**
Long-term payables and provisions	(299.5)	(321.8)	(203.8)	(22.9)	**(11.9)**
Net assets	575.5	682.2	679.3	120.5	**134.1**
Share capital	41.4	55.5	55.5	55.5	**55.5**
Reserves	534.1	626.7	623.8	65.0	**78.6**
Shareholders' funds	575.5	682.2	679.3	120.5	**134.1**
Dividends per share (pence)	86.0	77.0	58.0	–	**4.7**
Basic earnings per share (pence)[2]	53.1	121.1	(10.7)	(47.7)	**9.5**
Diluted earnings per share (pence)[2]	52.9	120.6	(10.6)	(47.7)	**9.1**

1 2019, 2020 and 2021 Income Statement and earnings per share balances reflect continuing operations only, accounted for in accordance with IFRS 5 (2017–2018 reflects the total Group in those years, including housebuilding). The 2019 balance sheet reflects the whole Group in that year.

2 Pre-exceptional.

Shareholder information

Financial calendar 2021

Half year results announced	4 March
Full year results announced	16 September
Ex dividend date	11 November
Final dividend record date	12 November
Annual General Meeting	12 November
Final dividend payment	10 December

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday; overseas shareholders should call +44 121 415 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 Accounts electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £60 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are BKY40Q3 and GB00BKY40Q38.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel & Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2021

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.41%	3,410	3.24%	3,597,373
10,001 – 50,000	3.88%	143	2.79%	3,100,977
50,001 – 500,000	2.68%	99	14.87%	16,516,607
500,001 – highest	1.03%	38	79.10%	87,838,532
Total	100.00%	3,690	100.00%	111,053,489

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Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

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Registration

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Independent auditor

BDO LLP

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