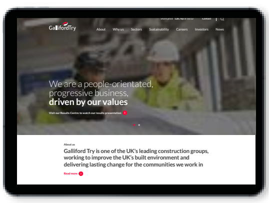
Galliford Try Holdings plc
Annual Report and Financial Statements 2022

Delivering Sustainable Growth

Contents



Visit: www.gallifordtry.com for more information.

Financial performance

Revenue
£1,237.2m
(2021: £1,124.8m)

Pre-exceptional profit before tax[1]
£19.1m
(2021: £11.4m and 2022 statutory profit before tax £5.4m)

Divisional operating margin[1]
2.4%
(2021: 2.0%)

Pre-exceptional operating profit before amortisation[1]
£18.5m
(2021: £10.1m)

Pre-exceptional earnings per share[1]
16.0p
(2021: 9.5p and 2022 statutory earnings per share 5.8p)

Dividend per share
8.0p
(2021: 4.7p)

Average month-end cash
£174m
(2021: £164m)

Order book
£3.4bn
(2021: £3.3bn)

1 See note 32 for our alternative performance measures.

Key sections of our report

Safety above all

We are committed to prioritising the health, safety and wellbeing of our people, and those around us, aiming for no harm.

Read more p21

Drivers of market growth

Our chosen markets remain favourable and we are well placed to benefit from sustained investment in the UK's economic and social infrastructure.

Read more p10

Focused risk management

Our established approach to risk management has laid a strong platform for our strategy to 2026 and continues to underpin our future ambitions.

Read more p43

Built-in sustainability

Our sustainability commitments are built into our strategy, allowing us to be more efficient, win work and engage with our employees and supply chain, while benefiting the community and environment.

Read more p20

A defining purpose leading us forward

"We have made an excellent start to our Sustainable Growth Strategy, delivering risk managed controlled growth, and it's exciting to be at the forefront of the vital role construction is playing in the future of the UK.

"The great thing about our strategy is that all our stakeholders' interests are aligned. We are contributing to the decarbonisation of the economy, unlocking the potential of digitalisation to drive efficiency, and working in partnership with our supply chain to deliver for our clients and communities.

"With our passionate teams, strong balance sheet, market-leading sector positions, excellent client and supplier relationships and high-quality order book, we are excited about the future and look forward with confidence."

Bill Hocking
Chief Executive

Chief Executive's review p16

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 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.

A progressive UK construction business

We are proud to deliver vital buildings and infrastructure across the country that make a real difference to people's lives.

What we do

We are a major construction group, operating as Galliford Try in England and Wales, and Morrison Construction in Scotland. Our network of regional offices is a key advantage, offering clients the benefit of national strength with local delivery. We are focused on markets where we have proven strengths, operating predominantly in the public and regulated sectors.

Building

operates across the UK, designing, constructing and refurbishing assets across markets where we have proven expertise and significant opportunities, particularly the education, health, defence, justice and commercial sectors.

Infrastructure

comprises our Environment and Highways businesses, which carry out vital civil engineering projects across the UK. Environment covers the water and sewage sectors, where we are one of the largest players and carry out capital delivery and maintenance, and asset optimisation. Our work in Highways has contributed substantially to the national infrastructure network, from major project delivery of large-scale schemes to delivering road surfacing works and maintenance as a leading player.

Investments

has historically specialised in managing construction through to operations for major building projects via public private partnerships. These skill sets are now being used to progress co-development opportunities, with a focus on the PRS (Private Rented Sector). Our expertise in leading bid consortia and arranging finance to devise and secure the right solution on an individual basis makes us attractive to clients.

Facilities Management

works with Building, with an emphasis on the education and health sectors. Our capabilities include delivering high-quality, full life-cycle solutions to our clients, including green retrofit.

Operating review p58

Who we work with

We primarily work with clients in the public and regulated sectors, where we have core and proven expertise, based on a strong understanding of client requirements, the market and risk profile. We focus on education, defence, health, justice, highways and environment, as well as the commercial sector.

We seek clients who value a collaborative approach and long-term relationships, for example by working in frameworks. Frameworks are a multi-year procurement vehicle used by public and regulated sector clients which provide greater opportunities for deeper, collaborative working and support the achievement of wider strategic and social goals, better understanding between parties, early mitigation of risks and ultimately repeat business.

91%

of our order book is in the public and regulated sectors.

94%

of our order book is with repeat clients.

90%

of our order book is in frameworks.

How we do it

Stages of a typical construction project

Diligent planning in the early pre-construction phase goes a long way in ensuring that construction takes place on time, to budget and to a high quality.

Identifying and bidding opportunities

We seek opportunities within our chosen markets and only pursue those where we have the expertise and resources to successfully complete the work safely, profitably and to a high quality. Our initial selection process considers factors such as geography, client, size of the project, technical complexities and our experience of similar projects. Contracts meeting this criteria are interrogated by our teams to ensure we fully understand and can meet client requirements. They are filtered through our risk-based heat map which facilitates a rigorous assessment of risks to ensure all aspects of a contract including terms and conditions satisfy our strict criteria. All contracts with a value exceeding £25m, and lower value contracts with specified risk parameters, require Executive Board approval.

i Risk management p43

Early engagement

Depending on the contract, we may be involved in the design. These contracts, called Design and Build, are different from traditional contracts, where the client appoints consultants to design their scheme and a contractor is selected to execute the works. Design and Build contracts can provide greater opportunities for selecting building features, systems, equipment and materials which deliver lower life cycle cost or carbon emissions and shorter programmes while meeting the required performance, quality, reliability, and safety requirements.

Assembling a team and procuring products and services

Delivering a construction project requires many different disciplines, some of which are specialist. This is because it is unlikely that any one contractor will have all the required skills to complete every aspect of a construction project. Our role includes assembling the right team, including subcontractors, and sometimes consultants, to carry out specific aspects of works such as mechanical and electrical work. This phase also involves other preparatory processes before mobilising on site, such as obtaining permissions and permits. It is about further reducing risk, improving productivity, selecting partners, and digitally testing the solutions to improve health, safety and quality and eliminate waste. Early procurement also mitigates risk.

i People and culture p24

i Supply chain management p38

Construction

This phase consists of all the physical processes of building, landscaping or refurbishing a project in addition to mobilising teams and services such as power and utilities. It includes erection of hoardings and welfare facilities, site clearance, demolition or remediation works, site preparation, excavation works, installation of foundations, frame construction, civil engineering works and fit out, where applicable. It can also include rebuilding work and alterations or additions to buildings or infrastructure.

A key part of this phase is ensuring the project's performance is controlled to ensure that it is running safely, on schedule and within budget. Day-to-day supervision from a project team is required to set and track progress, resolve any challenges including unforeseen events such as extreme weather, supply or labour issues, and make any required adjustments.

Documentation, digital tools and communication are vital within this phase as they enable the team to monitor performance against programme expectations as well as providing a blueprint of what is required in the final product.

Handover

Before completion of a project, final inspections are made. The project is then approved by the client and a final completion certificate is issued, confirming the project has been handed over in a satisfactory manner. In some instances, we may also take on the maintenance of the asset.

How we make money

We aim to generate a return for shareholders by operating a profitable and sustainable business. We make a profit by carefully selecting the work we take on and executing it well.

High-quality revenue

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

- **Target cost/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 an 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.

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.

Our business does not require significant investment in fixed assets or working capital. We therefore deploy a modest amount of cash for ongoing investment in the business and for investing in PPP, co-development or green retrofit projects.

Our capital allocation and dividend policy is set out in the Financial review (page 55).

A compelling investment

Our leading positions in thriving markets, strong foundations and a progressive culture provide an engine for growth.

Strong culture of discipline and risk awareness

Our approach to running a good construction business that can perform consistently and predictably revolves around the right people, who share our purpose, values and objectives.

We have a strong culture of discipline and risk management and only pursue opportunities where we have the skills, resources and contract terms and conditions to be successful. This is complemented by our incentive models, which mirror our attitude and are predicated on profit, cash and Environmental, Social and Governance (ESG) measures.

Read more p17 and 43

High-quality order book and good visibility of pipeline

Being selective about the work we take on and focusing on bottom line growth over revenue drives a high-quality order book which is characterised by its quantum; longevity through frameworks; a repeat client base who we know and can work collaboratively with; and embedded cash and margin profiles. This leads to work we can execute with a high degree of confidence in addition to pipeline visibility, which enables us to effectively resource projects with our people and supply chain. This approach underpins our strategy and facilitates controlled growth, generating long-term shareholder value.

Read more p59

Strong balance sheet

Performing consistently and predictably in this way provides us with a strong balance sheet. This is important to clients as they prefer to work with contractors who can deliver for them in the long term and it provides further confidence to our supply chain who look to partner with businesses that can pay them promptly. Balance sheet strength means we can invest in our people, technology and business to develop our capabilities. Finally, a strong cash balance gives us agility and enables us to react quickly to strategic opportunities, including bolt-on acquisitions aimed at enhancing our capabilities and driving up margin. Coming full circle, a strong balance sheet enables us to reinforce our culture of being selective about the work we pursue, so the cycle continues, delivering a compelling investment proposition.

Read more p55

Confident in our strategy

This is my last report to you as Chairman of Galliford Try and I am pleased to be handing over to Alison Wood with the Group in a strong position.

During the year, we benefited from the successful implementation of our Sustainable Growth Strategy, achieving further controlled growth, and remaining firmly on track to meet our financial targets to 2026.

As a result, pre-exceptional profit before tax was up 68% to £19.1m (2021: £11.4m). The Group has maintained its financial strength, with a net cash balance at the year-end of £219m (30 June 2021: £216m) and an average month-end cash balance during the year of £174m (2021: £164m). In these times, the strength of our balance sheet continues to differentiate us in our markets.

Enhancing shareholder returns

In my report to you last year, I said that our policy was to target a dividend cover range of 2.0-2.5 times. At the interim results in March 2022, we announced an improved policy, with the aim of annual earnings covering the dividend by 2.0 times. Having paid an interim dividend of 2.2p per share, up 83% on the 1.2p per share paid in the prior year, the Board has proposed a final dividend of 5.8p per share (2021: 3.5p per share). The total dividend for the year is therefore 8.0p, up 70% and in line with the 2.0 times cover policy.

The enhancement to the dividend policy reflects the Board's confidence in the Group's performance and outlook, and its strong balance sheet. The Board previously committed to monitor the Group's cash position, and consider, where appropriate, additional capital returns. On 21 September 2022, we announced an initial share buyback programme to repurchase up to £15m of ordinary shares.

A successful and sustainable strategy

The strategy we set out last year is delivering as we expected. In conjunction with management, the Board has reviewed the strategy and our progress against it throughout the year and this has reaffirmed our view that the strategy is the right one for Galliford Try.

In the first half of the year, we strengthened our Environment business with the acquisition of nmcn water, which has been successfully integrated within our Group. The purchase was in a space where we had been looking to grow and we are now one of the largest players in this sector. On 8 July 2022, we acquired MCS Control Systems, a leading systems integrator to the industrial and utilities sectors, based in Coventry, West Midlands, which again demonstrates the excellent position of the Group and good progress towards our strategic goals.

Environment, Social and Governance (ESG) issues are a core part of the Board's strategic focus, with Board-level working groups as described on page 70. While ESG continues to rise up the agenda for all businesses and their stakeholders, we believe this is an area where Galliford Try has always been strong, such as in our long-standing approach to using environmentally sound processes and materials. We continue to up our game, for example in setting net zero carbon targets for our own operations by 2030 and for all activities by 2045. Decarbonisation is also a growth driver for us, as we look to help clients to meet their own carbon reduction targets.

A truly sustainable business needs to work for all its stakeholders and the Board continues to ensure it is well informed on their views. Our Senior Independent Director Terry Miller plays a key role here, as chair of both our Stakeholder Steering Committee and our Employee Forum. Our Finance Director, Andrew Duxbury, chairs our Carbon Reduction and Social Value Forum on a quarterly basis. The Board discusses feedback from these groups. This in turn allows the Group to successfully and sustainably deliver for all stakeholders.

People and culture

Maintaining a positive culture is a major focus, and Bill Hocking continues to lead initiatives which have significantly enhanced our approach, including first and foremost, an improvement in our Accident Frequency Rate.

Our progressive culture has helped to empower our people, giving them the flexibility to make decisions within a solid framework and with a clear understanding of the Group's approach to managing risk, which is embedded at every level of the business. There is also a strong emphasis on personal development, encouraging our people to learn new skills and put themselves forward for opportunities.

On behalf of the Board, I want to thank everyone at Galliford Try for their hard work and dedication, which is reflected in the results we have achieved this year.

Management and the Board

There were two additions to the Board during the year. Alison Wood joined us as a Non-executive Director on 1 April 2022 and will succeed me as Chair when I step down from the Board on 21 September 2022. We were also pleased to welcome Sally Boyle as a Non-executive Director from 1 May 2022. Both Alison and Sally have further strengthened the Board's independence and experience and have already made valuable contributions to our work.

Looking forward

The last few years have been a time of huge change for Galliford Try and, as I prepare to step down as Chairman, I am pleased to be leaving the business in great shape and in very good hands. The Group has a robust order book, is performing strongly and has a clear strategy for further growth. The Board looks forward to the future with confidence.

Peter Ventress
Chairman

Highlights of the year

- **A strong culture driven by our purpose:** the results of our employee survey confirmed we have embedded a strong culture which will fuel our ambitions, ensuring we grow our business the right way. As an example:

99%
of people responded favourably to the statement that we give health and safety a high priority.

96%
of people responded favourably to the statement that our commitment to social responsibility is genuine.

94%
of people responded favourably to the statement that they are motivated by our vision.

- **Developing our capabilities in adjacent and complementary markets:** the acquisitions of nmcn's water business (including Lintott Control Systems) in October 2021, and MCS in July 2022, have advanced our strategy of growth in existing and adjacent markets by increasing our geographic coverage through established frameworks, complementing our order book, enhancing our capabilities in maintenance, off-site build and asset optimisation, and adding highly sought-after talent to our business.

- **Progress on carbon:** during the year we made significant strides in our carbon journey, maintaining a downward trend in our own emissions and also developing our own capabilities. In the year, we launched our Net Zero Partners initiative to collaborate with our supply chain and help the industry work together to deliver lower carbon projects. We have also been involved in several low and net zero carbon schemes, including pilots for public sector clients such as the Department for Education (pages 30 and 37).

Market opportunity

Our chosen markets remain favourable. The construction sector is expected to benefit from sustained investment as a means to drive the UK's recovery from the challenges of the pandemic, and to address global factors and the issue of climate change. We have a major role to play across these areas, driving efficiency through digitalisation and off-site build and delivering wider societal value. While we remain vigilant about the macro-economic backdrop of cost inflation, resource scarcity and geopolitical challenges resulting from the war in Ukraine, these challenges are less pronounced across our areas of operation.

Our strategy responds to our markets

Market drivers	How our alignment positions us to benefit
Investment in the UK's social and economic infrastructure	Key contractor for public and regulated sectors.
	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 increasing capabilities.
Innovation	Digitalisation and adoption of Modern Methods of Construction (MMC).

Market opportunity

Investment in the UK's social and economic infrastructure

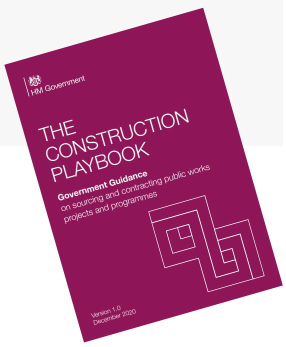
There is a drive to build a stronger economy following the pandemic, using construction as a way to stimulate activity and ensuring we have the infrastructure to support the country. The main themes of this are to tackle regional and local inequalities through improved facilities and better transport links, decarbonise the built environment and increase the UK's productivity.

The Levelling up agenda[1] aims to lessen 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 has been set aside for local projects, such as regeneration and transport across England, Scotland and Wales.

The Construction Playbook[2] sets out guidance for how public works are procured. The Playbook (page 18) places a major focus on social value, industry sustainability and supply chain engagement. It favours long-term contracting across portfolios; standardised designs, components, and interfaces; and innovation and MMC.

Our response

- We are a key contractor for the Government working across sectors including highways, environment, education, health and defence, which form the backbone of the country's infrastructure.
- We have a national presence from the Highlands in Scotland, down to Plymouth in the South West of England which will help us to support the levelling up agenda.
- Our commitment to creating greater social value matches the Government's aims to deliver value to society.
- A significant 90% of our order book is in frameworks, which are a key procurement route for the delivery of national infrastructure projects. Similarly, 91% of our order book is in the public and regulated sectors.
- We are focusing heavily on decarbonisation, both by reducing our own carbon footprint and helping our clients to lower carbon from their projects.
- The combined skills of our FM and construction businesses means that we are well-placed to retrofit and optimise existing facilities so that they have a better environmental and operational performance.
- We are driving productivity and innovation with investment in our digital capabilities and MMC.



1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf

2 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941536/The_Construction_Playbook.pdf

Market opportunity

Drive for decarbonisation and action on climate change

The UK's Ten Point Plan[3] for a Green Industrial Revolution prioritises 'clean growth' as it delivers on its aim to achieve net zero carbon emissions by 2050, and rebuild from the pandemic greener. The plan involves £12bn of public spending 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 commitments, 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.
- An estimated 80%[4] of buildings that will exist in 2050 have already been built and many of these will not meet the energy efficiency standards of the buildings we are designing today. Our capabilities in retrofit and asset optimisation enable our clients to reduce carbon emissions and increase the lifespan of their facilities. Overall, our clients' ambitions to tackle decarbonisation provide a revenue opportunity for us.
- The emissions associated with the materials used in construction, known as 'embodied carbon', can represent up to half of the carbon footprint of a building and an even greater proportion of some infrastructure assets such as roads. We have the knowledge to select and transition to lower carbon materials and manufacturing processes to reduce embodied carbon now.
- Our approach to digitalisation and adoption of new technologies such as design rationalisation using our Building Information Modelling (BIM) tools and experience helps us avoid over-specification and reduce materials consumed. Similarly, using MMC such as off-site manufacture helps to minimise waste and use materials more efficiently.

Pictured, our Education Director Claire Jackson took part in a panel event focused on targeting zero carbon in school buildings at Education Estates, using our work at Greenhead College (page 30) as an example.

Market challenge

Managing inflation, and labour and supply shortages

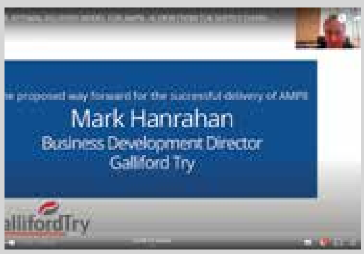
In the last year, we have been operating in an inflationary environment, which is forecast to continue for the foreseeable future.

- 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 across the UK.

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 behavioural safety programme, membership of the Supply Chain Sustainability School and our newly launched Net Zero Partners initiative. This leads to mutual benefits and ensures we remain a priority customer for our supply chain during times of heightened demand.
- Early planning giving us better visibility of product availability during times of higher 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 also assessed and managed during bidding.
- We also take preventative measures such as building protections into our contracts and procuring materials early to mitigate against rises in inflation and building in a degree of tolerance.
- 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.
- Our people-orientated approach, including initiatives such as agile working and our focus on wellbeing, make Galliford Try a more attractive employer and will help us to appeal to a more diverse audience, broadening the pool of potential recruits and supporting retention.
- 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, helping to encourage a career in construction for future generations. Our approach breaks down stereotypes of the industry and presents it as an important enabler of the UK's plans for the future.

We shared our insights on the future of the water sector, against the backdrop for water service delivery, supply chain challenges from Brexit and the pandemic, the economic environment and the drive for sustainability as part of a new report produced by the Water Industry Forum (WIF), entitled The optimal delivery model for AMP8.



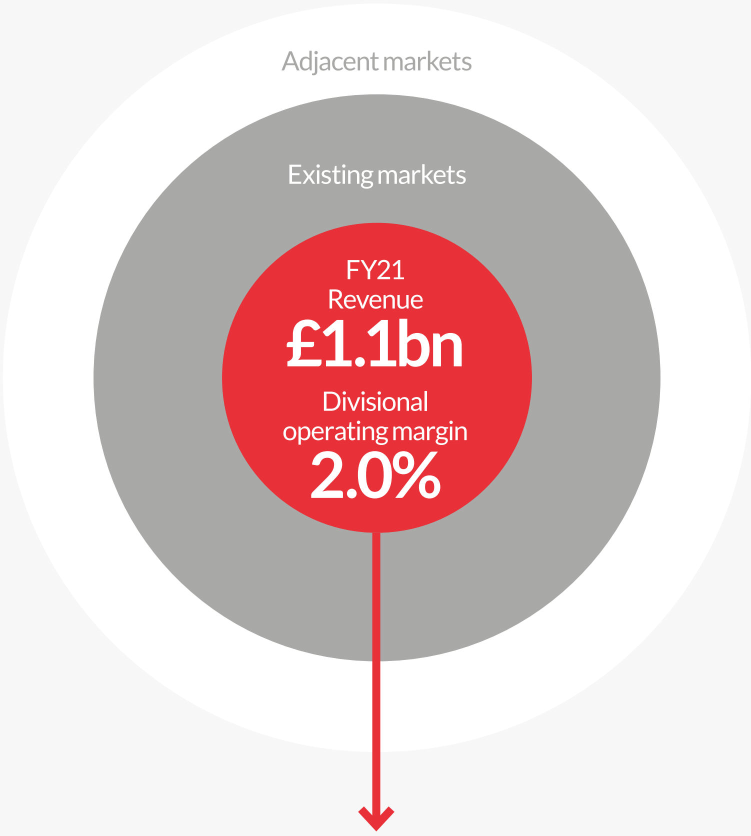
3 https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title

4 UK Green Building Council.

Sustainable Growth

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

Targeted sustainable revenue and margin growth to 2026 from a basis of FY21.



2026
targets

Revenue
£1.6bn

Divisional operating margin
3.0%

Our strategy targets sustainable growth across revenue and margin. Our focus is on margin growth, with revenue targeted where markets support growth. Growth will be achieved by:

- Increasing volumes in our existing markets within Highways, Environment and Building by growing in our existing geographies.

  Why?

  We understand these markets and their risk profiles and are already working in these sectors, predominantly in frameworks. We have the potential to grow within these areas by bringing all of our business units up to critical mass.

- The second main growth area is in complementary and adjacent markets and has three main strands:

  i) Private Rented Sector (PRS).

  ii) Green retrofit.

  iii) Capital maintenance and asset optimisation within the existing Environment sector (page 14).

  Why?

  These are all higher-margin activities and will contribute considerably to our margin growth targets. The nature of the work is complementary to our existing capabilities, we are present in these markets across the UK, and they have risk profiles within our appetite.

We will improve our margin by continuing with sustainable fundamentals of a focus on risk management and disciplined contract selection, targeting a high-quality order book, investing in our people, and embracing digitalisation and MMC.

Strategy in action

We continue to target frameworks

A framework is a collaborative agreement between client and contractor 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 millions of pounds of work over its duration.

Why do we target working as part of a framework?

- It offers repeat business with clients who we know, 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 the Department for Education's school building framework (six lots); Crown Commercial Service (CCS) Capital Works Framework, including ProCure 23; Ministry of Justice Strategic Alliance Framework (multiple lots); hub North Scotland; hub South East Scotland; hub South West Scotland; hub West Scotland; National Highways Delivery Integration Partnership; AMP7 with Northumbrian Water, Yorkshire Water, Southern Water, Thames Water and Severn Trent Water; Southern Construction Framework; Procure Partnerships Framework and Midlands Highways Alliance +.

Contractor of the Year

Our industry relies on its contractors and supply chain partners to drive forward best practice in construction, innovative techniques and sustainability, while maintaining high health and safety and employment standards. The award for Contractor of the Year recognises Galliford Try's commercial success, agenda-setting innovation, environmental stewardship and workforce best practice.

Water Industry Awards Judges 2022

Strategy in action

Developing complementary and adjacent market opportunities

Private Rented Sector (PRS)

We already build PRS schemes for private sector clients. By co-developing or developing our own schemes, we can benefit from development margins as well as construction margins, which will augment the overall profit margin. We have extensive experience and knowledge of this sector and understand the opportunities and challenges well.

Green retrofit

The UK Green Building Council estimates that 80% of the buildings that will exist in 2050 have already been built and many of these won't meet the energy efficiency standards of the buildings we are designing today. The combined skills of our Facilities Management and construction businesses positions us well to retrofit existing building stock to support our clients as they seek to reduce their energy use and carbon footprint.

This is a big focus of the Government's decarbonisation strategy and a significant market opportunity, again representing higher margin work for our business.

Environment business

Our Environment business is one of the largest players in the water sector. We deliver design and build work for 10 out of the 11 major water and sewage companies in the UK, where our national footprint and established client relationships are a key advantage.

As the water industry looks to invest in its ageing asset base, where existing plant and equipment is in need of investment through building, refurbishing and maintaining assets, this gives us an excellent base from which to grow.

Most of our work currently centres around designing and commissioning water and wastewater facilities, and a natural next step is to maintain and optimise the performance of those facilities. The acquisitions of nmcn water (including Lintott Control Systems) and MCS Control Systems, have advanced this plan as they extend our capabilities in design and MEICA (Mechanical, Electrical, Instrumentation, Control and Automation), asset optimisation and capital maintenance, respectively which will drive growth with higher margins.

10

We deliver design and build work for 10 out of the 11 major water and sewage companies

Delivering sustainable growth

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.
p21

Our people: creating an inclusive environment and progressive culture that enables all individuals to reach their potential.
p24

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.
p28

Communities: making a positive impact in communities where we operate by delivering greater social value and improving lives.
p32

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.
p35

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.
p38

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.

p55

Our financial KPIs for our strategy period to 2026.

Objective	KPI	FY21	FY22	2026 target
Sustainable financial returns				
Earning a sustainable return on the value we deliver.	Focus on bottom line margin growth	Divisional operating margin **2.0%**	Divisional operating margin **2.4%**	Divisional operating margin growth to **3.0%**
	Disciplined contract selection and sustainable revenue growth	Revenue **£1,125m**	Revenue **£1,237m**	Revenue growth towards **£1.6bn**
	Maintain strong balance sheet	Average month-end cash **£164m**	Average month-end cash **£174m**	Operating cash generation
	Sustainable dividends	Dividend cover of **2.0x**	Dividend cover of **2.0x**	Dividend cover of **2.0x**

The non-financial targets of our Sustainable Growth Strategy are included in the Sustainability section from pages 20 to 42.

A strong start to our strategy

Our full year results demonstrate excellent progress towards our Sustainable Growth Strategy, delivering risk managed controlled growth on a strong foundation of discipline and risk management. We have made progress in all our target areas and are well-positioned to build on that momentum.

Performance on track with revenue and margin growth

We have made an excellent start to our strategy thanks to our solid foundation of excellent people, a strong balance sheet, market-leading positions in our chosen sectors, collaborative client and supplier relationships and a high-quality order book.

We are making progress across our key performance indicators (page 55) and we have momentum in the business which is reflected in our results. Margin progression from 2.0% to 2.4% from the same period last year demonstrates the quality of our order book and our business practices. The increased dividend of 8.0p, up from 4.7p last year, is a clear measure of our improved performance.

Our order book of £3.4bn remains selective, focused on our strengths and aligned to our risk appetite (page 44). It does not yet reflect the addition of MCS Control Systems, which was acquired in July 2022.

Our excellent cash position holds and we had £174m of month-end of cash on average. Not once in the last year did our cash balance fall below £100m. In addition, we have £48m of PPP assets, no debt and no defined benefit pension fund. The strength of our position gives confidence to our clients, who can be assured of our ability to deliver. It is also important to our suppliers and subcontractors, enabling prompt payment and helping to mitigate supplier-liquidity issues, which have impacted some businesses during the pandemic. Through our strong relationships, and collaboration with our supply chain, we have effectively managed the challenges of inflation on materials and labour and produced a great result that exceeds expectations.

Looking ahead, the Government's investment in the rebuilding of the economy supports growth in our core markets.

Our excellent performance and positive outlook give us confidence as we go into the new financial year and I thank all our teams, supply chain partners and clients for their relentless efforts in keeping our projects safely on track and enabling us to deliver a good result.

Financial review p55

Operating review p58

Delivering Sustainable Growth

In order to deliver sustainable financial returns, our strategy focuses on a progressive culture, socially responsible delivery, and quality and innovation to deliver sustainable financial returns, as detailed on pages 20 to 42:

A people-orientated, progressive culture

Health & Safety

The health, safety and wellbeing of our staff, subcontractors, suppliers, clients and the public remains our top priority and we will not rest until we have achieved our goal of no harm. Our safety programme Challenging Beliefs, Affecting Behaviour is the backbone to this, centering on the belief that nothing we do is so important that we cannot take the time to do it safely. This was reflected in our employee survey, where our highest scoring area was health and safety, with 99% of respondents stating we give health and safety high priority. Our approach delivered an improved Accident Frequency Rate (AFR), which fell to 0.06 (2021: 0.08) and was zero across eight business units.

Our People

To deliver our plans successfully we need to ensure we have the right talent supported by a great culture. Our approach to this is to retain and invest in our existing teams, while also attracting new high-calibre people.

A key highlight of the year was achieving an employee advocacy score of 85% (sector average 80%), which confirms our people recommend us as an employer. This was also demonstrated by a stable churn rate in a competitive market for talent, and awards for Top Apprentice and Graduate Employer.

Early careers roles enable us to grow our own talent and our efforts at this grassroots level are driving improvement in our diversity. Around 6% of our population are in early careers.

We continue to work towards our aspiration to be a destination employer by supporting our people with personal and professional development, flexible working, an inclusive environment, technology and a comprehensive benefits package. A social conscience is also increasingly important to employees, so we were pleased that 96% of our people believe our commitment to ESG matters is genuine.

Recognising the national cost of living challenge, we looked at how we could support our employees and the Group agreed to make a one-off payment in Autumn 2022 of circa £1.0m, in total, to over 1,800 of its staff.

Socially responsible delivery

Communities

Our clients and employees value being socially responsible, so we make sure we make a positive difference in the locality of our projects for the long run by purchasing local goods and services, using local labour and engaging local communities to leave a legacy of training and a better economic environment as well as our buildings and infrastructure. In the year, we continued to develop the tools that we use to capture and monitor the positive social value outcomes that we are delivering to the wider community, including the impact on the local economy through job creation and spend with the local supply chain, apprenticeships, work experience, training, and volunteering.

Highlights of the year

Contractor of the Year: we won 'Contractor of the Year' at the national Water Industry Awards for driving forward best practice in construction, innovative techniques and sustainability, while maintaining high health and safety and employment standards. The award recognised the highly successful acquisition and integration of the nmcn water business, and we were also finalists for 'Digitalisation Project of the Year', 'Partnership of the Year' and 'Customer Initiative of the Year'.

Leading the industry for digital solutions: our collaborative approach to BIM (Building Information Modelling) and our knowledge of the subject has enabled us to contribute to the authorship of the ISO 19650 series, as well as being active authors of industry guidance via the UKBIMFramework.

We continue to prioritise a culture of industry-leading health, safety and wellbeing across all our workplaces. Pictured, Project Manager Alex Mills receives our Site Safety Award for an exemplary safety record at our St Marylebone Bridge SEN School in Queens Park, London from Building Southern Managing Director Gavin Bridge.

In our first year of Group-wide partnership with the Social Value Portal, a tool which is backed by the National TOMs (Themes, Outcomes and Measures) Framework, which helps organisations measure, report and enhance their social value, we evaluated 28 projects and assessed their combined social and local economic value delivered to be £306m.

In addition, we increased our average Considerate Constructors Scheme score from 40.6 to 41.8, which exceeds the industry average of 39.0.

Environment and climate change

Tackling climate change is an essential sustainability priority for us as a business as well as for many of our clients, investors, people and regulators. Last year, we joined the UN-backed campaign Race to Zero and pledged to achieve net zero carbon across our own operations by 2030 and all activities by 2045 supported by setting interim carbon reduction targets using the Science Based Targets initiative (SBTi). In the year, we drove down our scope 1 and 2 emissions by a further 6.3% which reflects a number of ongoing initiatives including early connections to mains electricity supply, the transition to mandating electric and hybrid vehicles in our fleet, more energy efficient site offices and welfare, and a transition to alternative fuels.

We also invested in our own capabilities to support clients with their objectives. Activities included a focus on how we design, build and maintain low carbon infrastructure and buildings through selection of materials and construction methodologies, operational energy consumption and, where relevant, end-of-life decommissioning. We established a cross-disciplinary Carbon Reduction and Social Value Forum to improve employee carbon literacy, carbon calculation, reporting and training.

Quality and innovation

Clients

The Government's investment in rebuilding the economy supports growth in our core markets. Its procurement aims align with our strategy, with the Construction Playbook and Gold Standards demonstrating a move towards a more mature approach to delivery where there is a more equitable sharing of risk, longer term collaboration and repeat contracting relationships.

Key client ambitions are to achieve greener, faster and better delivery. We are well positioned to support their carbon journeys, having made significant strides in our low carbon capabilities in the last two years, and furthering that with the launch of our Net Zero Partners Programme with our supply chain.

Faster delivery while achieving high quality is also a key client aim. Our focus on digitalisation is an enabler of this and investment in identifying and acquiring innovative technologies means we are able to take an entirely digitised approach to project delivery, improving safety, quality and collaboration, while driving down carbon.

We are leading the industry with our approach to BIM, and have authored parts of the international standard of BIM, as well as being one of the few contractors in the UK with advanced knowledge in the UK Government's chosen standard industry exchange scheme, COBie.

The value we bring is reflected in the levels of repeat business we receive at 94%.

Supply chain

Strong supply chain relationships have never been more critical and we are pleased to be a partner of choice. Prompt payment is at the core of that. During the period, we paid 98% of invoices within 60 days, exceeding the target of 95% set by the Prompt Payment Code (PPC). Beyond payment, we have a number of value-adding initiatives that make us attractive, such as our Advantage through Alignment programme which provides selected suppliers with greater insight into our operations and pipeline and provides access to our training programmes. Our Net Zero Partners initiative shares carbon insights with our supply chain. We retained Gold status from the Supply Chain Sustainability School, a collaboration designed to upskill suppliers through free training and resources covering sustainability, off-site manufacturing and BIM.

Sustainable financial returns

All of the aspects described above make us more efficient, deliver a higher-quality product and make us more profitable. This enables us to deliver a good return to our shareholders, which we have produced again this year and look forward to building on in the new financial year.

Outlook

We are pleased with the progress we have made in the first year of our Sustainable Growth Strategy, including the successful integration of bolt-on acquisitions during the year. With our strong foundations of excellent teams and business culture, embedded processes and a favourable pipeline in chosen markets, we look forward to delivering controlled growth with sustainable dividends supplemented by additional capital returns. We are confident in delivering our 2026 targets, backed by a robust balance sheet strength that supports our operations.

Bill Hocking
Chief Executive

Using AI and blockchain to reduce time and cost, and improve carbon tracking

We have deployed innovative Artificial Intelligence and blockchain technology across various projects under Delivery Vehicle 2 with Scottish Water, as well as AMP7 frameworks including for Thames Water, Yorkshire Water and Northumbrian Water.

This revolutionary Hypervine technology tracks and measures carbon emissions and embodied carbon in real-time overcoming the challenges in accurately capturing carbon emissions data from on-site construction operations (including people and equipment).

The technology enables data capture from the use of plant and materials, extracts embodied carbon data from material tickets and has brought efficiencies through purchasing processes.

Collating such meaningful data has enabled more productive planning of work, driving efficiencies and reducing carbon impact. This important data and learning have been shared amongst the wider Group delivery teams to inform decision-making on future activities and provide operational insights to save money and build better and faster. Having access to this real-time, verifiable data has enabled an agile approach to on-site operations to be taken, reduced risk and identified immediate opportunities to lower carbon.

Sustainability is central to our strategy

Being sustainable helps us to win work, engages our employees, benefits communities and the environment, and makes us more efficient. This is why our ESG commitments are an integral part of our strategy, residing at the core of how we deliver stakeholder value.

Our commitment to sustainability

Sustainability underpins our long-term success as a business and is a core part of how we operate. We monitor our Environmental, Social and Governance (ESG) practices and performance through a robust structure and are committed to publicly reporting our progress across six fundamental areas: our people, health and safety, environment and climate change, communities, clients, and supply chain.

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 and the Carbon Reduction and Social Value Forum. These are chaired by the Senior Independent Director, and Finance Director, respectively.

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. In our report, we have outlined how our sustainability priorities align to the UN SDGs.

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.

Operating sustainably continued

People and culture

Health, safety and wellbeing

Our objective is to prioritise health, safety and wellbeing and ensure no harm to anyone linked with our operations. We achieve this through our renowned Challenging Beliefs, Affecting Behaviour and Be Well programmes.

99%
of our people say we give Health & Safety a high priority.

People and culture

Health, safety and wellbeing (continued)

Performance in the year

We were pleased to reduce our overall Accident Frequency Rate (AFR) to 0.06 (2021: 0.08) and achieve an AFR of zero across eight business units. Our Lost Time Incident Rate remained stable at 0.26. We take safety extremely seriously and our improved result is demonstrative of our commitment to improve our behaviour, for example by learning from high-potential incidents and near misses, and continuing to promote behaviours that drive excellence in safety.

Leading from the front

While accident rates remain the industry standard measure of safety performance, internally, we use Lead Indicators to drive improvement in safety culture and behaviour as they enable a proactive approach to the management of health and safety. Our Lead Indicators span six areas: Leadership, Communication, Competence, Culture, Contractors and Planning, which are underpinned by our Challenging Beliefs, Affecting Behaviour programme.

Visible leadership through site safety tours, and an open dialogue with our site teams are 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 increased the number of director tours from 755 to 1,144 this year. We also conducted 65,281 Safe Behaviour Discussions (2021: 60,411).

A culture of Challenging Beliefs, Affecting Behaviour

We were pleased to see that health and safety featured as one of our strengths in the employee survey conducted during the year. 98% of our staff responded that they understand their role in keeping themselves and their colleagues safe, and 99% believe that Galliford Try gives Health & Safety a high priority. The survey results provided excellent feedback that our 'Challenging Beliefs, Affecting Behaviour' framework, which targets no harm through a culture of speaking up, continues to drive a strong safety culture across the business.

Wellbeing

Wellbeing remains a core area of activity for us and in the year we provided sessions on a range of themes covering mental health, diet and nutrition, women's health, stress, dealing with grief, and financial wellbeing. Our approach covered online resources, face-to-face briefings, Employee Assistance Programmes through phone lines and counselling, as well as our Wellbeing Wednesday webinars.

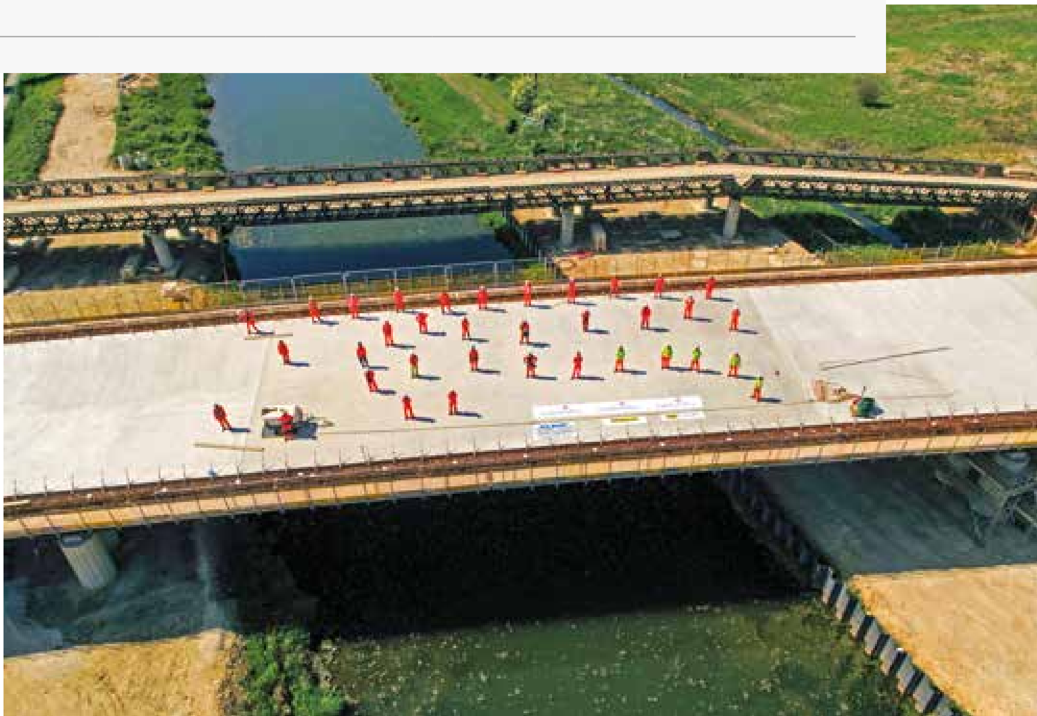
Award-winning approach

Awards provide great recognition of our approach. We received an Order of Distinction from RoSPA (The Royal Society of the Prevention of Accidents). We also earned the prize for Health, Safety and Wellbeing Excellence at the Construction News Awards in September 2021.

We did not receive any prohibition or improvement notices during the year and there were no fatalities on any of our projects (either our own employees or supply chain employees).

Key commitments

KPI	FY20	FY21	FY22	Ambition	Link to UN SDGs
Accident Frequency Rate	0.07	0.08	**0.06**	No harm	
Lost Time Incident Rate	0.26	0.26	**0.26**	No harm	



Looking forward

BMS refresh – moving safety 'to the left'

We have refreshed our Business Management System (BMS), with the primary objective of ensuring that health and safety issues are considered from the very beginning of the project lifecycle. Some of the key changes include consulting with the Health, Safety and Environmental Advisors earlier in the bidding process and updating the safety guidance and expectations we share with the supply chain when we tender subcontract packages.

In addition, some of the key areas of focus over the next year include:

- Reviewing our induction process to make it more impactful.
- Reviewing our plant minimum standards to enhance in-built safety features and ensure equipment supports our carbon targets.
- Education about environmental management to ensure our standards and approach are fully understood and applied.
- Focusing on proactive occupational health controls over and above PPE.

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.

Strategy in action

Choose the Safe Path

In August 2021, our Health, Safety and Environment (HS&E) Forum identified the need to continue with a focus on prevention of falling objects. We commissioned a film to use as a 'Toolbox Talk' or training session based on recent high potential incidents.

An interactive training package was developed to meet the following objectives:

- Raise awareness of the actions needed for the prevention of falling objects.
- Include the relevance of behaviours and impact of personal decisions with reference to the Challenging Beliefs, Affecting Behaviours Programme.
- Provide engaging and interactive media for the HS&E team to deliver.
- Provide a fresh and innovative approach for delivering critical health and safety messages across projects.

The new training solution 'Choose the Safe Path' was introduced to sites in January 2022.

These interactive sessions allow the audience to determine the outcome of the film by debating and choosing to do the right thing, thereby preventing an incident. The workshops go on to show the outcome of not choosing the safe path. From January to June 2022, 245 people have been through this training, including both Galliford Try staff and members of our supply chain. The early feedback from the attendees has been very positive. Headline feedback includes:

96%

of attendees would recommend the 'Choose the Safe Path – Prevention of Falling Objects' session to others.

81%

of attendees rated the session as excellent or very good.

People and culture

Our people

Our objective is to create an inclusive environment and progressive culture that enables all individuals to reach their potential.

85%
employee advocacy score

Performance in the year

Employee advocacy

Employee advocacy of our business is a powerful indicator as it measures employee connection and commitment to our company and its culture and goals, with higher scores promoting better performance, innovation, retention and attraction of talent.

- During the year, we undertook our first employee engagement survey since Galliford Try became a standalone construction group.
- We had a response rate of 74%, which provides a representative view from employees, and we achieved an employee advocacy score of 85% compared to a sector average of 80%. This figure represents how likely employees are to recommend us as an employer, which helps us benchmark our progress towards becoming a destination company where people aspire to work.
- Our overall employee engagement score, which is made up of a number of factors including motivation, commitment to our vision and pride in the company, was also above the sector average at 72%.

Early careers as a % of total employees

Early careers are the focus of many of our recruitment activities, as they allow us to grow our own talent and additionally give us influence over the diversity of our future workforce.

- Our graduate and apprentice programmes remain popular, with 6.1% of our population in these positions.
- Our commitment to early careers led to us becoming one of just 58 companies out of a participating 600, representing 1.2 million employees, to be recognised with a Gold Award through The 5% Club's 2021 Employer Audit Scheme. The audit validates employers' activities by exploring their plans and commitments to 'earn and learn' schemes, the quality of training and development schemes and approach to social mobility, diversity and inclusion.
- We are pleased to have been consistently recognised as a 'Top Graduate & Apprentice Employer' by TheJobCrowd, a league table based on feedback from employees, which placed us second in their league table for our sector and 17th best employer for graduates and trainees in the UK, confirming our position as a destination employer for early careers.

Key commitments

KPI	FY20	FY21	FY22	Ambition	Link to UN SDGs
Employee advocacy[1]	Not reported	Not reported	**85%**	>80%	
Early careers as a % of total employees	8.0%	7.2%	**6.1%**	>8%[2]	
Women as a % of total employees	22%	23.0%	**21.2%**	YoY increase	

Notes:
1 Employee advocacy is measured through regular employee surveys. As employee advocacy was previously unmeasured, through our insights, we have updated our target to greater than 80%.
2 We have updated our target from a year-on-year increase to more than 8% to give a clearer signal of our ambition.

People and culture

Our people continued

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, so for our strategy period, we are targeting year-on-year increase for women as a percentage of total employees.

- For the reported year, the proportion of females across Galliford Try was 24.3% compared to 23.0% last year excluding nmcn water, and 21.2% including the acquisition of nmcn water.
- We continued to promote our agile working practices, which remain 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.

Underpinning all of these areas, is our Retain and Gain approach which focuses on culture, engagement and learning and development of our people.

Our culture

The results from the employee engagement survey demonstrated we have the right culture. Our highest scoring area across the survey was health, safety and ethics, where we rated 93% and 99% of people responded favourably to the statement that we give health and safety high priority. The highest scores compared to the industry were our commitment to social responsibility at 96%, having a vision that motivates our people at 94%, and their ability to have a say in matters that involve them at 93%. These highlights mirror the importance we place across these areas.

Developing and maintaining the right culture is a fundamental strength of our business and so we continue to place a focus on it, leading from the top. During the year, we restructured our inductions for new starters, so that from the very start of their career with us, they learn what our business represents and what we prioritise. Our inductions are comprehensive and comprise three sessions, the first of which is led by a member of the Executive Board. They cover our business, culture, health and safety, our business processes, strategy and technical approach.

We refreshed our Code of Conduct which sets out what doing the right thing means to us by outlining our strong ethical standards and providing a framework to ensure we behave in a way that reflects our purpose, vision and values including our environmental, social and governance responsibilities.

This included encouraging 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.

Skills and development

Our business is committed to supporting employees at all levels to fulfil their potential. All employees are encouraged to participate in our Performance and Development Review process, which takes place once a year, and is supported by ongoing development discussions and training. Our approach takes the shape of Career Paths, which provide a range of options to support employees to develop the skills they need to build their career with us at their own pace. Career paths are designed to support succession planning and link to our Leadership Framework which defines the capabilities and behaviours that are important to us.

Complementing this is our GT Academy, an online platform of learning and development tools and resources, and our Lunch & Learns, which are short, impactful webinars open to everyone, covering topics from personal skills development to business-specific subjects all hosted by subject matter experts.

Strategy in action

Successfully integrating employees from nmcn water

The acquisition of nmcn water brought with it a team of 967 people to our business following a period of instability at their previous employer. Our objective was to quickly and effectively communicate with the incoming employee base to ensure business continuity and improve employee sentiment. Actions we took included:

- Holding an initial briefing chaired by the CEO for all staff within the first hour of the acquisition being completed, with follow-up calls over the next two days.
- Paying staff on day two of the acquisition.
- Setting up a daily integration meeting with members from key disciplines from the joining and existing businesses with the objective of developing and delivering an integration plan.
- Developing a communications plan designed to introduce employees to our business and communicate with them as processes transitioned to Galliford Try's.
- Carrying out comprehensive inductions to our business.
- Making our Senior Leadership Team available for questions and updates at regular intervals.
- Creating a designated platform for questions and answers for employees joining the business.

The actions demonstrate our approach to inclusion and ensuring individuals are welcomed to our Group from day one.

967
people integrated into our business

We delivered a total of 10,588 training days during the year (2021: 6,353), equivalent to 3.3 days per employee (2021: 2.5). The increase was partly a result of postponed courses due to lockdown and being able to resume delivery of in-person training. New mandatory programmes for commercial and project teams also contributed to the increase.

Gender Pay Reporting

From April 2018, companies have been required to disclose a number of specific gender pay and bonus comparisons on an annual basis. Our last report provided our data as at 5 April 2021, which therefore excludes our acquired companies in the year. For the reported year, the proportion of males and females across Galliford Try remained stable with 23% of our employees being female and 77% being male. Our mean gender pay gap remained stable at 28.8% as did our median gender pay gap at 33.8% (2020: 32.2%).

Our mean and median gender pay gaps for our early years population are both negative, standing at -10.8% and -7.8% respectively, which reflects the gender split of talent joining our business at an entry level, with the ambition of developing this talent into senior roles over time.

Our mean and median gender bonus gaps both reduced, from 65.5% to 49.1% and 49.9% to 38.2%, respectively.

Cost of living

Recognising the national cost of living challenge, we looked at how we could support our employees and the Group agreed to make a one-off payment in Autumn 2022 of circa £1.0m, in total, to over 1,800 of its staff.

Looking forward

We recognise there is a resourcing challenge across the nation and industry and have engaged in various activities to curb the impact of those challenges within our business. Our approach includes a significant investment in resourcing activities. As well as hiring a new Head of Resourcing, we have partnered with a specialist consultant to help to define and communicate our value proposition to different employee groups to support our approach to retaining and gaining the talent we need to succeed in our ambitions. This approach segments our audiences and offers greater insight into what key demographics or candidate types are seeking within their employment, what makes them stay with an employer and why they move. It also considers the language we use to be more inclusive, how we present our business to target hires, and where we advertise. For example, we continue to develop how we use social media platforms to promote our business to potential employees across different demographics. Our plans also include adding support to hiring managers in identifying and recruiting talent into the business.

In addition, in July 2022, we formed a partnership with Clear Assured, a company which specialises in the provision of inclusive talent management. Working together, we aim to use the Clear Assured framework to identify and remove barriers from recruitment and retention practices which have the potential to exclude under-represented groups including disabled, BAME and LGBTQ+ candidates across the employee lifecycle. Initially our focus will be on retaining talent, finding talent, assessing talent and reviewing our policies and procedures, but will move to other areas of focus as our journey progresses.

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

Proportion of males and females across our business at 30 June 2022

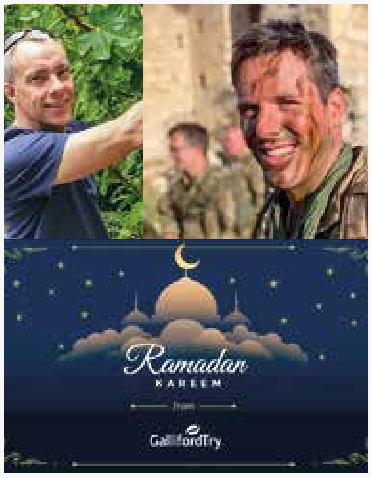
	Gender[1]	
	Female	Male
plc Board	4	4
Senior grades (A-D)[2]	56	508
Total company including plc Board	737	2,740

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.

Strategy in action

Promoting inclusion by sharing experiences



As part of our commitment to promoting inclusion, we started a new series which puts a spotlight on different communities across the UK through blogs and interviews. The series aims to break down barriers by educating people about the experiences of individuals, sharing commonalities and celebrating differences. So far, it has included religious festivals such as Eid, Easter and Vaisakhi, experiences of gay men in the construction industry as well as blogs for women in construction.

Our posts were viewed by

71,000+

people

1,800+

people directly engaged with these posts

Socially responsible delivery

Environment and climate change

Our objective is to adopt sustainable resourcing and consumption practices and take measures to mitigate carbon production and climate change to protect our environment and biodiversity.

96%

of our people say our commitment to social responsibility is genuine

Performance in the year

We saw a further 6.3% reduction in our scope 1 and 2 emissions in 2021 and remain on track to achieve our target of achieving net zero by 2030. The biggest contributor to this fall was our reduction in the amount of diesel used to power plant and equipment on our sites.

Our overall performance reflects a number of ongoing initiatives including early connections to mains electricity supply, more energy efficient site office and welfare cabins, and a transition to alternative fuels.

In September 2021, we committed to providing only electric or plug-in hybrid vehicles in our company car fleet. As at 30 June 2022, 51% of the 1,122 vehicles in our company car fleet were electric or plug-in hybrid and the average emissions per vehicle reduced to 60.1g/km (as at 30 June 2021: 77.9g/km).

Our waste intensity increased in the year, reflecting the project mix, with a greater proportion of higher waste intensity projects. However, waste continues to be an area of focus, with increased use of MMC, especially off-site manufacture, reducing the volumes of waste produced. We also manage our waste streams to maximise recycling and minimise waste to landfill and have increased the proportion of waste diverted from landfill to 96.3% (2021: 94.5%).

Education is a large part of awareness, and during the year, we delivered 251 training days covering environment (2021: 304).

Carbon Reduction and Social Value Forum

We have established a Carbon Reduction and Social Value Forum, which reports into the Director of Risk and Sustainability and is chaired by our Finance Director on a quarterly basis. Its purpose is to oversee the initiatives being developed and delivered across the different areas of our journey to net zero. These include:

- Developing and rolling out a Journey to Net Zero e-learning module to equip all our staff with literacy in the key carbon reporting concepts and terminology, and to provide them with an understanding of our carbon reduction ambition and how they can support us in achieving it.
- Piloting the use of carbon calculators, integrated with our existing BIM tools to model the embodied and operational carbon of building and infrastructure designs. This is allowing us to support our clients by identifying opportunities to make different design choices to improve the energy efficiency of the asset in use or reduce the embodied carbon in the materials used.
- Developing a Low Carbon Process to embed carbon reduction targets and principles into the business-as-usual project delivery process.
- Designing and rolling out our Net Zero Partners supply chain engagement initiative, with the aim to help upskill our supply chain partners and equip them to support us in delivering low carbon buildings and infrastructure.
- Developing a low carbon site playbook to accelerate the adoption of good practice across our projects and support the transition to diesel-free construction sites.

Key commitments

KPI	FY20[1,2]	FY21[1,2]	FY22[1]	Ambition	Link to UN SDGs
Scope 1 and 2 carbon emissions (CO_2e tonnes)	18,732	11,525	**10,795**	Net zero by 2030	
Scope 3 carbon emissions (CO_2e tonnes)	Not reported	Not reported	**6,040**	Net zero by 2045	
Waste intensity (tonnes/£100k revenue)	13.04	7.57	**20.96**	YoY reduction	

1 Carbon dioxide equivalent emissions are reported by calendar year, therefore the emissions reported for FY22 relate to the calendar year 2021. Since 2014, our reported emissions have been externally verified to the ISO 14064-3 assurance standard.

2 In 2020 and prior years, the emissions associated with business use of company cars where the employee purchased the fuel and was reimbursed through an expenses claim were reported under scope 3 – business travel. In 2021, these emissions have been reported under scope 1 in order to be consistent with the reporting of emissions from company cars where the fuel is paid for by a corporate fuel card. To aid comparison with earlier years, the data for 2019 and 2020 has been restated using the methodology used for 2021.

Socially responsible delivery

Environment and climate change continued

Strategy in action

Net zero in operation at Greenhead College

Credit: Ryder

Greenhead College is part of the first wave of the Department for Education's School Rebuilding Programme. The project involves the partial redevelopment of the college campus to provide new modern teaching and learning facilities within energy efficient net zero carbon in operation accommodation.

Our design for Greenhead College removes the use of fossil fuels and adopts a fabric-first approach to improving the envelope of the college thus reducing the energy demand through passive design methods.

We have met the standard of reducing energy use, staying below the maximum energy use intensity of 74kWh/sqm per year. This has been achieved by reducing the amount of energy consumed in the operation of the building with the aim of ensuring the building is highly efficient.

Our design and construction is future-proofed against the potential risks of climate change by modelling the design to future weather data and ensuring that any adaptions required can be achieved without changes to the structure of the buildings.

The project will include improving an extensive biodiverse green roof combined with photovoltaic cells that will generate electricity and create a new habitat. We have also maximised the benefits of the existing vegetation and microclimate.

Maximum energy use of intensity per year of

74kWh/sqm

Streamlined Energy & Carbon (SECR) Reporting

The data included in the table on page 31 covers the reporting requirements detailed in the SECR regulations. As we report our carbon and energy data in calendar years, the following section represents our carbon and energy performance for Galliford Try for the calendar years 2021 and 2020.

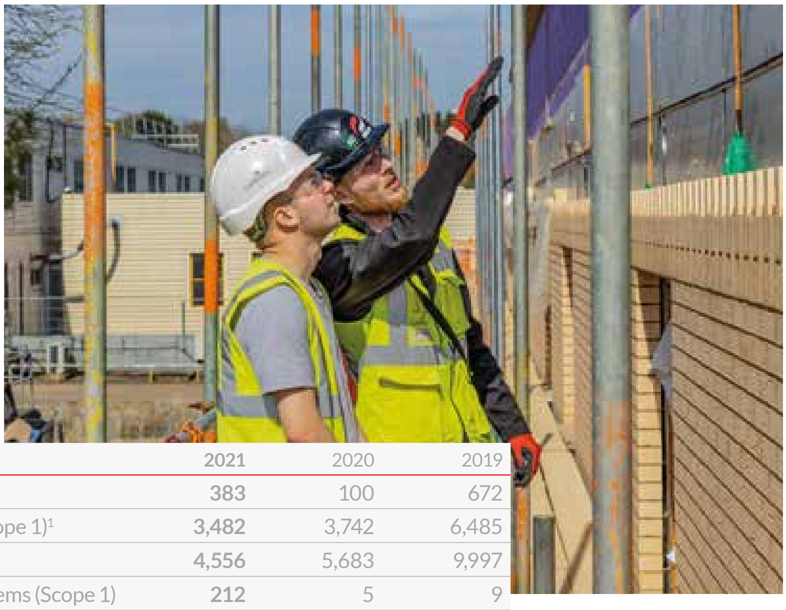
We are pleased to report a reduction in our Scope 1 and 2 carbon emissions intensity (see changes in reporting below) to 0.91 tonnes of carbon dioxide equivalent emissions per £100,000 of revenue in 2021 from 1.16 in 2020. While some of this reduction is due to business travel remaining below pre-pandemic levels, this also reflects the various initiatives we have taken to become more energy efficient and reduce the carbon footprint of our own operations. Overall, we have reduced our scope 1 and 2 carbon dioxide equivalent emissions by 61% since 2015, ie from 27,837 tonnes of carbon dioxide equivalent emissions in 2015 to 10,795 tonnes in 2021.

Changes in reporting

In 2020 and prior years, the emissions associated with business use of company cars where the employee purchased the fuel and was reimbursed through an expenses claim have been reported under scope 3 – business travel. In 2021, these emissions were reported under scope 1 in order to be consistent with the reporting of emissions from company cars where the fuel is paid for by a corporate fuel card. To aid comparison with earlier years, the data for 2019 and 2020 has been restated using the methodology used for 2021.

During 2021, we expanded our scope 3 reporting boundary to include all other elements of business travel, fuel and energy-related activities and employee commuting.

As part of our commitment to achieve net zero by 2045 and setting a science-based interim carbon reduction target, we are currently in the process of performing a Scope 3 footprinting review to identify the most material Scope 3 emissions categories. We will then develop reporting methodologies for these categories and start reporting all material Scope 3 emissions.



Tonnes of CO_2e	2021	2020	2019
Emissions from combustion of gas tCO_2e (Scope 1)	383	100	672
Emissions from combustion of fuel for transport purposes (Scope 1)[1]	3,482	3,742	6,485
Emissions from fuel oil supplies ie diesel consumed (Scope 1)	4,556	5,683	9,997
Fugitive emissions from office facilities ie air conditioning systems (Scope 1)	212	5	9
Emissions from use of LPG (Scope 1)	0	0	1
Emissions from purchased electricity (Scope 2, location-based)	2,161	1,994	1,568
Emissions from purchased electricity (Scope 2, market-based)	1,341	998	Not reported
Emissions from fuel and energy-related activities (Scope 3)	2,738	Not reported	Not reported
Emissions from business travel (Scope 3)[1]	429	141	264
Emissions from employee commuting (Scope 3)	2,874	Not reported	Not reported

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

1 In 2020 and 2019, emissions from business travel only included emissions related to the business use of privately owned vehicles. From 2021, business travel also includes emissions related to air travel, rail travel and hotel stays.

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 2021, 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.

Annual energy usage

Our total energy use, calculated from Defra 2021 conversion factors, for all our UK activities was 48,382,602 kWh (location-based), which is a 20.4% increase in our total energy use (2020: 40,194,724 kWh (location-based)). This increase in reported energy use reflects the inclusion of certain scope 3 emissions categories within our reporting boundary in 2021. On a like-for-like basis, our total energy use was 37,203,327 kWh (location based) which is a 7.4% reduction in our total energy use compared to 2020.

This excludes our PPP Investments operations, but includes joint ventures where we have operational control.

Looking forward

Some of the key areas of focus over the next year include:

- Continuing to roll out the use of carbon calculators across the business.
- Completing our scope 3 footprinting review and having our science-based carbon reduction targets verified by the SBTi (Science Based Target initiative).
- Further embedding carbon reduction principles into our project delivery methodology by developing our processes to meet the PAS 2080 Carbon in Infrastructure standard.
- Developing carbon data capture and reporting processes so that we can provide our project teams with better information to help them modify their operations to reduce carbon.
- Developing and rolling out role-based learning content to support the low carbon processes.

“

In June 2021, we committed to achieving a verifiable science-based target validated by the Science Based Targets initiative (SBTi) and joined the Business Ambition for 1.5°C to limit global warming to 1.5 degrees, and the UN-backed campaign Race to Zero.

Socially responsible delivery

Communities

Our objective is to make a positive impact in communities where we operate by delivering greater social value and improving lives.

Credit: Pozzoni

Performance in the year

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.

Social and Local Economic Value

The ability to measure the social and local economic outcomes we deliver on our projects is now a requirement for many of our clients, especially in the public sector. The Construction Playbook states that central Government tenders must include a minimum of 10% of their evaluation criteria dedicated to social value, and the priority themes and outcomes are set out in 2020's Procurement Policy Note (PPN) 06/20 – *Taking Account of Social Value in the Award of Central Government Contracts.*

During the year, we extended the scope of our partnership with the Social Value Portal (SVP), a tool which is backed by the National TOMs (Themes, Outcomes and Measures) Framework, which helps organisations measure, report and enhance their social value.

We are now able to report the social value we deliver on our projects across the group in a consistent way.

We have evaluated 28 projects completed during the year and on these projects, we delivered a combined Social and Local Economic Value (SLEV) of £306m. Now that we have more data from our use of the SVP, we have a better understanding of the drivers of the SLEV metric. The local economic value element is calculated by applying a multiplier to spend with the local supply chain which varies significantly depending on location. In a relatively small population of projects, this can have a distorting impact on the average SLEV as a percentage of contract value, making it a volatile and unreliable metric. Therefore, we have redefined our KPI to be the percentage of our completed projects over £5m that achieve greater than 25% SLEV as a percentage of project value. The threshold of 25% has been selected based on the SVPs 2021 Social Value Benchmarking Report. The SVP's analysis of 1,480 UK construction projects identified that the average SLEV as a percentage of project value was 24.67%. During this financial year, 14 projects (50%) delivered a SLEV as percentage of contract value greater than our target of 25% and we have set our ambition for 60% of projects to exceed this threshold.

During the year we donated time, materials and money to the value of £268,000 (2021: £250,000) to charitable and community causes.

Considerate Constructors Scheme

The Considerate Constructors Scheme (CCS) is an industry-wide organisation that strives to improve the image of the construction industry and leave a positive legacy through implementation of best practice in the areas of community engagement, the environment and workforce wellbeing. CCS scores and benchmarks construction sites in terms of their positive impact within their locality. Our average CCS audit score has increased from 40.6 to 41.8 and remains above the industry average of 39.0. We have worked closely with CCS for over 15 years and this year were proud to receive a Partnership Award in recognition of our engagement with the scheme and commitment to innovation to raise standards.

Key commitments

KPI	FY20	FY21	**FY22**	Ambition	Link to UN SDGs
% of completed projects delivering >25% SLEV as a % of contract value	Not reported	Not reported	**50%**	60%	11
Considerate Constructors Scheme (CCS) performance	41.1 (industry ave. 37.1)	40.6 (industry ave. 38.0)	**41.8 (industry ave 39.0)**	>38 and above industry average	

In 2022, Galliford Try marked its 15-year anniversary of being a Considerate Constructors Scheme Partner. This is a significant achievement and demonstrates the commitment the organisation has to raising its standards and delivery for communities.

Socially responsible delivery

Communities continued

Performance highlights

Local delivery supported by Group-wide network

Social value delivery is managed by a network of regional Social Value Managers (SVMs) who define, agree, plan and report on the community engagement and social value activities on each of our projects. This is based on a needs analysis, performed through collaboration with national and local stakeholders, which identifies the needs and priorities of the local community and the commitments made by our clients.

During the year, the Group Communities and Social Value Manager established a Social Value Forum, comprised of the regional SVMs to promote the sharing of good practice. This has included providing training in the National TOMs Framework and supporting the implementation of the Social Value Portal.

Educational support

We have developed an online resource for our teams to support schools engagement. The hub includes internal guidance as well as access to external resources, including learning plans aligned to key stages 2 to 5, available through Go Construct.

Looking forward

Much of the value we add to communities takes place locally, whether it is by providing employment, using the local supply chain or providing work experience and education opportunities. We aim to continue to support these activities at a project level while also targeting the following areas:

- CRASH is the construction industry charity dedicated to delivering meaningful social impact to communities across the UK by helping homelessness charities and hospices with vital construction projects. We have been a corporate patron of CRASH for 21 years, and continue to engage with them to identify ways to expand the scope of the support we provide.
- Developing our use of the Social Value Portal to include modelling potential social value outcomes and agree targets at the bid stage and to monitor performance against targets through project delivery.

My Future Pathway

Our Morrison Construction business has partnered with Renfrewshire Council on its' My Future Pathway into Construction' programme.

The pathway programme sees students from Renfrewshire schools with a keen interest in working in construction complete the year-long programme and learn a number of skills from industry partners to help them with their future career. This includes site visits, career talks, taster days and work experience.

Quality and innovation

Clients

Our objective is to deliver 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.

Quality and innovation

Clients continued

Performance in the year

We continue to have a strong pipeline of secured work in our chosen markets, with 90% of FY23 revenue already secured.

These are important indicators demonstrating we are building trusted, long-term relationships with our clients based on a track record of delivering on their key priorities.

Trusted, long-term client relationships

Our focus on delivering quality outcomes and building trusted relationships with our clients is reflected in the fact that 94% 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. Client satisfaction is independently assessed by a third party and we use a dedicated software platform to analyse the data and develop improvement plans.

Delivering low carbon buildings

Critical to these long-term relationships is our ability to support clients in achieving their carbon reduction objectives, demonstrating how together we can meet the Government strategy for net zero carbon, alongside our own net zero commitment by 2045. To achieve this we are deploying the latest technology and innovation and debunking many of the myths that exist around reducing carbon emissions. The key tools we use across our business to reduce the carbon footprint of the schemes we deliver for our clients include:

- Carbon literacy training for the business to ensure we identify and maximise the carbon savings across the entire life cycle of the project.
- Whole-life carbon tools to assess and measure the carbon performance of components and materials to provide our clients with a clear understanding and informed decisions to maximise the reduction in carbon.
- Digital technology to assess, capture and record decisions that inform future projects and provide a baseline for comparing the performance of the asset in operation.

Key commitments

KPI	FY20	FY21	FY22	Ambition	Link to UN SDGs
% of repeat business in our order book	91%	92%	**94%**	>80%	4, 7, 9
% of full year planned revenue secured at the start of the financial year	90%	90%	**90%**	>85%	

Leveraging Modern Methods of Construction

Long-term relationships with clients allow our teams to provide early contractor engagement, to de-risk projects and provide innovative methods to reduce carbon, and improve productivity and efficiency. The proactive nature of our relationships brings a shared commitment to outcomes, rather than scope, that unlocks innovation. MMC are helping to achieve these outcomes across the company, with examples including:

- Eastern Command and Custody Unit – we won a Constructing Excellence Off-site Manufacturing Award by using MMC to reduce the required workforce from 50 to 12 operatives, shortening the programme by 10 weeks and eliminating work at height. We had a zero AFR and zero defects.
- A52 Meadow Lane Footbridge – as part of the A52 improvement works, we installed an 81m pedestrian bridge. The bridge was manufactured off-site, assembled adjacent to its final location and then lifted into place in one night. This demonstrated the benefits of component-based standardisation to minimise disruption and guarantee quality.
- Goddards Green wastewater treatment works – a modularised plant room was built and tested off-site, facilitating modular construction of the building and plant within two days.

Industry leading BIM and information modelling capabilities

To support our clients achieve their objectives, we have invested significant resources towards identifying and acquiring innovative technologies to improve our ability in providing our clients exceptional services, products and value.

We are leading the industry with our whole team approach to BIM, assimilating it into our business processes, and working towards an entirely digitised approach to project delivery using the latest technologies and industry standards to get there.

Our knowledge on the subject is well regarded and has enabled us to author part of ISO 19650 as well as being active contributors to free industry guidance development via the UKBIM Framework. Together with standards such as ISO 16739 and our BIM and technical services policies, these form the foundation of our BIM strategy, which is updated regularly to keep abreast of advancements in the field.

Strategy in action

A sustainability pilot for the Department of Education

Marjorie McClure School is a new build Special Educational Needs and Disabilities school in the London Borough of Bromley for students with a range of different complex needs which include physical, medical and/or learning difficulties and disabilities.

The project to re-build the school was awarded to Galliford Try as part of a Sustainability Pilot by the Department for Education in response to the UK Government target to achieve net-zero 'greenhouse gas' emissions by 2050.

Reducing energy demand

Marjorie McClure School is designed to reduce the need for energy use.

- Our daylighting strategy includes a window design which balances daylight and overheating by the use of external shading but also a careful consideration of natural light and ventilation to reduce energy use.
- Heating and hot water generation is fossil fuel free by means of an air source heat pump and photovoltaics on the roof generate energy to be offset against the overall usage.
- The building is constructed from timber Structural Insulated Panels (SIPs) which have the benefits of enhanced fabric performance. The SIPs system allows the building to be manufactured offsite which benefits the programme, quality and the overall sustainability performance of the project by reducing embodied carbon.

Enhancing biodiversity

The scheme enhances the external environment and increases biodiversity. The plan is punctuated by two courtyards, which allow daylight and air to penetrate the circulation spaces. The courtyards have been carefully detailed to include sensory gardens, an animal care area, storytelling and performance spaces, outdoor dining, fruit trees and growing areas. The scheme provides an accessible outdoor classroom using the existing mature oak tree as a centrepiece and also includes growing areas which are accessible and will enhance the curriculum by including planting to complement subject areas such as food technology, history, science and English.

Looking forward

Some of the key areas of focus over the next year include:

- Continuing the external assessment of the maturity of our relationships building on the collaborative successes across the business.
- Further embedding carbon assessments through our pre-construction processes to provide clients with data to make informed decisions.
- Contributing to the adoption of the Construction Playbook to drive forward collaborative procurement models to improve efficiency and productivity.

Quality and innovation

Supply chain

Our objective is to align our supply chain with our culture and create collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

Performance in the year

We continue to focus on developing collaborative, long-term relationships with our supply chain partners through our Advantage through Alignment (AtA) programme, with 60% of our core Aligned trades spend now with Aligned subcontractors. AtA is a programme 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 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 an aligned health and safety approach, greater efficiencies and opportunities for innovation, as well as upskilling workforces and allowing the small and medium subcontractors we work with to develop.

A healthy cash flow is the lifeblood of any business and late payment of invoices can be problematic for 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 paying 95% of invoices from suppliers with fewer than 50 employees within 30 days. We have made further improvements in how quickly we pay our suppliers, with 98% now paid within 60 days and the average days to pay reduced to 25 days.

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.

Performance highlights

Subcontractor spend analysis dashboards

In order to support our businesses in managing engagement with their supply chain, we have developed and implemented subcontractor dashboards. The dashboards allow our teams to manage subcontractor spend more effectively, for example by monitoring the proportion of business we are doing with our Aligned subcontractors and SMEs and making sure that we are not overexposed to any individual subcontractors. We will continue to develop the dashboard by integrating it with other systems to provide information to help us monitor supply chain performance and, where necessary, identify subcontractors who need more support.

Key commitments

KPI	FY20	FY21	**FY22**	Ambition	Link to UN SDGs
% of business unit core trades spend with Aligned subcontractors	58%	59%	**60%**	70%-80%	12
Prompt payment – % of invoices paid within 60 days	88%	93%	**98%**	>95%	

Quality and innovation

Supply chain continued

Net Zero Partners

In the year we launched our Net Zero Partners initiative to help remove the main barriers for first generational net zero carbon supply chain in the collective journey to net zero carbon. The programme empowers our supply chain to make decisions around their own carbon strategy and understand what is required to work with Galliford Try on our journey to net zero, using a clear set of guidelines and recommendations, and in turn provides us with industry insight to inform and adjust that journey.

The initiative is based on three key pillars of carbon literacy, upskilling and continual improvement, and quality. These encourage an understanding of what carbon is and how to measure it properly, the skills, knowledge and training required for low carbon instruction, and how to utilise low carbon construction methods and digital tools to maximise quality.

Looking forward

Some of the key areas of focus over the next year include:

- Embedding the Net Zero Partners programme across all our businesses.
- Working closely with our supply chain to identify innovation and upcoming technologies that can play a part in our net zero journey. This will be key to ensuring we pick the most effective products at the time and provide our business with the flexibility to evolve with the changing technologies and innovation in this space.

Strategy in action

Rolling out low carbon welfare units

Galliford Try is using modern welfare units which reduce carbon dioxide emissions, minimise fuel consumption and lower noise pollution by targeting the use of solar power, water harvesting systems and smart telemetry.

A smart eco water system with rainwater harvesting and a non-chemical water tank provides bigger and better hygiene and wash facilities while reducing costs and carbon. The system stores hot water for instant warm water instead of using a generator-powered immersion heater to heat water on-demand. Its large capacity, along with the smart telemetry, has eliminated 90% of automatic weekly services, and also saved the equivalent of 872 litres of fuel based on a single unit over nine weeks.

The units' smart telemetry system features a live dashboard for real-time monitoring including automated system start/stop, fault resolution and management of service intervals which facilitate optimal utilisation of welfare.

Compared to traditional units that are typically powered by diesel generators, the new units run entirely on solar/lithium batteries, unless a top-up charge is required to power a working office, two separate WCs and full welfare facilities including appliances such as kettles and microwaves.

Four units deployed over three months generated savings of:

c1,220kg in CO_2 emissions

£2,000 in operational costs

Ensuring human rights

We are committed to upholding human rights for our people and those who work with us, and we take steps to prevent slavery and human trafficking from taking place in our business and supply chain.

We comply with all UK legislation for human rights, recognising modern slavery and human trafficking to be the most significant human rights risks to UK construction businesses.

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 to recognise the typical signs of modern slavery. During the year, we refreshed our Code of Conduct, and promoted awareness of modern slavery again.

We ask all suppliers of equipment and materials to our businesses to consider the risk of modern slavery and to make a commitment to ensure that there is no slavery or trafficking in their supply chain.

Our widely available whistleblowing procedure allows any employee or third party to confidentially raise a concern.

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.

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 21–27
	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 28–31
	Environmental Policy Statement	
	Responsible Sourcing Policy	
	Sustainability Policy	
	Biodiversity Policy	
Human rights	Modern Slavery Statement	Page 41
Social matters	Code of Conduct – Doing the Right Thing	Page 26
Anti-bribery and corruption	Policy and Guidance on the Prevention of Corruption and Fraud	Page 41
Business model	n/a	Pages 2–3
Principal risks	Risk Management Policy	Pages 44–47

Effective risk management

Our ability to identify, assess and manage risks and uncertainties is one of the key enablers to delivering our Sustainable Growth Strategy. It is vital that we understand the potential risks associated with every project opportunity and ensure that we only bid for projects that align to our risk appetite and our ability to manage the risks. We must also be able to identify and manage the risks associated with operating in a dynamic external environment.

Our embedded culture of risk awareness has been particularly important to enable the business to successfully mitigate the macroeconomic challenges of the last financial year, such as rising inflation. It also helps us identify and monitor the development of emerging risks, including the potential impact of climate change – both the physical risks and the risks associated with the transition to a low carbon economy.

Our approach to managing risk is structured, pragmatic and targeted, with key risk mitigation measures embedded into management processes and activities. These include:

- 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.

These activities are supported by a governance structure that provides oversight of key risks from the plc Board through to individual projects.

Our principal risks are presented on pages 44-47.

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 Sustainability, 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 it throughout the lifecycle of the project.
- Review the risk and opportunities at key checkpoints and as part of the monthly contract review meetings.

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 principal risks

At a Group level, the Board monitors risk using the following four principal risks, a detailed analysis of which is provided below:

- Work winning.
- Project delivery.
- Resources.
- Regulatory compliance.

This approach facilitates a 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 captures and monitors risks and mitigations using more detailed risk themes aligned to the four principal risks so that we can take more 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.

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.
- Increased costs make some schemes economically unviable leading to delays or cancellation of projects.
- 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

- Pipeline in our chosen markets remains strong, supported by Government policy on infrastructure spending and levelling up.
- The long-term transition to low carbon buildings and infrastructure is creating market opportunity – net zero new builds and energy-efficient refurbishments and retrofits.
- Inflation is making it more challenging to agree contract values – increased risk that some opportunities may go away if they become unaffordable for the client.
- However clients appreciate the issues with inflation and are more receptive to a more collaborative approach to sharing the risk.
- Quality is becoming increasingly important to clients, not just price – clients across all sectors are looking for solutions that support their carbon reduction and social value objectives. This aligns well with our strengths, but we need to continue to develop our capability and offering.

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.
- Changes to planning policy and regulations to deliver the UK's net zero ambition limit the ability of our clients to pursue new build construction schemes.
- Shifts in Government policy and public spending could 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 13) 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.
- 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. We typically target lower-risk contract types.
- 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.
- Adjacent markets strategy, including PRS and nmcn acquisition, expand our target markets in a risk-managed way.

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.

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

- Our Accident Frequency Rate improved from 0.08 to 0.06 in the year.
- Covid outbreaks are no longer a significant risk to programmes but there remains the risk of isolated examples of disruption.
- Staff shortages increase the sense of workers feeling stretched which could impact on safety and wellbeing.
- Short-notice delays, cancellations or incomplete deliveries are causing disruption to programmes, but are manageable.
- Storing materials on site reduces the available space which needs to be planned properly to maintain safe site operations. It also increases the risk of theft.
- Relatively benign weather conditions across the year with periods of extreme heat managed through pragmatic guidance on modifications to working practices.
- Continue to drive initiatives to improve quality through training, tools, quality alerts.

Emerging risks

- 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 physical effects of climate change, including more regular and more extreme weather events, 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.

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
- Material cost inflation is being driven by short term supply/demand imbalances and high energy prices, exacerbated by the conflict in Ukraine. However we take measures to manage material cost inflation (early procurement, supply chain engagement, risk allowances in tenders etc).
- Long lead times for bulk items like steel and bricks are now factored into our programmes and procurement planning. However, we are seeing more short-notice delays, cancellations or incomplete deliveries.
- Subcontractor insolvency is an increasing risk, but we manage by being selective in who we work with, monitoring our exposure and ensuring we pay our suppliers promptly.
- It remains a competitive market for talent. Large infrastructure schemes and a mismatch between skilled worker supply and demand is driving salaries up and increases the risk of employees leaving for higher reward packages. We are working hard on developing our employee value proposition as part of the broader 'retain and gain' people strategy.
- We continue to develop our own people and provide them with the opportunities for progression. The results of our staff survey indicate that we have high levels of engagement and satisfaction within our staff and we continue to improve the way we promote the business and develop our employee offering.
- Continued focus on wellbeing.
- Strong balance sheet and net cash position gives confidence to clients and allows us to continually improve our prompt payment performance.

Emerging risks
- There is a generational shortage of skills as more experienced staff retire and 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 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.
- The drive towards net zero construction may lead to an increased risk of defects and quality issues as we start to use new, low carbon materials whose long-term performance is unproven.

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.

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
- Building Safety Act – while we welcome the drive for greater quality and consistency, the Act has the potential for significant consequences in relation to extended liabilities.
- Continue to invest in cyber security surveillance tools, recognising the potential risk of cyber-attacks linked to the conflict in Ukraine.
- Seeking recognition of our information security standards and procedures through ISO 27001 accreditation.
- The regulatory landscape in relation to ESG reporting is evolving quickly and will require us to monitor and publish more information and comply with new standards (ie ISSB).

Emerging risks
- Greater devolution or even full independence may lead to very different regulatory regimes in Scotland and the rest of the UK.
- Climate-change/carbon related legislation eg a ban on diesel.

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, provides ongoing monitoring and oversight of policy and compliance activity in relation to key areas of legislation.
- We continue to review the detail of the Building Safety Act and are preparing through training, continued investment in digital tools to support quality, and a proactive approach to managing claims.

Key risk indicators
Number of external enforcement cases.

Addressing climate change

We are taking action to ensure that our business continues to adapt and thrive in a changing climate.

The built environment is responsible for around 40% of global carbon emissions, therefore as a business operating in the construction sector, we have a responsibility to play our part in reducing emissions. We have reduced the carbon emissions within our own operations by 61% since 2015 and have set ambitious targets to achieve net zero in our operations by 2030 and across our value chain by 2045 (pages 30-31).

However, as well as continuing to address the impact that our activities have on the environment, over the past year, we have increased our focus on how climate change may have an impact on our strategy and the risks and opportunities presented. We have made disclosures that are consistent with the TCFD core elements areas of Governance, Strategy, Risk Management and Metrics and Targets and cover the 11 specific recommended disclosures, with the exception of the following two recommendations where we are not yet able to disclose full compliance:

- We have not yet completed a quantitative scenario analysis to model the resilience of our strategy under different global warming scenarios.
- While we have existing metrics and targets in relation to our Scope 1 and 2 and some Scope 3 GHG emissions, we need to expand these to include all relevant Scope 3 emissions categories and develop metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified.

Climate change considerations are embedded into our existing governance and risk management framework. Therefore to avoid duplication, the key disclosures in relation to the 11 TCFD recommendations are included in the relevant sections of the Annual Report, as indicated in the table on pages 49 and 50. In this section, we have provided information on the disclosures that are not addressed in other sections.

Our climate-related risks and opportunities

The nature and scope of our activities and the commercial environment in which we operate provide us with a number of inherent advantages in terms of our exposure to climate-related risks:

- We do not have capital tied up in production facilities or other assets that could be at risk of stranding, ie their useful economic life being curtailed due to the transition to a low carbon economy.
- The need to decarbonise the built environment provides a market opportunity for our services.
- Our operations are entirely in the UK and therefore, while still exposed to rising mean temperatures and more severe weather events, we have limited exposure to the climate extremes that are predicted to make human life unsustainable in some regions of the world.
- At any given time, across the UK we have a geographically dispersed portfolio of projects, therefore we are not exposed to damage to a business-critical facility, such as a factory or distribution centre, due to extreme weather.
- We are not exposed to rapid and unpredictable shifts in consumer preferences and behaviour as our work is for long-term repeat clients, largely in the public and regulated sectors.
- We are not exposed to the capital investment cost or risk associated with developing new, low carbon alternatives to existing product ranges as this is typically carried out by our supply chain partners.
- Where we have good visibility of rising costs, these can be priced into our bids and recovered from clients.

Our Net Zero Partners empowers our supply chain to make proactive decisions around their own carbon strategy and understand what is required to work with Galliford Try on our journey to net zero. Around 45 supplier organisations attended the launch event near Glasgow, and the programme has now been rolled out nationwide.

Notwithstanding these structural advantages, during the year, the Executive Risk Committee performed a detailed review of the key climate-related risks and opportunities, based on analysis that had been prepared by the Director of Risk and Sustainability. The methodology adopted for the review closely followed the format of the CDP risk disclosures and therefore included assessments of the primary potential financial impact, the time horizon, likelihood and magnitude of each of the risks and opportunities identified. The outputs from the Executive Risk Committee's review, which are outlined on pages 50–53, were reviewed by the Executive Board and plc Board.

Our most significant risks and opportunities are related to how effectively we manage the transition to a low carbon economy, as opposed to physical risks to our existing assets.

In assessing the likely timeline when risks and opportunities will begin to have an impact on the business, we have applied the following definitions:

Short term (0 – 3 years): aligns to our current pipeline of opportunities and projects and reflects issues and trends that are already having some impact.

Medium term (3 – 10 years): issues or trends that are already visible, but are not yet having a significant impact.

Long term (10 – 30 years): potential issues or trends that are foreseeable, but there is a high degree of uncertainty on how they develop and what impact they will have on the business

Managing climate-related risks

The climate-related risks we face are managed through our existing strategic and operational management processes. For example, the risk and opportunity created by the increased carbon reduction requirements and expectations of clients is one of the key drivers of our Sustainable Growth Strategy. This is supported by operational responses, led by the Executive Board, to deliver the strategy. These responses include investment in new carbon reduction roles, creation of cross-disciplinary working groups, development of new processes and tools, and upskilling our own people and our supply chain.

Climate scenario analysis

We are developing scenario-based analysis, using plausible extreme scenarios – a 1.5°C warming trajectory (aligned with the Paris agreement) and a 2.7°C warming trajectory (consistent with the Climate Action Tracker's assessment of current policies and pledges).

Our high-level assumption is that a 1.5°C scenario will only be achieved through radical policy interventions, such as carbon taxes, or mandatory carbon offsets. Therefore under this scenario, we would expect the transition risks to be greater as we would have to respond more quickly to changing client expectations and a very different regulatory landscape. By contrast, the 2.7°C scenario would be characterised primarily by increased physical risks as a result of unchecked climate change and the resultant increase in the frequency and severity of extreme weather events.

Our qualitative assessment is that the potential impact of the risks and opportunities we have identified would be greater under a 1.5°C scenario, given that they are more closely aligned with transition rather than physical risks. However, over the coming year, we will develop and refine this analysis further, and evaluate the potential implications on our strategy and business model.

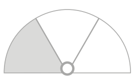
TCFD Pillar	Recommended disclosures	How addressed
Governance **Disclose the organisation's governance around climate-related risks and opportunities.**	a. Describe the Board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance over climate-related risks and opportunities is embedded into our business-as-usual governance processes and structures. This approach allows us to assess climate-related risks and opportunities in the context of the broader risk environment and develop pragmatic responses that are aligned with our overall Sustainable Growth Strategy. During the year, the plc and Executive Boards have reviewed the detailed assessments of climate-related risks and opportunities performed by the Executive Risk Committee. For further information and details as to management's role to assess as risk, please refer to our Governance framework outlined on page 70.
Strategy **Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.**	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See 'Our climate-related risks and opportunities' section overleaf and on page 51.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have not yet completed a quantitative scenario analysis to model the resilience of our strategy under different global warming scenarios. We have begun to develop qualitative analysis based on plausible extreme scenarios and will develop this analysis further over the coming year. See overleaf for further information.

TCFD Pillar	Recommended disclosures	How addressed
Risk Management **Disclose how the organisation identifies, assesses, and manages climate-related risks.**	a. Describe the organisation's processes for identifying and assessing climate-related risks.	The identification, assessment and management of climate-related risks and opportunities is embedded within our broader risk management structure and processes. For further information on our risk management process, please refer to the Principal Risks section on page 43.
	b. Describe the organisation's processes for managing climate-related risks.	See 'Managing climate-related risks' on page 49.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks are considered as cross-cutting risks that can have an impact on a number of the principal risk themes we monitor at a business unit and Group level, such as work-winning or project delivery. This is the same approach we have taken to other cross-cutting risks including Brexit and Covid.
Metrics and Targets **Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We have existing metrics and targets in relation to our GHG emissions and these are included in the Environment and Climate Change section on page 28. Over the coming year we will be developing additional metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	In 2021, we achieved a 6.3% reduction in our scope 1 and 2 GHG emissions compared to 2020. We also expanded our scope 3 reporting and for the first time reported the emissions associated with business travel, employee commuting, and fuel and energy related activities. Our Scope 1, 2 and 3 GHG emissions are reported in our Streamlined Energy and Carbon Reporting (SECR) disclosure on page 31.
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have existing metrics and targets in relation to our GHG emissions and these are included in the Environment and Climate Change section on page 28. Over the coming year we will be developing additional metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified.

Risks

Fail to develop a competitive low carbon construction capability

Time horizon
Short term



Potential impact on financial performance
Decreased revenues due to reduced demand for products and services

Link to our principal risks
- Work-winning
- Resources

Risk description and potential impact on the business

Our clients, in both the public and commercial sectors, are increasingly required to operate low carbon buildings and infrastructure. They expect us to have the capability to model the embedded and operational carbon, use lower carbon materials and extend the life of their existing assets through retrofitting.

Planning policies and building regulations may also move towards ensuring that embedded and/or operational carbon targets are incorporated into the design and construction of buildings and infrastructure.

If we fail to develop these capabilities quickly enough, we may not remain competitive and may not be able to win positions on key frameworks. Ultimately, if we cannot win new work, we may generate reduced levels of revenue and profits.

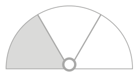
Risk mitigation

We have committed to achieving net zero across our own operations by 2030 and across all value chain operations by 2045. To do this, we have developed our 'Journey to Net Zero' framework and are taking multiple actions to achieve our carbon reduction targets including:

- Working closely with our clients to understand their carbon reduction ambition and targets, and developing solutions to meet those objectives.
- Investment in key carbon reduction roles.
- Carbon literacy training for all staff.
- Supply chain engagement and upskilling.
- Development of carbon reduction management process.
- Use of carbon calculators to model embodied and operational carbon.
- Development of systems and applications to improve carbon data and reporting.

More regular extreme weather events

Time horizon
Short term



Potential impact on financial performance
Increased direct costs

Link to our principal risks
- Work-winning
- Resources

Risk description and potential impact on the business

A significant amount of construction activity happens outside and therefore is exposed to the weather. The latest Met Office UK Climate Projections (UKCP July 2021) predict warmer, wetter winters and hotter, drier summers, along with an increase in the frequency and intensity of extremes weather events including heatwaves, intense rainfall and flooding. Such events could lead to disruption to our construction activities in a number of ways:

- Prolonged, extreme temperatures, such as in heatwave conditions, may require modifications to working practices to maintain worker welfare which may increase costs and reduce productivity.
- Intense storm events, including intense rainfall and high winds may cause damage to works under construction and curtail certain activities, such as crane lifts or earthworks, which could result in project delays and additional costs.
- Damage to transport and utilities infrastructure caused by severe weather may make it more difficult for staff and deliveries to get to sites.
- Extreme drought conditions could result in restrictions on water usage which may make it impossible to maintain site welfare or restrict certain activities, eg concrete pouring and dust suppression.
- Extreme weather events in other parts of the world could lead to supply chain disruption (unavailability, longer lead times and increased costs).

Changes in temperature extremes can also have an impact on the resilience of building materials and therefore determine the materials we are able to specify and use. Similarly, changes in climate may influence the heating and cooling systems that we specify which may increase the costs of the buildings and infrastructure we build.

Risk mitigation

As was demonstrated during the pandemic, we are experienced in developing and amending site operating procedures in response to specific health and safety risks. Examples of adaptations we could make include:

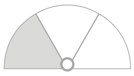
- Increased provision of welfare facilities, including access to shade, water and sun cream.
- Flexible working patterns to limit work in the hottest part of the day.
- Increased use of off-site and other MMC to shorten programmes and reduce the number of people on site.

Similarly, we are experienced in managing the impact of unexpected events on construction programmes and have a number of operational and contractual mechanisms to mitigate the risks, including:

- Resequencing of activities.
- Staggering of shifts to extend the working day.
- Securing extensions of time.
- Insurance cover for damage to property.

Increased material costs make projects unaffordable

Time horizon
Short term



Potential impact on financial performance
Decreased revenues due to reduced demand for products and services

Link to our principal risks
- Work-winning
- Resources

Risk description and potential impact on the business

There are a number of climate-related drivers that may result in sustained increases in materials costs in the construction sector. This is driven through a combination of the market dynamics of supply and demand imbalances, as well as Government policy to incentivise carbon reduction. Our bidding disciplines and contractual protections largely insulate us from the direct impact of cost increases. However, the indirect consequence of rising construction costs could be potential projects becoming unaffordable for our clients, leading to a reduction in opportunities and revenue.

Manufacturers are developing innovative, lower-carbon materials all the time and this is vital if we are to reduce the embodied carbon of the buildings and infrastructure we construct. However, as new products come on to the market and establish credibility, demand for these materials could grow more quickly than the production capacity, resulting in higher material costs.

In the short to medium term, the supply and demand imbalances in global energy markets are likely to be sustained as countries manage the twin challenge of decarbonising electricity generation and increasing security of supply. High energy prices will continue to increase the cost of materials that have energy intensive manufacturing processes, such as steel, concrete, and glass.

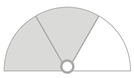
In addition to the market imbalances, regulatory moves to use carbon pricing to incentivise carbon reduction may add further upwards pressure on the price of carbon-intensive materials. It is also possible that the UK-Energy Trading Scheme is extended to other sectors considered to be carbon intensive, including construction.

Risk mitigation

- Maintain bidding and contracting discipline to protect ourselves from short-term cost inflation and maximise cost recovery.
- Use of BIM and carbon calculators to optimise designs and reduce the amount of carbon-intensive materials.
- Increase the adoption of off-site manufacture and other MMC to reduce costs through minimising waste and shortening construction programmes.
- Work with clients to support design solutions that minimise the material requirements eg. transitioning from new build to retro-fitting and refurbishment.

Failure to manage the adoption of new technology

Time horizon
Medium term



Potential impact on financial performance
Increased direct costs

Link to our principal risks
- Work-winning
- Resources

Risk description and potential impact on the business

As the focus on embedded carbon increases, we expect to increasingly be required to use lower carbon alternatives for construction materials, especially carbon-intensive materials such as steel, concrete and glass. There is a risk associated with the adoption of new materials and using manufacturers and suppliers we have no experience of working with previously. Without effective product and design evaluation and robust quality assurance procedures, there is a risk of increased defects, which in turn could result in the professional indemnity insurance market responding through further increases in premiums or restrictions/limitations in cover.

Similarly, to achieve our scope 1 and 2 net zero by 2030 target, we will have to significantly reduce (if not eliminate) our use of diesel-powered plant and equipment. The non-diesel alternatives, such as HVO, electric and hydrogen, may not be available in the volumes we require, at an equivalent cost, or deliver sufficient safety and/or operational performance.

Risk mitigation

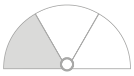
Response includes:

- Development and implementation of digital tools to drive quality such as Fieldview, BIM and Dalux.
- Investment in employee training including enhanced PMDF modules.
- Using our Technical and Quality, Research and Development and Supply Chain teams to evaluate new materials, plant and equipment and other new technology and support their adoption across the business.
- Quality alerts to share learning and information where potential issues with particular products have been identified.

Opportunity

Development and/or expansion of low carbon construction

Time horizon
Short term



Potential impact on financial performance
Increased revenues resulting from increased demand for products and services

Link to our principal risks
- Work-winning
- Resources

Opportunity description and potential impact on the business

In order to decarbonise the built environment in the UK, there is a need for our clients to ensure that existing assets are either replaced with new, more energy-efficient assets, or increasingly, ensure that they are modified to extend their life and improve their energy efficiency. Demand for both new build and retrofit of existing assets with low embodied and operational carbon performance is likely to create a pipeline of opportunities within our target markets.

Opportunity realisation

The actions we are taking to realise the opportunities are the same as the actions we are taking to mitigate the risk of failing to develop our low carbon construction capability, ie:

- Working closely with our clients to understand their carbon reduction ambition and targets and developing solutions to meet those objectives.
- Investment in key carbon reduction roles.
- Carbon literacy training for all staff.
- Supply chain engagement and upskilling.
- Development of carbon reduction management process.
- Use of carbon calculators to model embodied and operational carbon.
- Development of systems and applications to improve carbon data and reporting.

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 is just beyond 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 strategy which builds on our existing strengths and the growth opportunities in our target markets.

Our alignment to the UK's continued investment in 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 2022 which incorporates appropriate contingencies against plausible day-to-day downside risks, primarily the Group's principal risks as disclosed previously. The base case shows strong levels of average month-end net cash 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 not 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 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, 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 Project delivery
Scenario 4 **'Perfect storm'** We also tested the unlikely but plausible scenario where all of scenarios 1–3 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.

Financial review

Delivering sustainable growth

We have delivered growth in line with our strategy and expectations, resulting in increased shareholder returns. The continued improvement in our operating performance, alongside our strong financial position and high-quality order book, provide confidence in our ability to meet our sustainable growth targets.

Our results reflect the strong foundations of the business and excellent performance of our people.

Andrew Duxbury
Finance Director

Financial performance[1]

Revenue
£1,237.2m
(2021: £1,124.8m)

Divisional operating margin[2]
2.4%
(2021: 2.0%)

Operating profit before amortisation[2]
£18.5m
(2021: £10.1m)

Profit before tax[2]
£19.1m
(2021: £11.4m)

Dividend per share
8.0p
(2021: 4.7p)

Average month-end cash
£174m
(2021: £164m)

PPP portfolio
£47.5m
(2021: £49.1m)

Performance[1,2]

We have delivered an increase in profit and dividends. Our profit margin has increased, showing excellent progress against our margin improvement targets.

Revenue

Our revenue for the year was up 10% at £1,237.2m (2021: £1,124.8m), reflecting disciplined growth in Infrastructure. As expected, Infrastructure's revenue increased as the AMP7 programme in the water sector gathered momentum, and this was supplemented by our acquisition of the water business of nmcn plc (in administration).

Of the total, Building contributed revenue of £789.1m (2021: £789.2m), broadly in line with 2021 as a result of some delays to new contract starts towards the end of the financial year as expected given the increased length of client procurement in response to rising inflation. Infrastructure recorded revenue of £441.9m (2021: £329.2m), including £74.1m from the nmcn acquisition. PPP Investments' revenue was £6.2m (2021: £6.4m).

1 See note 32 for a reconciliation of statutory numbers to Alternative Performance Measures.
2 Pre-exceptional items from continuing operations, unless otherwise stated.

Operating profit before amortisation

Our pre-exceptional operating profit before amortisation was £18.5m (2021: £10.1m).

Of this, Building generated profit of £18.9m (2021: £15.9m), representing a margin of 2.4% (2021: 2.0%), and Infrastructure generated profit of £10.8m (2021: £6.0m), representing a margin of 2.4% (2021: 1.8%). The combined divisional operating margin of 2.4% (2021: 2.0%) has been achieved in line with our margin improvement targets, with further details of divisional performance set out on pages 58 to 60.

There was an £11.2m net loss in PPP Investments and Central Costs (2021: £(11.8)m), with Central Costs being in line with their 2021 level.

Exceptional items

Exceptional items of £13.7m were incurred in the period, as set out in note 4 to the financial statements. £7.7m related to the acquisition and integration of the nmcn water businesses, acquired in October 2021. The remaining £6.0m relates to our investment in cloud-based Enterprise Resource Planning (ERP) finance and commercial systems scheduled to continue into Spring 2023, part of our investment in our digital and data capabilities, which under updated accounting guidance, is not allowed to be capitalised. There were no exceptional items in 2021.

Net interest income

Net interest income of £2.9m is in line with 2021, reflecting the stable portfolio of PPP sub-debt investments.

Profit before tax

Pre-exceptional profit before tax for the year was £19.1m (2021: £11.4m). Pre-exceptional profit 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 2022.

Post-exceptional profit before tax was £5.4m (2021: £11.4m).

Taxation

The pre-exceptional tax charge for the year is £1.7m (2021: £1.0m), which equates to an effective tax rate of 8.9% (2021: 8.8%), lower than the standard UK rate of corporation tax due to the recognition of previously unrecognised brought forward tax losses and corporate interest restrictions. The post-exceptional tax credit is £0.9m (2021: charge of £1.0m).

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 pre-exceptional earnings per share for the year of 16.0p (2021: 9.5p). The post-exceptional earnings per share in 2022 was 5.8p.

The Board declared an interim dividend of 2.2p per share (2021: 1.2p), which was paid to shareholders on 8 April 2022, and has declared a final dividend of 5.8p per share (2021: 3.5p), bringing the total dividend for the financial year to 8.0p per share (2021: 4.7p). The full year dividend in 2022 is covered 2.0 times (2021: 2.0 times) by pre-exceptional earnings, in line with the Board's stated policy.

At 30 June 2022, the Company had distributable reserves of £109.7m (2021: £100.7m).

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.

Financial position

Our strong balance sheet, supported by a robust cash performance and valuable PPP assets, is important for our clients; provides confidence 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 2022 had a cash balance of £218.9m (2021: £216.2m). The average month-end cash balance in the year was £174m (2021: £164m) and our daily minimum cash balance was above £100m, which shows continued strong cash performance throughout the year. Our operating cash generation in the year, reflects very strong cash performance across the business.

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 98% of invoices paid within 60 days (2021: 93%) and average days to pay invoices reduced to 25 days (2021: 36 days).

At 30 June 2022, we had a PPP portfolio of £47.5m (2021: £49.1m), reflecting a blended 7% discount rate (2021: 7%). This portfolio contributes to our balance sheet strength and generated interest income of £3.9m (2021: £3.9m) in the year.

Working capital

We have modest working capital requirements. At 30 June 2022, net working capital employed was £255.5m (30 June 2021 (restated, see note 35): £237.6m), predominantly reflecting the net contract liabilities acquired with nmcn. The Group has restated the balance sheet classification of some prior year working capital balances, as set out in note 35.

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. Our work on these contracts formally ceased on their termination in August 2018. Costs were significantly impacted by client-driven scope changes and the Group has submitted claims and variations to the value of circa £95m in respect of these costs (2021: circa £95m). The Group has taken extensive legal advice on our entitlement, and we have been successful in two adjudications supporting the validity of the Group's position. The claim is progressing in line with the original expected timetable. Taking into account the requirements of IFRS 15, the Group 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 2022, the Group has updated its assessed recoverability in accordance with IFRS 15. Given the progress, in line with expectations during the year, this is unchanged. The Group has also updated its expected credit loss provision in accordance with IFRS 9 for which there was no material change in the required provision since the prior year end.

Total equity at the year-end was £132.1m (2021: £134.1m).

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:

- **Supporting operational requirements and strategic opportunities**

A strong balance sheet is an important element in delivering the Group's Sustainable Growth Strategy, as it provides a competitive advantage in the market, supports the Group's disciplined approach, and provides confidence to our clients and supply chain. We are also able to allocate capital to assist the development of our adjacent markets. Furthermore, and as demonstrated by the recent acquisition of the water businesses of nmcn, a strong cash balance sheet enables the Group to react quickly to strategic opportunities, including bolt-on acquisitions that enhance our capabilities and increase future value.

Mitigating the effect of future market downturns

The current outlook across our markets remains encouraging and supports our strategy, but the Group ensures that it is prepared for any adverse change in market conditions that may arise. Our strong balance sheet is particularly important for the Group to continue to operate its disciplined approach to contract selection and focus on operating margin, irrespective of any short term economic concerns. The recent inflationary pressures clearly demonstrate the value and importance of the Group's risk management framework and focus.

Paying sustainable dividends to shareholders

The Board understands the importance of dividends to shareholders, and in setting its dividend considers the Group's profitability, its strong balance sheet, high-quality order book and longer term prospects. Consistent with this approach the Group expects dividend per share to increase in line with earnings, with dividend cover of 2.0 times annual earnings.

We continue to assess the cash requirements of the business to ensure the Group remains well positioned to deliver on its Sustainable Growth Strategy and has sufficient funds to invest in the business. Given the capital allocation priorities and requirements set out above, the Board anticipates retaining average month-end cash and PPP assets of £175m to £250m to support delivery of our financial targets to 2026. For the year ended 30 June 2022, the aggregate of month-end cash and PPP assets was £221m, towards the top of this range early in the strategy period. Where average month-end cash and PPP asset increase above the level required, then the Board will consider making additional returns to shareholders.

In line with this approach, on 21 September 2022, we announced an initial share buyback programme to repurchase up to £15m of ordinary shares.

Contingent liabilities

The directors ensure that contingent liabilities are appropriately assessed, documented and monitored. More information can be found in note 28.

Going concern and Viability Statement

Our going concern statement, together with further related information, can be found in the Directors' report on page 101. Our Viability Statement can be found on page 54.

Financial targets

Revenue

£1,237.2m Actual 2022

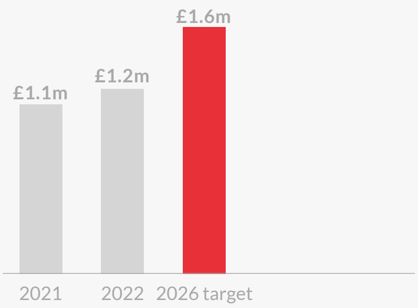
£1,124.8m Actual 2021

Objective

Disciplined contract selection and sustainable revenue growth.

2026 target

Revenue growth towards £1.6bn.



Divisional operating margin[1]

2.4% Actual 2022

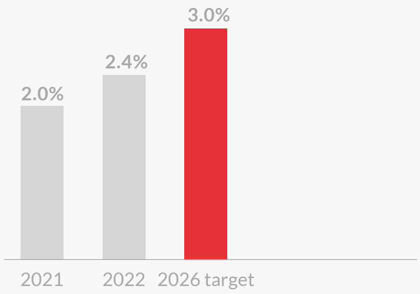
2.0% Actual 2021

Objective

Focus on bottom line margin growth.

2026 target

Divisional operating margin growth to 3.0%.



Average month-end cash

£174m Actual 2022

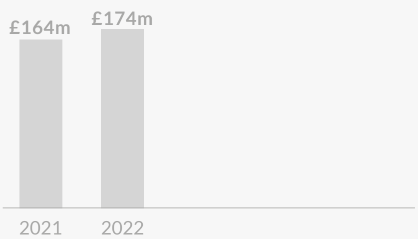
£164m Actual 2021

Objective

Maintain strong balance sheet.

2026 target

Operating cash generation.



Dividend per share

8.0p Actual 2022

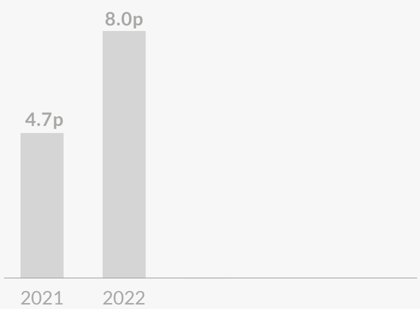
4.7p Actual 2021

Objective

Sustainable dividends.

2026 target

Dividend cover 2.0x.



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 2). This measure represents the trading performance of the Group's primary operations.

A strong performance

We delivered a very strong set of results during the financial year, with improved margin and profit growth across our core businesses comprising Building, Infrastructure and PPP Investments.

We secured £1.4bn of work, contributing to an overall order book at 30 June 2022 of £3.4bn (2021: £3.3bn).

Performance – Building

	2022	2021
Revenue (£m)	**789.1**	789.2
Operating profit (£m)	**18.9**	15.9
Operating profit margin (%)	**2.4**	2.0
Order book (£m)	**2,047**	1,920

Building (which includes our FM business) had a revenue of £789.1m (2021: £789.2m), generating an operating profit before amortisation of £18.9m (2021: £15.9m), which represents a margin of 2.4% (2021: 2.0%).

Revenue is in line with the previous year as a result of some delays to new contracts towards the end of the financial year, reflecting increased length of client procurement in response to rising inflation. The improved profit reflects the continuing improving performance of projects that were added to the order book in recent periods in line with our margin improvement targets.

Our FM business continues to complement our operations by providing high-quality building maintenance services. We continue to grow the capabilities of this operation, with a specific focus on decarbonising existing buildings through retrofit and other interventions. This 'green retrofit' capability will grow over the coming years and we plan to allocate some additional capital to support this growth.

Building won contracts and positions on frameworks worth over £945m, (2021: £641m). Significant appointments and wins for Building included:

- The new four-year £1.6bn LHC Public Buildings, Construction and Infrastructure PB3 framework which covers projects across all public sector buildings.
- A share of the £7bn Department for Education 2021 Construction Framework.
- The £55m Galashiels Community Campus on behalf of Scottish Borders Council and Hub South East.
- A £56m private rented sector (PRS) scheme in Milton Keynes.
- A £25m project under the Department for Education (DfE) Net Zero Carbon in Operation (NZCIO) scheme for Greenhead College in Huddersfield.
- Five lots on the Crown Commercial Service (CCS) and Associated Services Framework covering projects worth up to £20m across the North East, North West, East of England and South East to drive economic growth. In addition, the business has been appointed to Lot 3, which includes projects above £70m in value.
- Positions on the NHS Shared Business Services (SBS) second generation Hard FM framework, to deliver Security, Fire and Hard FM Managed Services valued up to £800m by SBS.

Building's order book stands at £2,047m, compared to £1,920m last year including 31% in Education, 23% in Defence and Custodial, 18% in Facilities Management and 11% in Health.

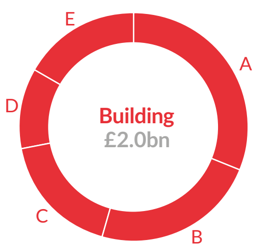
Building a high-quality order book

Our order book underpins our future plans and gives us excellent medium term visibility of pipeline, meaning that no part of the business needs to take on inappropriate levels of risk. Its composition is therefore pivotal, which is why we seek to build a high-quality order book.

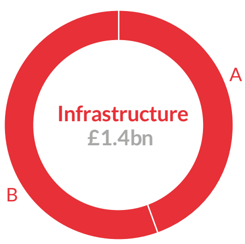
Our confidence in the quality of the order book comes from key features of its composition:

- 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.
- We actively target and maintain places on public sector frameworks in the UK as they help mitigate risk by enabling us to work within established and well-understood terms and conditions and provide consistent pipelines of work (page 13).
- At 30 June 2022, 90% of our order book was in frameworks (2021: 87%).
- Similarly, 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 2022, 91% of our order book was in the public and regulated sectors (2021: 91%), and 9% in the private sector (2021: 9%) with carefully selected blue-chip clients.
- High visibility of the following year's revenue gives us further confidence to bid with the appropriate discipline and selectivity.
- At 30 June 2022, 90% of planned revenue for the 2023 financial year was secured (2021: 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 2022, the average contract size in Building's order book is less than £20m.

Strong visibility of workload



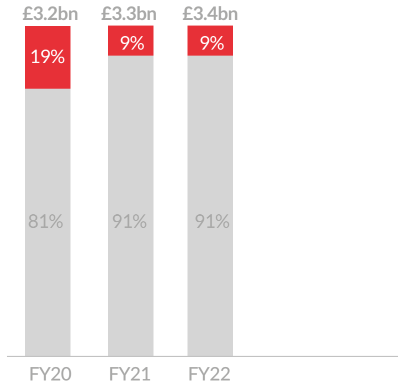
	£m
A Education	640
B Defence & custodial	476
C Facilities management	362
D Health	228
E Commercial & other	341



	£m
A Highways	622
B Environment	774

Strong visibility of workload

Order book by client type



Performance – Infrastructure

	2022	2021
Revenue (£m)	**441.9**	329.2
Operating profit/(loss) (£m)	**10.8**	6.0
Operating profit margin (%)	**2.4**	1.8
Order book (£m)	**1,396**	1,348

Infrastructure's revenue was £441.9m (2021: £329.2m). As expected, revenue increased due to the higher level of activity from the AMP7 programme in the water sector. Additionally, the acquired water operations of nmcn plc (in administration) contributed £74.1m revenue in the year. Infrastructure generated an operating profit before amortisation of £10.8m (2021: £6.0m) which represents a margin of 2.4% (2021: 1.8%). The improved profit performance is in line with our expectations, and includes the benefit of new contract frameworks.

Following the acquisition of nmcn's water businesses in October 2021, we have restructured our Environment business to provide enhanced service delivery across UK operations including water, engineering, off-site build and asset optimisation, and asset security. The acquisition has provided the Group with additional geographic scale and increased capabilities in the water sector, further supplemented by the acquisition of MCS Control Systems Limited in July 2021 (note 31).

Infrastructure won contracts and positions on frameworks worth £466m (2021: £590m). These included:

- Appointment to the Procure Partnerships (PP) North West Framework valued at £1.8bn in the North West of England, in conjunction with the Building business.
- A share of the £3.5bn Scheme Delivery Framework for National Highways.

Infrastructure had an order book of £1,396m, compared to £1,348m last year, including £622m in Highways and £774m in Environment.

Performance – PPP Investments

	2022	2021
Revenue (£m)	**6.2**	6.4
Operating loss	**(0.9)**	(1.8)
Net interest income	**3.9**	3.9
Directors' valuation (£m)	**47.5**	49.1

With the reduction in traditional PPP/PFI bidding opportunities, PPP Investments has continued to move its focus towards co-development of Private Rented Sector (PRS) projects. During the year, its first scheme, in Cardiff, obtained planning consent and the business is working towards reaching financial close with an operator which will allow construction to commence during the next financial year. At the year end it was the preferred bidder on two further PRS schemes with a gross development value of c£200m and anticipates further opportunities in the future.

At the year-end, the directors' valuation of our PPP portfolio was £47.5m (2021: £49.1m), which is the fair value included in the balance sheet reflecting a blended discount rate of 7% (2021: 7%). The valuation compared with a value invested of £35.7m (2021: £36.2m). There is an active secondary market for these assets, which generated an annuity interest income of £3.9m (2021: £3.9m) and contributes to our balance sheet strength.

s172(1) statement

The Board remains committed to carrying out its obligations under the Companies Act.

Consideration of stakeholders is ingrained in the way we conduct business and our Board remains committed to considering the consequences of our decisions on different stakeholders and acting in a way that promotes the long-term success of the business.

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 and is rooted in the principles of our Code of Conduct which is signed by the Board and outlines our duties to our colleagues, clients, suppliers, communities, the environment and governance.

Details of how we engaged with key stakeholders and how their interests influenced Board decisions during the financial year are set out on the following pages.

In 2019, we established a Board-level Committee chaired by Senior Independent Director Terry Miller, to review and oversee the Group's relationships with key stakeholders. This Stakeholder Steering Committee 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 67.

This information complements regular updates to the Board which include key interests of our stakeholders such as Health and Safety, which is the first agenda item of every meeting; people matters; sustainability and changing market dynamics with regard to client and supplier priorities.

The Board additionally receive presentations on these matters throughout the year, which provide in-depth updates from each stakeholder group.

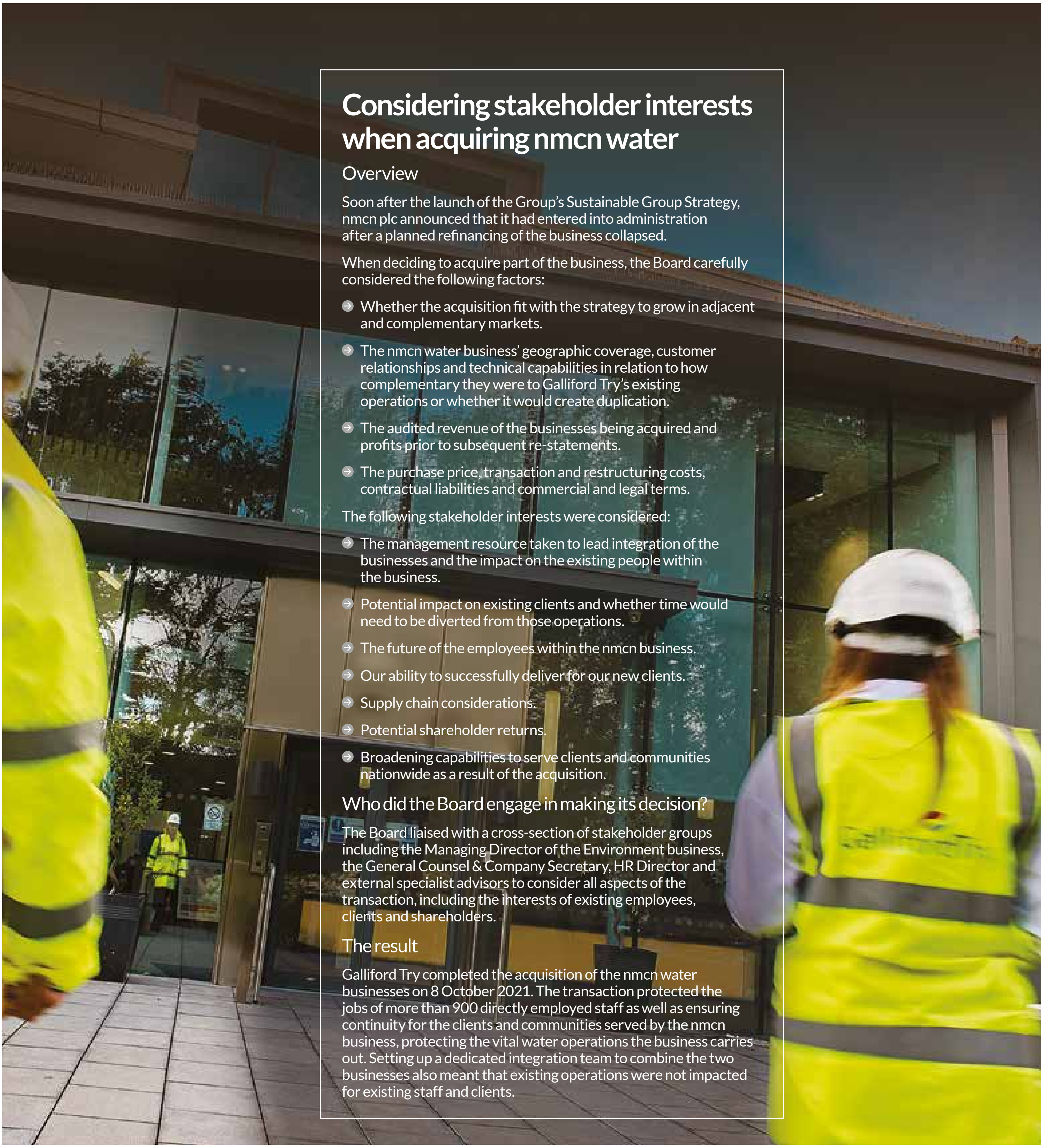
Directors gain a first-hand insight into our culture in action through site visits, presentations from our businesses on operational matters and information in monthly Board packs. These enable discussion around managing the interests of our people, clients, suppliers and communities.

Direct engagement with investors also takes place through investor presentations and the Annual General Meeting.

Who and why	Key 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 p24 and Health and safety p21	- Health, safety and wellbeing. - Purpose and culture. - 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 Group 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.	- Added to our behavioural safety programme. - Carried out an all staff Employee Engagement Survey to gauge employee sentiment on key areas. - Delivered our second all staff virtual roadshow with national and local information for our staff. - Restructured our induction sessions. - Started a series focused on spotlighting different communities to promote inclusion through awareness. - Continued and expanded our Wellbeing Wednesdays programme. - Ensured key priorities continue to be addressed by our updated strategy.	- 0.06 AFR. - 99% of our people believe we give Health & Safety a high priority. - 15.5% churn rate. - 85% employee advocacy score. - 94% of employees are motivated by our vision.
Clients Satisfied clients are essential for a sustainable and profitable business Clients p35	- Financial stability and ability to deliver. - Time, cost and quality. - Meeting carbon and sustainability objectives. - Creating greater social value.	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. 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.	- Engaged in sector and client discussions on areas of challenges and opportunity such as service delivery, supply chain disruption from Brexit and learnings from Covid-19, the economic environment and the drive for sustainability. - Invested in our low carbon and digital capabilities to help achieve client objectives. - Continued to target and win places on frameworks with new and existing clients.	- 90% of our order book is in frameworks. - 94% repeat business.

Who and why	Key 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 p38	• 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. • Launched Net Zero Partners Programme to support supply chain with their carbon upskilling. • Continued to promote the Supply Chain Sustainability School. • Ensured key priorities continue to be addressed by our updated strategy.	• 60% of business unit core trades spend with Aligned subcontractors. • 98% 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 p32	• 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.	• Continued to add to the social value of our work by supporting local business, providing employment and training, charitable donations and volunteering for local causes. • Extended the scope of our partnership with the Social Value Portal. • Developed our capability to report our Social and Local Economic Value (SLEV).	• 41.8 average CCS score. • Reported 50% of projects delivering more than 25%of percentage of contract value. • £268,000 of charitable donations.
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.	• Held a business briefing for investors and provided a recording on our website. • AGM. • Ensured key priorities continue to be addressed by our updated strategy.	• 8.0p 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 43 and further information is contained in the Sustainability section from page 20.



Considering stakeholder interests when acquiring nmcn water

Overview

Soon after the launch of the Group's Sustainable Group Strategy, nmcn plc announced that it had entered into administration after a planned refinancing of the business collapsed.

When deciding to acquire part of the business, the Board carefully considered the following factors:

- Whether the acquisition fit with the strategy to grow in adjacent and complementary markets.
- The nmcn water business' geographic coverage, customer relationships and technical capabilities in relation to how complementary they were to Galliford Try's existing operations or whether it would create duplication.
- The audited revenue of the businesses being acquired and profits prior to subsequent re-statements.
- The purchase price, transaction and restructuring costs, contractual liabilities and commercial and legal terms.

The following stakeholder interests were considered:

- The management resource taken to lead integration of the businesses and the impact on the existing people within the business.
- Potential impact on existing clients and whether time would need to be diverted from those operations.
- The future of the employees within the nmcn business.
- Our ability to successfully deliver for our new clients.
- Supply chain considerations.
- Potential shareholder returns.
- Broadening capabilities to serve clients and communities nationwide as a result of the acquisition.

Who did the Board engage in making its decision?

The Board liaised with a cross-section of stakeholder groups including the Managing Director of the Environment business, the General Counsel & Company Secretary, HR Director and external specialist advisors to consider all aspects of the transaction, including the interests of existing employees, clients and shareholders.

The result

Galliford Try completed the acquisition of the nmcn water businesses on 8 October 2021. The transaction protected the jobs of more than 900 directly employed staff as well as ensuring continuity for the clients and communities served by the nmcn business, protecting the vital water operations the business carries out. Setting up a dedicated integration team to combine the two businesses also meant that existing operations were not impacted for existing staff and clients.

Informing and engaging our investors

As the lockdown measures eased, we took the decision to hold a face-to-face Business Briefing with the purpose of giving detailed insights into parts of the business, introduce investors and analysts to some of the management team to demonstrate the culture of our business and expertise of our team, to provide a deeper understanding of where the controlled revenue and margin growth targeted through our strategy would come from, and to provide a channel for people to directly question our Board and management on key topics.

The presentation is available at www.gallifordtry.co.uk/investors

Maintaining high standards of corporate governance

Considering our stakeholders in the decisions we make is not only the right thing to do, but building meaningful relationships with key parties is critical to achieving both our day-to-day objectives and long-term ambitions.

On behalf of the Board I am pleased to present the Company's corporate governance report for the year ended 30 June 2022. A robust corporate governance structure supports the decision-making needed to implement our strategy, helping us to deliver sustainable performance and long-term stakeholder value.

Corporate governance

Among the key events of the year, we oversaw the Group's strong response to the Covid-19 pandemic and support to staff, continued to monitor the successful execution of the strategy, including the acquisition of nmcn's water business, and appointed Alison Wood and Sally Boyle to the Board as non-executive directors. As Chair-designate, Alison will succeed me as I retire from the Board on 21 September 2022, ensuring a smooth transition of the role. More information on strategy and Board appointments can be found in my statement in the Strategic report.

Sustainable value for all stakeholders

The Group's strategy is designed to create sustainable value for all of our stakeholders. In particular, we are a highly people-orientated business, and we continue to listen carefully to employees through both surveys and the Employee Forum. Our Stakeholder Steering Committee also plays an important function, ensuring effective stakeholder engagement. Sustainability is also integral to our strategy and the Board will carefully monitor the Group's progress towards its net zero goals.

Employee voice and stakeholder engagement

During the year we carried out an employee survey. We were delighted to achieve a participation rate of 74% of those invited and an above average engagement rate (page 25). While overall responses were positive, there are also some areas where we can use the feedback provided as a spur to do better, such as improved articulation of career paths, and we will address feedback from the survey in the coming year. The Board takes a keen interest in the Group's culture, as I discuss in my statement in the strategic report.

Please see our People section on pages 24 to 27 for further information.

The Employee Forum, introduced in 2019, meets three times a year and gives employees another route, outside of line management structures, to provide suggestions and ideas about working practices. These are communicated to the Board by the Employee Forum chair, enabling the Board to consider employees' feedback and opinions when it makes decisions about the Group's operations. Focus areas during the year have included the employee engagement survey, our wellbeing approach, the introduction of Total Reward Statements, flexible and agile working, and our approach to returning to the Group's offices post-Covid.

Engagement with our wider stakeholders is vital to the success of the business and the Board factors their interests into its discussions and strategic decision-making. Our Stakeholder Steering Committee met twice during the year, to review the ways we engage with key stakeholders and ensure that these evolve and remain appropriate to the Group's strategic priorities. Our key stakeholders are detailed on pages 61 to 65.

Our strategy

We are making good progress towards our Sustainable Growth Strategy and our target of 3% divisional and operating margins across our Building and Infrastructure divisions. The acquisition of nmcn's water business during the year is fully aligned with our strategy and enhances our capabilities. The Board thoroughly reviewed the strategy at our annual strategy meeting and we are satisfied that it remains appropriate and aligned to the Group's purpose. This also led to the acquisition of MCS Control Systems in July 2022.

Please see pages 1 to 65 for further information.

Carbon

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.

In June 2021, we published our commitment to achieve net zero across the Group's own operations by 2030 and across our whole value chain by 2045, validated by Science Based Targets. Investments in this area include appointing a Director of Sustainability, recruiting a Low Carbon Manager, establishing a Carbon Reduction Group, dedicated carbon e-learning for all employees and the launch of our Net Zero Partners programme.

Please see our Environment and climate change section on pages 28 to 31 for further information, and pages 48 to 53 our reporting under the Task Force on Climate-Related Financial Disclosures.

Communicating effectively with shareholders and investors

During the year, we have continued to engage positively with our shareholders, prospective investors and major institutions, combining face-to-face meetings, technology and virtual platforms to good effect. We have updated investors on key activities, our response to the pandemic and cost inflation and areas of focus for the Board, as well as our strategic plans for the Group. In May 2022 we wrote to major shareholders offering the opportunity to meet the Chair-designate, Alison Wood. Further detail can be found on page 81.

The Board and Audit Committee continue to monitor the Government's proposals for restoring trust in audit and corporate governance, with a view to implementation and compliance.

Board performance evaluation

The 2018 UK Corporate Governance Code (the "Code") requires the Board to have an externally facilitated evaluation at least every three years, and this took place in February and March 2022. Overall, the outcome was positive, finding that the Board benefits from a highly experienced group of non-executive directors, with skillsets appropriate to the Group's strategy, and operates in an environment of healthy challenge and an appreciation of the Group's stakeholders. The integration of the new non-executive directors was identified as an area of focus, to ensure that the Board continues to perform well as its membership evolves. Further details about the process can be found on page 79.

Looking forward

This is my last year as your Chairman and I would like to close by thanking shareholders, Board colleagues and the Company's employees for their support during my seven years in office. I have thoroughly enjoyed my time at Galliford Try and leave the business with a capable Board and management team, strong balance sheet, market-leading position and good progress towards its Sustainable Growth Strategy. I am delighted to welcome Alison to Galliford Try as a Non-executive Director and my successor. She has a wealth of experience and her appointment will further strengthen the independence and the experience of the Board.

On behalf of the Board

Peter Ventress
Chairman

Directors and Executive Board
Our Board

Peter Ventress
Chairman

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

Board experience:

External appointments: Peter joined the Board of Howdens Joinery Group Plc on 1 July 2022 as Chairman Designate and Non-executive Director and assumes the role of Chairman with effect from 21 September 2022. Peter is also Chairman of Bunzl plc, the FTSE 100 specialist international distribution and services group.

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 Softcat plc, Premier Farnell plc, Staples Solutions BV and Signature Aviation plc.

Bill Hocking
Chief Executive

Appointment date: Bill was appointed as Chief Executive on 3 January 2020.

Board experience:

Skills and experience: Bill is a civil engineer with more than 35 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, customers, employees and other stakeholders.

Bill joined Galliford Try as Managing Director of Construction in September 2015. He was previously at Skanska UK plc, which he joined in 1990 and where he held the position of Executive Vice President on the Executive Management Team from 2008. From 1 August 2016 until his appointment as Chief Executive of Galliford Try, Bill was Chief Executive of the Group's Construction & Investments division.

Andrew Duxbury
Finance Director

Appointment date: Andrew joined the Board on 26 March 2019 as Finance Director.

Board experience:

Skills and experience: Andrew is 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 Sustainability, Internal Audit, Finance, Tax and Treasury, IT and Shared Service Centre functions. He chairs our Carbon Reduction and Social Value Forum on a quarterly basis.

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.

Terry Miller
Senior Independent Director

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

Board experience:

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 spent 17 years with Goldman Sachs in London and was its International General Counsel.

External appointments: Terry is a Non-executive Director of Goldman Sachs International and Goldman Sachs International Bank, part of the global Goldman Sachs Group. She is also a Non-executive Director of insurance company Rothesay Life plc, and a Non-executive Director and Senior Independent Director of Stelrad Group plc.

Alison Wood
Non-executive Director and Chair-designate

Appointment date: Alison was appointed to the Board on 1 April 2022.

Board experience:

Skills and experience: Alison has a background in engineering, economics and management and extensive corporate experience with leading engineering companies. She spent nearly 20 years at BAE Systems PLC in a number of strategy and leadership roles, including as Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National Grid PLC from 2008 to 2013. Alison has previously held Non-executive Director positions with BTG PLC, Thus Group PLC, e2v PLC, Cobham PLC and Costain plc.

External appointments: Alison is a Non-executive Director and Chair of the Remuneration Committee at TT Electronics PLC and Capricorn Energy PLC and Senior Independent Non-executive Director and Chair of the Remuneration Committee at Oxford Instruments PLC. Alison is also Senior Independent Non-executive Director and Chair of the Remuneration Committee at the British Standards Institution.

Gavin Slark
Non-executive Director

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

Board experience:

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 mainland Europe.

Marisa Cassoni
Non-executive Director

Appointment date: Marisa was appointed to the Board on 1 September 2018.

Board experience:

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.

Sally Boyle
Non-executive Director

Appointment date: Sally was appointed to the Board on 1 May 2022.

Board experience:

Skills and experience: Sally qualified as a solicitor at Simmons and Simmons. After several years in private practice as an employment law specialist, she joined Goldman Sachs International as an employment lawyer; she later became Head of Human Capital Management for EMEA. She was named Partner in 2010 and worked as the International Head of Human Capital Management, covering EMEA, India and APAC, until she retired from Goldman Sachs. Sally was on the Board of Goldman Sachs International and its Management Committee and co-chaired the EMEA Diversity and Inclusion Committee, whilst also sitting on the global Diversity Committee.

External appointments: Sally is a Non-executive Director of the Royal Air Force.

Executive Board

Kevin Corbett
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 on 1 March 2012.

Board experience:

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, strategy and extensive UK and overseas experience.

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

Vikki Skene
HR Director

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

Board experience:

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
Managing Director, Building

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

Board experience:

Skills and experience: Ian has nearly 40 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
Managing Director, Investments and Specialist Services

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

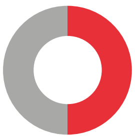
Board experience:

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 the 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

Balance of non-executive and executive directors	
Non-executive	6
Executive	2



Diversity	
Male	4
Female	4

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

As at 30 June 2022

Board Committee Membership

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

Board Experience

- Business ethics and integrity
- Construction
- Commercial
- Finance
- Governance
- Human resources
- Strategy and risk

Governance structure

Our governance framework

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.

Board Committees

Audit Committee

Oversees financial reporting matters; keeps under review the adequacy and effectiveness of the Company's internal control and risk management systems; and seeks to ensure the effectiveness of the Company's whistleblowing arrangements for its employees and contractors.

Please see Audit Committee report in page 84 for further information.

Nomination Committee

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

Please see Nomination Committee report on page 82 for further information.

Remuneration Committee

Designs remuneration policies and schemes that support the Group's strategy and promote its long-term sustainable success.

Please see Remuneration Committee report on page 87 for further information.

The plc Board

The Board promotes the Company's long-term sustainable success and is the key decision-making forum for all strategic matters. It monitors progress against the Company's strategic priorities and ensures there is a robust and effective control environment, so that principal and emerging risks are appropriately assessed and managed.

Please see pages 68 and 69 on directors' biographies.

Executive Board and Committees

Executive Board

Oversees the Group's operational management and implements its strategy and policies, including the Health, Safety & Sustainability, financial, HR and risk policies, as agreed by the plc Board.

Please see page 81 for further information.

Executive Risk Committee

Assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks. The committee is chaired by the General Counsel & Company Secretary.

Please see page 43 for further information.

ESG

The Carbon Reduction and Social Value Forum is chaired by the Finance Director, on a quarterly basis and enables Board oversight and influence across these ESG areas.

The forum has been established to co-ordinate and oversee the various carbon reduction initiatives we are taking to achieve our net zero targets, in addition to the social value adding practice across our Group with respect to the work we do in our communities.

This group is comprised of representatives from across our different operational divisions and support services functions.

Monitoring of ESG and the outputs from the Carbon Reduction and the Social Value Forum are reported by the Finance Director at plc Board meetings.

Stakeholder Steering Committee

A Board-level committee chaired by Terry Miller, Senior Independent Director. The Committee meets at least twice a year to review and oversee the Group's relationships with its key stakeholders, identify ways of creating two-way communication between stakeholders and the Board, and ensure stakeholder views are considered in Board discussions and decisions. During the year the Director of Sustainability and Risk joined the Committee.

Please see page 67 for further information.

Employee Forum

Chaired by Terry Miller and made up of employee representatives from across the Group, the Employee Forum meets at least twice a year and provides a valuable channel for communicating the views of our workforce to the Board.

Please see page 67 for further information.

The role of the Board and its Committees

As at 30 June 2022, the Board comprised the Chairman, five independent non-executive directors, the Chief Executive and the Finance Director. The Board considers all the non-executive directors, including the Chairman, to be independent. To ensure a smooth transition of the important role of Chair of the Remuneration Committee it is intended that Terry Miller, Senior Independent Non-executive Director and Chair of the Remuneration Committee, is expected to continue on the Board in her current roles beyond the normal nine years, which occurs in February 2023, for a short period until September 2023. This limited extension to the term of office is considered appropriate by the Board and the Remuneration Committee and Terry Miller will remain independent in character and judgement.

Biographical summaries for each of the directors as at 30 June 2022, their respective responsibilities and their external directorships are set out on page 68.

The roles of the Chairman, Chief Executive and Senior Independent Director are set out in writing and summarised below. In line with the Code, the Board reviewed these roles during the year. These documents can be found on our website at https://www.gallifordtry.co.uk/about/governance-and-policies/

Role	Summary of responsibilities
Chairman	The Chairman's responsibilities include: • leading the Board, ensuring it is effective, determining agendas, promoting integrity, openness and debate, and ensuring all directors contribute; • ensuring the Board has the right balance of diversity, skills, experience and independence, and that non-executive directors have appropriate inductions and development; • ensuring a clear relationship between remuneration and the Company's long-term success; • with the Chief Executive and the Finance Director, representing the Company in the industry and financial community, ensuring effective shareholder communication; • leading reviews of the performance of the Board and directors; and • ensuring the highest standards of corporate governance and full compliance with the Code.
Chief Executive	The Chief Executive's responsibilities include: • developing the Group's objectives and strategies, taking into account the Group's responsibilities to its stakeholders, achieving objectives and executing the strategy approved by the Board; • preparing and meeting the budget and strategic financial plan, closely monitoring performance across the Group and taking action where necessary; • examining all investment and major projects, executing acquisitions and disposals, approving major proposals or bids, and identifying new business opportunities; • managing risk, including health and safety performance; • ensuring effective communication with shareholders and other stakeholders; and • effective leadership of the senior executive team, including development and succession planning.
Senior Independent Director	The Senior Independent Director's responsibilities include: • acting as a valued adviser and sounding board to the Board and Chairman, and being available for confidential discussions with the NEDs on any matter relating to the Board, performance or strategy; • evaluating the Chairman's performance and chairing meetings of the Nomination Committee when considering succession for the Chair (unless the Senior Independent Director is a candidate for the role); • being an alternative point of contact for shareholders and attending sufficient meetings with shareholders to understand their views; and • acting as an alternative point of contact for the executive directors and senior executive team.

The non-executive directors' role 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 matters.

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 2022 AGM.

The Board has delegated certain responsibilities to its committees. Each committee has its own terms of reference, available on our website at https://www.gallifordtry.co.uk/about/governance-and-policies/. These are reviewed annually and updated where necessary, to ensure they remain in line with best practice guidance.

Director appointments and succession planning

Alison Wood joined the Board as a Non-executive Director on 1 April 2022. The Board intends that Alison will become Chair of the Board on the current chair stepping down. Sally Boyle joined the Board as a Non-executive Director on 1 May 2022.

In line with the Code, all directors, excluding Peter Ventress who will be stepping down as previously announced, will stand for re-appointment or re-election at the 2022 AGM. The directors' performance continues to be effective, and they clearly demonstrate their commitment to their respective roles.

The Nomination Committee reviewed and refreshed succession plans during the year. Good progress has been made with refining our leadership programme to target each individual's development requirements and support them in their progression within the Group.

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 the 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 contracts and 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	

2021/22 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
Alison Wood Non-executive Director	1/2	0/1	0/1	n/a
Sally Boyle Non-executive Director	0/1	0/1	1/1	n/a
Kevin Corbett General Counsel & Company Secretary	8/8	3/3	2/2	3/3

Alison Wood was unable to attend the final Board, Nomination and Audit committee meetings of the year, in May 2022, due to a pre-existing commitment to attend the AGM of Capricorn Energy PLC.

Sally Boyle was unable to attend the final Board and Audit Committee meetings due to illness.

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 agenda is structured between standing agenda items, governance requirements and areas of operational and strategic focus, and the Board regularly reviews and discusses the following topics:

- Reports on health, safety, environment and sustainability.
- The financial performance of the businesses.
- Progress against the Group 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.
- Insights from the Employee Forum and Stakeholder Steering Committee.

In addition, the Board receives regular presentations from the businesses on operational matters, helping Board members to stay up-to-date with specific operational matters and sector-relevant issues. The Board also receives updates from advisers, as and when required. Board members are encouraged to undertake their own continuing professional development. The non-executive directors' roles on other boards also help them to develop a broad range of skills and perspectives, from which the Group can benefit.

Key areas of Board discussion during 2021/22

The Board held eight scheduled meetings during the year and also held ad hoc meetings in relation to succession and strategic matters.

Board and Committee meetings were mostly face-to-face during the year, with virtual or hybrid meetings held when appropriate. Some of the Board's key activities and actions taken during the year are summarised in the table below.

		Stakeholders considered
Strategy and implementation	**Acquisition**	
	Considered and approved proposals for the acquisition of substantially all of nmcn's water business, providing additional geographic coverage, customer relationships and technical capabilities to complement the Group's existing operations.	Clients, Shareholders, People
	Monitored the integration of the nmcn water business into the Group.	
	Covid-19	
	Monitored the impact of the Covid-19 pandemic on the Group and its stakeholders.	Clients, Shareholders, People, Suppliers, Communities
	Sustainability	
	Oversaw the Group's sustainability initiatives.	Clients, Shareholders, People, Suppliers, Communities
	Received reports from the Chairs of the Stakeholder Steering Committee, Employee Forum and Carbon Reduction and Social Value Forum.	
Culture, resources and people	**Operational performance**	
	Received health, safety and environmental ("HS&E") reports at every meeting and received a presentation from the HS&E Director on the Group's HS&E performance in 2020/21.	People
	Received regular divisional business performance reports and business review presentations from the Group's principal divisions throughout the year.	Shareholders
	Received regular reports from the Company's brokers and investor relations advisers.	Shareholders
	Following the relaxation of pandemic restrictions, visited the facilities of the acquired Lintott Control Systems business, part of the nmcn water business.	Clients, People
	Reviewed Prompt Payment Code performance.	Suppliers
	Succession planning	
	Instigated the search for new non-executive directors and Chair and approved the appointment of Alison Wood and Sally Boyle, on the recommendation of the Nomination Committee.	Shareholders
	Employees	
	Received updates from the Employee Forum Chair after each Forum meeting, including observations on the Group's culture.	People
	Approved publication of the Gender Pay Report.	
	Approved the 2022 Sharesave invitation.	

Key to stakeholders: Clients | Shareholders | People | Suppliers | Communities

		Stakeholders considered
Governance	**Compliance**	
	Received regular updates from the General Counsel & Company Secretary on governance and regulatory developments.	
	Reviewed the Schedule of Matters Reserved for the Board and the Committees' Terms of Reference.	
	Board evaluation	
	Considered the output from the 2021 internal Board evaluation process, identified areas for improvement and agreed actions to be taken.	
	Approved the scope and programme for the 2022 externally facilitated Board evaluation process and considered the resulting report and recommendations.	
	Stakeholder engagement	
	Sought shareholder and institutional feedback at the half and full year results presentations and in connection with the AGM.	
	Held the 2021 AGM as a physical meeting in London. Shareholders were also invited to submit questions ahead of the meeting, but none did so.	
	Received reports from the Stakeholder Steering Committee Chair following each Committee meeting and considered the feedback from Committee members.	
Financial oversight	**Financial resources**	
	Approved the 2022 budget.	
	Reviewed financial performance against half and full year forecasts and cash forecasts.	
	Declared an interim dividend of 2.2p, paid to shareholders in April 2022.	
	Reporting	
	Reviewed and approved the Group's half year and full year results, following advice from the Audit Committee.	
	Reviewed and approved the trading statement issued in January 2022.	
	Reviewed and approved the Annual Report.	
	Risk	
	Received regular reports from the Head of Internal Audit and Assurance on the status of the internal audit programme.	
	Received and considered reports on the Group's risk management approach and reviewed proposed updates to the Group risk register.	
	Received reports from the Executive Risk Committee following each committee meeting.	
	Received reports from the Director of Sustainability and Risk on the Group's principal and emerging risks.	

Board Strategy Meeting

Collaborating with the Executive team to review our progress and strategic priorities to 2026.

The Board held its annual strategy meeting in April 2022, with the Executive Board and managing directors of Highways and Environment. The agenda for the meeting was agreed between the Executive Board and non-executive directors.

The Group set out its strategy to 2026 in September 2021 and the strategy meeting provided an opportunity to focus on progress in the first six months of the plan, as well as review the Group's businesses. The meeting also considered the integration of the nmcn water businesses acquired in October 2021 and plans for growth.

During its discussions, the Board ensured it considered the interests of all stakeholders. The meeting covered key areas and Group initiatives, including health, safety and wellbeing, ESG and people matters, and the Finance Director also provided an update on financial performance and investor relations.

As a result of the meeting, the Board concluded that the strategy remained appropriate and aligned to the Group's culture, and that the Group was making good progress towards its goals for 2026.

UK Corporate Governance Code compliance

As a premium listed company, the 2018 UK Corporate Governance Code ("Code") sets the standards against which we measure ourselves. Throughout the year to 30 June 2022, 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 shareholders and other stakeholders, and operates via a formal schedule of matters reserved for its decision.	See page 70 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 to which we adhere.	See our People and Culture section on pages 24 to 27 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 Board reviews and agrees the annual budget in July each year. In addition, mature risk management and governance processes are in place to identify, report and manage risk. These are kept under review to ensure they remain robust and appropriate. The Executive Risk Committee assists the Board and Audit Committee in monitoring and updating the Group's principal and emerging risks and regularly reports to the Board on its work.	See our Principal risks section on pages 44 to 47 for further information. More information can also be found in the Executive Board report on page 81 and the Audit Committee Report (pages 84 to 86).
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 the Managing our stakeholder relationships section on pages 61 to 65 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 expected behaviours. Group policies define our approach to managing health, safety, environmental and social matters affecting our employees. These policies are regularly reviewed, published on our website and described in our Annual Report. There is an independent and anonymous whistleblowing procedure allowing any employee or third party to confidentially raise concerns. The Audit Committee ensures the whistleblowing procedure remains effective and that any matters reported are appropriately investigated and resolved.	See our People and Culture section on pages 24 to 27 for further information.

Principle	How we apply the Principle	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 Group's purpose, direction and values 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 Chairman's performance is assessed 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 our Governance review section on page 70 for 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 five 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, where necessary, constructively challenge management in its implementation of strategy and Group performance.	See pages 68 to 69 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, strategic guidance, offer specialist advice and hold management to account.	The annual Board evaluation process continues to assess the performance and effectiveness of all directors and their commitment to meeting their Board responsibilities.	See the section on Board Evaluation on page 79 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 high-quality papers 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 oversees Board induction and evaluation arrangements 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, cognitive and personal strengths.	The Board followed a clear and formal process for appointing directors, which was followed for the recruitment of Alison Wood and Sally Boyle during the year. These appointments were in line with the Board's succession plans, which were reviewed and refreshed during the year. The Board and Executive management recognise the importance of succession planning to overall business performance. Inclusion and diversity are key drivers to the Group's overall development plans.	See the Nomination Committee report on pages 82 to 83.
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 regularly reviews the balance, composition and structure of the Board, as well as the length of service of each Board member. The Nomination Committee also makes recommendations about the re-appointment of 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.	The Board conducts an annual evaluation of its own performance and the performance of its committees and individual directors. An externally facilitated Board evaluation was conducted this year.	Further information can be found on page 79.

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 Audit Committee's recommendation, the Board reviewed and approved the 2022 half year and full year results and the 2022 Annual Report. In addition, the Board evaluation process confirmed the Board's view 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 2022 Annual Report and Accounts in September 2022 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 Review section on pages 55 to 57 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 continually monitor the Group's risk management and internal control systems on the Board's behalf. 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 Board regularly reviews the Group Risk Register.	See Our risk management process section on page 43 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.	Shareholders approved the current Remuneration Policy at the 2020 AGM. The Remuneration Committee continues to review remuneration policies and practices to ensure they are aligned to the Group's long-term success and based on stretching performance metrics that reflect shareholders' interests.	See the Remuneration Committee Report on pages 87 to 99.
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, in line with the policy approved by shareholders, and operates in accordance with its terms of reference. The remuneration of non-executive directors is a matter for the Chairman and the executive directors. No one can be involved in any discussion or decision about their own remuneration.	The Remuneration Policy can be found on pages 87 to 89 within the Remuneration Report. The Remuneration Committee's terms of reference can be found on our website at https://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 members are all independent non-executive directors. The Committee takes advice from external remuneration consultants and ensures that remuneration for Board and senior management is suitably structured to attract, retain and motivate executives, and to link reward to corporate and individual performance and all relevant internal and external factors.	

Board effectiveness review

In line with the Code, the Board reviews its own effectiveness and that of its Committees each year, with an externally facilitated review at least every third year.

2022 effectiveness review

In 2022, Clare Chalmers Limited (Clare Chalmers) facilitated the Board evaluation process. The Board considers Clare Chalmers to be independent, as it has no other connection to Galliford Try or its Directors. The brief for the process was agreed following a scoping meeting with the Chairman.

The evaluation process included Clare Chalmers:

- reviewing a selection of Board and Committee papers and terms of reference;
- observing a Board meeting and an Audit Committee meeting; and
- interviewing Board Members and a number of external advisers who regularly interact with the Board.

Clare Chalmers produced a report which was positive about the Board's functioning. The report also included a number of recommendations and suggested actions (see below), particularly ensuring the successful integration of new non-executive directors. The report was discussed with the Chairman and General Counsel & Company Secretary and then presented to the Board at its May 2022 meeting. A number of key areas of focus were identified and agreed as set out below. The Board will monitor progress against these as appropriate and any ongoing areas of focus will form part of the 2023 internal evaluation.

- **Induction:** ensure appropriate time with senior managers, advisors and site visits.
- **Senior Independent Director role:** consider as part of future succession planning.
- **Presentations from management:** Consider expanding current participation of management in plc Board meetings.
- Stakeholders: greater consideration of views from management and Stakeholder Steering Committee.
- Competitor analysis: expand business and management presentations.
- ESG: consider enhancing external communications to demonstrate Board oversight.

Actions arising from the 2021 effectiveness review

As shown below, the Board has successfully addressed the actions arising from the effectiveness review in 2021:

Recommendation	Actions taken
Succession planning: review and plan for required Non-executive Director succession.	The Nomination Committee focused on succession planning during the year and this work supported the recruitment of Alison Wood and Sally Boyle.
ESG: review and develop the scope of the Stakeholder Steering Committee to include oversight of sustainability and its overall governance within the Group.	The Stakeholder Steering Committee has oversight of sustainability and its overall governance. The Director of Risk and Sustainability joined the committee as a member during the year.
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.	The Board received regular reports from the Senior Independent Director, who chairs both the Stakeholder Steering Committee and the Employee Forum.
Shareholder relations: continue to engage as required with institutional shareholders on key matters of relevance to the Group and its operations.	The Executive Directors continued to conduct a comprehensive investor relations programme, with feedback provided to the Board.

Q&A with Alison Wood, Non-executive Director and Chair-designate

Q. What attracted you to Galliford Try?

A. My background and career is Engineering which provides a natural attraction to construction and I have followed Galliford Try's progress over time. It is clear to see that the Company is a leader in its field, with fantastic opportunities and a great vision which have been captured in its Sustainable Growth Strategy. What I find personally admirable is the Group's people culture, risk management and integrity when delivering for the wider society. Since joining Galliford Try I have been impressed by the quality and passion of its teams which is evident across the organisation, from the Boardroom to site.

Q. What are your first impressions of Galliford Try?

A. Galliford Try has an impressive reputation and portfolio of projects nationwide and I have been fortunate to have already benefited from the opportunity to meet staff on and off site. What strikes me is the camaraderie of the teams, and the sense of working towards a common goal. There is an infectious positivity, and a desire to do better by anticipating future needs of stakeholders. An example of this culture to continuously improve is demonstrated by the role digital tools and technology are increasingly playing in day-to-day activities – from the big to the small – to make processes more efficient, improve quality and reduce health and safety risks as well as to help decarbonise the environment.

Alison Wood will assume Chair of the Board of Galliford Try when the current Chair steps down in September 2022

Q. What are you most looking forward to in Galliford Try's future?

A. Galliford Try is making a significant contribution to the future of the UK, not only through the buildings and infrastructure it builds, but the positivity legacy it leaves in communities through education, upskilling of people and SMEs and community engagement. This means the Company has a chance to be hugely influential within society, and it's great to be part of this.

As I said earlier, I also anticipate the emerging role of new technology at Galliford Try to be a force in the construction industry and I look forward to seeing Galliford Try's role in this sphere.

I am looking forward to helping shape this bright future, and building on Galliford Try's successes.

Alison Wood
Non-executive Director and Chair-designate

> Galliford Try has an impressive reputation and portfolio of projects nationwide and I have been fortunate to have already benefited from the opportunity to meet staff on and off site.

Executive Board report

The Chief Executive chairs the Executive Board, which is responsible for the Group's operational management under terms of reference set by the Board. This includes making recommendations to the Board on all matters reserved for Board authorisation. The Executive Board focuses on long-term strategic issues and matters of Group-wide policy, with health, safety and sustainability and business ethics being key agenda items at every meeting, highlighting their importance to the Group. The Executive Board also receives and considers regular performance and operational reports and presentations from business management. The minutes of Executive Board meetings are included in the Board packs.

The Executive Board held 11 scheduled meetings during the year. Additional meetings are convened to consider and authorise specific operational or project matters. Meetings have taken place both in-person and through hybrid/virtual participation, at all times observing our Covid-safe procedures and protocols. The Executive Board also held short virtual meetings each week throughout the year. Executive Board members maintain a visible presence within the business by holding meetings at regional offices and visiting office and site locations.

Membership of the Executive Board is detailed on page 69. The Assistant Company Secretary acts as Secretary to the Executive Board.

Governance policies

The Group has a suite of governance and risk management policies, procedures and training programmes, all of which address the Group's legal obligations. During the financial year, the Executive Board reviewed and refreshed the policies, procedures and authority matrices under which the central functions and businesses operate.

Reporting, risk, internal audit and controls

The Governance review, starting on page 70, details the actions the Group took 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 pages 43 to 47.

A separate programme of 13 internal audits was also completed across the Group's operations, and progress checks were completed against previous recommendations.

Shareholder relations

The Chief Executive and Finance Director continued to meet with existing and prospective institutional shareholders throughout the year. 72 meetings were held with 20 shareholders, who together represented 45% of the share register, and 42 meetings with potential investors. In addition, the management team attended three conferences in the year, meeting with 11 institutions. Key areas of discussion included the Company's strategy and targets, dividend policy, capital allocation, future pipeline and ESG factors, as well as macro-economic factors such as inflation. A Business Briefing for analysts and investors was held in the second half of the year, featuring presentations from senior management on the Building, Environment and low-carbon construction areas of the business.

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 Proactive Investors and InvestorMeetCompany have been engaged to create digital content following news updates, focusing on retail investors.

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. Major shareholders were also invited to meet the Chair-designate.

We plan to hold our 2022 AGM on Friday 11 November 2022 at the offices of Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT at 11.30am. The Board will be pleased to welcome shareholders, answer questions, listen to suggestions and encourage shareholders' participation in the business to be discussed at the meeting.

With regard to Covid-19, we will follow the guidelines and best practice in place at the time of the AGM.

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 100 to 102.

Additionally, the Group has complied with sections 414CA and 414CB as well as 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 42 in the Strategic report highlights where non-financial information can be found within this Annual Report.

The Committee's work on succession planning and appointing two new Non-executive Directors has ensured the Company has a strong, independent and diverse Board. I am pleased to be handing over to a new Chair with the Group in excellent shape.

I am pleased to present my report on the Nomination Committee's activities during the financial year ended 30 June 2022.

This year the Committee focused on Board succession, including for my own role as Chair of the Board, following my announcement of my intention to step down in September 2022, having served over seven years with the Group. In line with its succession plans, the Board recruited two Non-executive Directors, including my successor, Alison Wood. The process for identifying the new Chair was led by the Senior Independent Director and overseen by the Committee, resulting in Alison's appointment as a Non-executive Director and Chair-designate with effect from 1 April 2022. Alison also became a member of the Committee on her appointment in April and becomes Chair of the Board and of this Committee when I step down. I also led the search for a new Non-executive Director, Sally Boyle, who joined the Board on 1 May 2022. Sally became a member of this Committee on joining.

Composition and remit

The Committee's membership is detailed on pages 68 and 69. The General Counsel & Company Secretary acts as Secretary to the Committee. At the financial year-end, the Committee comprised a majority of independent non-executive directors, complying with provision 17 of the 2018 Code.

During the year, the Committee reviewed and updated its terms of reference in line with best practice, making only minor changes. The Committee's current terms of reference can be found on the Group's website (www.gallifordtry.co.uk).

The Board has delegated the following principal authorities to the Committee:

- Reviewing the Board's size, structure and composition.
- Evaluating the Board's balance of skills, knowledge, diversity and experience, including the impact of new appointments.
- Overseeing and recommending the recruitment of any new directors.
- Ensuring appointments are made against objective criteria.
- Keeping the Group's leadership and succession requirements under active review.

Succession planning below the Executive Board remained a key area of focus for the Committee during the financial year. The Committee received updates from the HR Director on progress with implementing the Group's succession plan, with a focus on developing a diverse talent pool of employees demonstrating high potential for promotion.

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

Calendar of 2021/22 Committee activities and areas of focus

December 2021	Succession planning.
March 2022	Review and appointment of a new Non-executive Director and Chair-designate.
April 2022	Review and appointment of a new Non-executive Director
May 2022	Succession planning. Non-executive directors' appointment review and Committee membership. Terms of reference review and approval.

Board appointments

Appointments to the Board are subject to formal, rigorous and transparent procedures. The Committee oversees, and makes recommendations to the Board on the identification, assessment and selection of candidates for appointment to the Board. During the financial year there were two appointments to the Board. Russell Reynolds Associates, an executive search consultancy, was appointed to assist the Committee with the search process. Russel Reynolds has no other connection to Galliford Try or its directors. The Committee agreed a brief based on the capabilities, skills and experience required on the Board and which would support the business's strategy.

Appointment – Alison Wood

In October 2021, the Board initiated a search process led by the Senior Independent Director to identify a new Non-executive Director to take on the role of Chair of the Board upon my stepping down from the role. In making this appointment, the Committee was seeking a candidate with:

- substantial experience as a Non-executive Director on quoted company boards;
- a strong understanding of corporate governance;
- the ability to lead the Board effectively; and
- relevant experience gained in executive roles, including strategy.

Alison Wood was selected as the preferred candidate and the Committee recommended her appointment to the Board. She was appointed to the Board as a Non-executive Director and Chair-designate with effect from 1 April 2022. Alison will seek re-appointment by the Company's shareholders at its forthcoming AGM.

Appointment – Sally Boyle

The Committee's criteria for appointing a new Non-Executive Director included:

- substantial experience in senior roles in major organisations;
- a professional background in human resources and the capability to add value to Board discussions;
- diversity and inclusion, culture and succession planning; and
- the skills and experience to take on the role of chair of the Remuneration Committee.

Sally Boyle was selected and upon the recommendation of the Committee she was appointed to the Board as a Non-executive Director with effect from 1 May 2022. Sally will seek election by the Company's shareholders at its forthcoming AGM.

Review of the Board's composition

The Committee regularly reviews the composition of the Board and its Committees. The Board evaluation plays an important part in this process, as it includes an assessment of whether the Board's composition and mix of skills, experience, knowledge and diversity of opinion remain suitable, in the context of the Group's structure, strategy and objectives. Given the size and structure of our Group, the composition and size of the Board and its committees remains appropriate. Further details on the Board evaluation and its outcomes can be found on page 79.

To ensure a smooth transition of the important role of Chair of the Remuneration Committee, the Committee expects that Terry Miller will remain on the Board in her current roles until September 2023, which is beyond the normal term of nine years. The Board and Committee consider that this limited extension to Terry's term of office is appropriate and Terry will remain independent in character and judgement.

Inclusion and diversity

The Committee is committed to embedding inclusion and diversity throughout the Group, continuing to attract and retain the best candidates and ensuring the full development of all Group employees. Inclusion and diversity is a key consideration when assessing the Board's composition, to ensure the development of a diverse pipeline for succession. The gender balance at Board and senior management level is reported in the People and culture section on page 27. The Committee is also aware of and supportive of the recommendations of the Parker Review and will ensure that ethnic diversity is appropriately considered in future recruitment to the Board.

The Group has a range of inclusion and diversity initiatives, including action plans and agile working arrangements, with a flexible culture and working practices to suit everybody's needs. The Group also takes part in industry and other initiatives to improve inclusion and diversity, including supporting the National Association for Women in Construction, the Leadership & Diversity Group Scotland and the Supplier Diversity Group.

Galliford Try is an accredited Disability Confident Employer. This Government initiative aims to challenge attitudes towards disability, remove barriers to employment for disabled people and those with long-term health conditions, and ensure that disabled people have the opportunities to fulfil their potential and realise their aspirations.

For further information on our approach to gender diversity, please see our People and culture section on pages 24 and 27.

Peter Ventress
Nomination Committee Chair

The Committee supported the Board in fulfilling its corporate governance responsibilities, including overseeing the internal and external audit processes.

I am pleased to present my report as Chair of the Audit Committee.

Throughout the year the Committee supported the Board in fulfilling its corporate governance responsibilities, including 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

All Committee members are independent Non-executive Directors. Additional details on the Committee's members can be found on pages 68 and 69.

The Committee has continued to ensure that each member has sufficient knowledge, training and expertise to contribute effectively to the Committee's work, which is a key requirement of Provision 24 of the 2018 UK Corporate Governance Code and the FRC's Guidance on Audit Committees. The Board remains satisfied that, as a whole, the Committee has competence relevant to the sector in which the Group operates.

As Committee Chair, I have extensive experience in numerous roles, which include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. I also have experience of being a Non-executive Director with Skipton Building Society, AO World plc 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 considerable experience as a Non-executive Director and currently serves as 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.

Alison Wood joined the Committee on her appointment as a Non-executive Director on 1 April 2022. Alison has a background in engineering, economics and management and substantial corporate experience with leading engineering companies. She spent nearly 20 years at BAE Systems PLC in a number of strategy and leadership roles, including as Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National Grid PLC from 2008 to 2013. Alison is a Non-executive Director and Chair of the Remuneration Committee at TT Electronics PLC and Capricorn Energy PLC and Senior Independent Non-Executive Director and Chair of the Remuneration Committee at Oxford Instruments PLC. Alison has previously held Non-executive Director positions with BTG PLC, Thus Group PLC, e2v PLC, Cobham PLC and Costain plc.

Sally Boyle joined the Committee on her appointment on 1 May 2022. Sally spent several years in private practice as an employment law specialist, before joining Goldman Sachs International where she became Head of Human Capital Management for EMEA. She was named Partner in 2010 and worked as the International Head of Human Capital Management, covering EMEA, India and APAC until she retired from Goldman Sachs. Sally was on the Board of Goldman Sachs International and its Management Committee and co-chaired the EMEA Diversity and Inclusion Committee, whilst also sitting on the global Diversity Committee. Sally is also a Non-executive Director of the Royal Air Force.

The Chairman of the Board, Chief Executive and Finance Director attend Committee meetings by invitation, together with the Head of Internal Audit and the Group Financial Controller. The General Counsel & Company Secretary, or his delegate, acts as Secretary to the Committee.

Remit and activities

The Committee met three times during the year, which it deems appropriate to its role and responsibilities. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from those disclosed in previous years and remain in line with the Code's requirements.

The Committee's key responsibilities 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 table below summarises the Committee's key activities 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.

The Committee's terms of reference are available from the Group's website (www.gallifordtry.co.uk).

Calendar of 2021/22 Committee activities and areas of focus

September 2021	• Contract accounting judgments. • Committee review of 2020/21 full-year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process. • Review of draft 2021 annual results statement • Risk, internal audit and whistleblowing reports. • BEIS white paper on corporate reform was considered.
February 2022	• Contract accounting judgments. • Committee review of 2021/22 half-year results, including external auditor presentation and going concern review. • Review of draft half-year 2022 results statement. • Risk, internal audit and whistleblowing reports.
May 2022	• Review and approval of the Internal Audit Plan 2021/22. • Approval of the external audit plan. • Anti-money laundering update. • Risk, internal audit and whistleblowing reports. • Review of Terms of Reference and Non-Audit fee policy. • Updated BEIS white paper on corporate reform was considered.

Financial Reporting Council

During the year the Financial Reporting Council's Corporate Reporting Review Team ("CRRT") carried out a review of the Company's Annual Report for the year ended 30 June 2021. The response by the Company to the request for information was discussed with me in my capacity as Chair of the Audit Committee, prior to responding to the CRRT. Details of the enquiry raised by the CRRT and the Company's response thereto were also considered by the Committee. The CRRT has closed its enquiries and the Company has agreed to enhance disclosures in a small number of areas in response to the review. The Committee is satisfied that the enhancements proposed and agreed with the CRRT have been appropriately incorporated in the 2022 Annual Report.

In June 2022 the FRC concluded its review and published sanctions imposed on PricewaterhouseCoopers LLP in relation to its audit of the Group's financial statements in FY2018 and FY2019. These findings had no direct impact on the Group in preparing its 2022 Annual Report.

During the year the FRC also concluded its review of BDO LLP's audit of the 30 June 2020 Annual Report, performed as part of its normal reporting cycle of reviews of auditors. BDO addressed the matters raised in its planning for the audit of the June 2022 Annual Report.

External audit

The Company's external auditor is BDO LLP. Its appointment followed an audit tender process undertaken in the second half of 2018 and was subsequently approved by shareholders.

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.

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

Internal audit

Each year, the Committee reviews and approves the scope of work of the Internal Audit team, which includes assessing the adequacy of the team's resources.

During the financial year, the Internal Audit team continued to deliver its agreed internal audits annual plan and provided commercial and risk management support across the Group, at the request of the Committee, the Executive Board and senior management. Biannual status reports on commercial health checks, based on a typical sample of 12 contracts from across the business, are reported to the Audit Committee. Projects included in commercial health checks provide a representative mix of business units, project values, current commercial performance and stage of completion.

The Executive Risk Committee reviews the Group's risks and reports to the Executive Board and the plc Board. In addition, the Executive Risk Committee has continued to review the procedures in place to identify emerging risks, as well as its disclosure obligations. 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. This year, the Executive Risk Committee has also reviewed the climate-related risks and opportunities, in support of our TCFD disclosures. 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 43 to 47.

In line with the Code's requirements, the Board reviews an annual assessment of the effectiveness of the Group's risk management and internal control systems prior to approving the full-year results. This review covers all material controls, including financial, operational and compliance controls. In addition, the Head of Internal Audit 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.

Non-audit services

The Group has policies and review mechanisms governing the provision of material non-audit services and safeguarding the objectivity and independence of the external auditor. These 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 (i.e. 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.

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 and from regulatory sources.

Internal control framework

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

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

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

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

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. This emphasises cash flow, income and balance sheet reporting, as well as health, safety and environmental matters within monthly operational reports.

Internal audit: the Internal Audit team develops and delivers an annual programme of internal audits, which includes business unit key control reviews, audits of Group processes and other specific risk areas 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 judgements

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 on 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.

Business combinations: the Committee considered the accounting for, and disclosure of, the acquisition of the water business of nmcn plc (in administration).

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.

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. This specifically included the presentation of the investment in cloud-based commercial and accounting systems, which has been reported as an exceptional cost.

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

Fair, balanced and understandable consideration

The Committee considers that the 2022 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 and that they provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Marisa Cassoni
Audit Committee Chair

Remuneration Committee report

> Reflecting stakeholder interests and the Group's strategy, the Committee has developed key ESG metrics for the annual bonus plan, starting in 2022/23. These measures align with the Group's strategy encompassing order book, employees, carbon, community and supply chain.

Committee Chair's annual statement

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2022. The Remuneration Report is divided into three parts: this Annual Statement; the Directors' Remuneration Policy Report; and an Annual Report on Remuneration, which sets out the application of the Policy during the year ended 30 June 2022.

The background to the Remuneration Report is the Group's delivery of another year of improved operational and financial performance. In line with the rules of the Annual Bonus Plan ("ABP") the Committee has therefore approved payments for the year ended 30 June 2022 at 100% of maximum. For the Long Term Incentive Plan ("LTIP"), the Committee has approved the vesting of awards granted to Executives under the LTIP in March 2020. Based on performance up to the financial year ended 30 June 2022, 89% of the March 2020 LTIP will vest on 13 March 2023, three years after grant. Further details of remuneration, in accordance with the shareholder approved Remuneration Policy, can be found overleaf.

During the year, and in recognition of the increasing importance of ESG factors to the Group and all stakeholders, the Committee oversaw the development of appropriate ESG performance metrics, aligned to the Group's strategy, which will be incorporated into the Executive team's ABP from 1 July 2022.

The Remuneration Committee has continued to apply the recommendations of the UK Corporate Governance Code and decisions relating to remuneration matters are set out in the relevant sections of this report. This report has been prepared in accordance with the relevant provisions of the Companies Act 2006, The Companies (Director's 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

Alison Wood and Sally Boyle joined the Board and Committee on 1 April and 1 May 2022 respectively. Peter Ventress will cease to be a member of the Committee on 21 September 2022, when he will step down from the Board, with Alison assuming the role of Chair of the Board.

Remuneration Policy

The Remuneration Policy (the "Policy") was submitted to shareholders for approval at the 2020 AGM, held in November 2020. The Policy was subject to a binding vote and was approved by 99.66% of shareholders who voted. 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 and structure comprising base salary, pension, benefits, annual bonus and LTIP remains appropriate and no changes are proposed at this time. The Policy is set out in full on pages 88 to 89.

Application of Remuneration Policy in 2022/23

The key elements of how the Policy is being applied are set out below:

Base salaries: The Committee continues to monitor and review pay and conditions across the Group and the external market. Taking into account the rising cost of living and external market conditions, a budget of 4.5% was approved for annual staff salary increases across the Group from 1 April 2022. Bill Hocking and Andrew Duxbury's salaries were increased by 3.5% from 1 April 2022, below the average increase across the workforce.

Annual Bonus Plan ("ABP"): proposals for the Annual Bonus Plan for 2022/23 are based on the 2021/22 performance metrics, which remain relevant to the Group's objectives and are in accordance with the approved Policy, with the addition of ESG metrics as noted overleaf. All bonus awards will be subject to the Committee's discretion, taking into account health and safety performance and the underlying performance of the Group. 2022/23 targets will be disclosed as usual in the 2023 Annual Report.

LTIP: no changes to metrics or structure are proposed for the 2022 awards. The metrics will continue to comprise earnings per share ("EPS") and average cash management.

A summary of the 2021/22 ABP and 2020/23 LTIP outcome can be found in the Annual report on remuneration on pages 89 to 99.

There will be one advisory vote at the AGM in November 2022, on the Directors' Remuneration Report.

Cost of living

Recognising the national cost of living challenge, we looked at how we could support our employees and the Group agreed to make a one-off payment in Autumn 2022 of circa £1.0m, in total, to over 1,800 of its staff.

Committee activities during 2021/22

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

Committee activities during 2021/22	
July 2021	Proposal of performance metrics for LTIP 2021 grant of awards. Update on 2021/22 annual bonus forecast, performance and proposal of 2021/22 annual bonus scheme. Consideration of bonus discretion and Committee guidance. Long Term Bonus Plan (for roles below Executive Board level) 2021 proposal. Finalisation of 2021 Remuneration Policy review. Review of draft 2021 Directors' Remuneration Report.
September 2021	Consideration of 2021 Long Term Incentive and Bonus Plan awards. Review of 2020/21 annual bonus performance to 30 June 2021. Approval of the 2021 Directors' Remuneration Report. Approval of Employee Share Trust purchase programme.
February 2022	2022 salary review (effective 1 April 2022). Proposed ESG metrics for 2022/23 Annual Bonus Plan. Long Term Bonus Plan Interim Award Proposal. Review of Terms of Reference. Employee Share Trust update. Briefing from the HR Director on remuneration and other considerations for the wider workforce.

Terry Miller
Remuneration Committee Chair

Remuneration at a glance

The following is a summary of the Executive Directors' remuneration in 2021/2022 and proposed application of the approved Remuneration Policy ("Policy").

Remuneration Policy and framework

Our approach to remuneration and our Policy are set out on pages 87 to 94 of this report. 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 and permanent health insurance, and life assurance), and contribution to 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 2021/22

The following table summarises the executive directors' remuneration in 2021/22:

Director	Role	Fixed remuneration[1] £000	Variable remuneration[2] £000	Total remuneration £000
Bill Hocking	Chief Executive	502	1,455	1,957
Andrew Duxbury	Finance Director	401	1,107	1,508

1 Comprises base salary, taxable benefits and pension contributions. See page 95 for further information.
2 Comprises annual bonus awarded and LTIP vesting with reference to performance during the financial year. See page 96 for further information.

Variable pay outcomes

Annual Bonus payments for 2021/22

The annual bonus payments made to the Executive Directors are summarised in the table below.

Director	Maximum bonus (% of salary)[1]	Cash £000	Shares £000
Bill Hocking	120%	£337	£214
Andrew Duxbury	100%	£249	£124

1 See page 95 for further information.

LTIP outcomes

Vestings relating to 2021/22 performance

The LTIP awards granted to Bill Hocking and Andrew Duxbury on 13 March 2020 were based on underlying EPS performance over the three years to 30 June 2022. The estimated March 2023 vesting is summarised below:

	Stretch condition (100% vesting)	Actual performance	% Vesting	Value of award vesting[1]
Bill Hocking	16.5p	16.0p	89%	903,827
Andrew Duxbury	16.5p	16.0p	89%	734,409

1 Estimated based on the average share price over the three months to 30 June 2022.

Proposed application of the Policy in 2022/2023

Element	Bill Hocking	Andrew Duxbury
Base salary	£475,000	£386,000
Pension	8%	6%
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, with three quarters based on earnings per share and one quarter on a cash performance metric, based on average month-end cash as a percentage of revenue.	
Performance targets	EPS: The target EPS to be achieved in the final year of the performance period (1 July 2024 to 30 June 2025) is 25.8p. Achieving 23.2p would generate 25% vesting and 28.4p would generate 100% vesting on a straight-line basis. Cash: The target is average month-end cash in the final year of the performance period of 9% of annual turnover. Achieving 8% would generate 25% vesting and 10% would generate 100% vesting on a straight-line basis.	
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax).	
Malus and clawback	Malus and clawback apply 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 environmental, social and governance factors, which help to determine the design of incentive structures to encourage responsible behaviour. Furthermore, recognising that even well-designed incentives cannot cater for all eventualities, should any unforeseen issues arise that would make any payments unjustifiable, the Committee can use its discretion to address such outcomes by scaling back payments. Any use of such discretion would be fully disclosed in the Annual report on remuneration.

The 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 2018 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 2020 AGM.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee has continued to focus on ensuring that 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 will use 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 for 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.

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. 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.
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 discover 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 become 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.

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 discretion 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 scheme for the benefit of all staff) for which executive directors could be eligible on the same terms as other staff. A SAYE invitation was launched in March 2022 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.
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 occasions may need to recognise, for example, changes in responsibility or time commitments. Current fee levels are disclosed on page 99.

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 (e.g. 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.

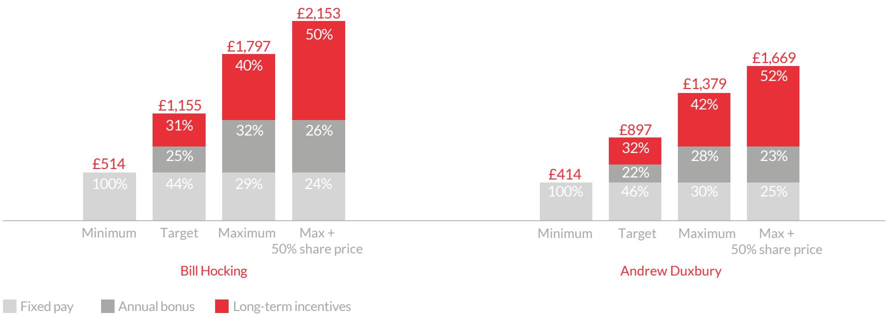
Executive Director remuneration scenarios

The individualised potential Executive reward charts 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 2022 and the value of taxable benefits is estimated based on the cost of supplying those benefits (as disclosed) for the year ended 30 June 2022. 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)



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 below Board employees) or, at the discretion of the Committee, they may be amended to bring them into line with the policy for executive directors.

For a new Non-executive Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2022 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
Alison Wood	1 April 2022	6
Sally Boyle	1 May 2022	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 three years and their appointments are subject to a rolling notice period as stated. All Directors will stand for election or re-election at the 2022 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 Nomination Committee's recommendation, 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 2022 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 Committee's discretion. Depending on 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 Committee's discretion, 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 employment ceased 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

Any additional external appointments can only be undertaken with the Board's written approval and if time and commitments allow. Executive directors require the Board's approval to accept external appointments as non-executive directors and retain any associated fees.

Shareholder consultation

Where appropriate, the Committee will consult relevant institutional shareholders in advance of substantial changes to the Policy or individual executive director remuneration packages. Relevant institutional shareholders were consulted ahead of the introduction of the current Remuneration Policy, which was approved at the 2020 AGM.

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

When setting pay for the executive directors, the Committee considers remuneration structures elsewhere in the Group, including the overall salary increase budget and incentive structures. The Committee also takes into account available market sector data obtained through benchmarking, as well as Government policies and advice from the Executive management team.

The total package on offer remains competitive at all levels of the Group. The comprehensive range of benefits include flexible working arrangements, a minimum of 28 days holiday and the opportunity to purchase further days, as well as a pension plan, a regular SAYE scheme and health insurance plan.

The Board does not consult employees on Executive remuneration but does ensure it understands employee views on matters including rewards and benefits, which are an agenda item for the Employee Forum. The Forum is chaired by Terry Miller, Senior Independent Director and Remuneration Committee Chair, and it also discusses business updates and feedback from Employee Representatives on key topics such as people and engagement initiatives, communication and wellbeing, as well as reward and benefits.

The Employee Forum ensures employees have a voice in the Boardroom, strengthens internal communications, enables employees to offer ideas, champions change and supports good governance. It can also act as a representative body for communicating with employees and obtaining feedback about matters that may affect their employment.

Annual Report on Remuneration

This part of the Directors' Remuneration report sets out how the Policy was implemented over the year ended 30 June 2022. It will be put to an advisory vote at the 2022 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, together with 2021 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	
	2022[3]	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive directors																		
Bill Hocking	**463**	450	**2**	1	**37**	36	**502**	487	**551**	540	**904**	–	**–**	–	**1,455**	540	**1,957**	1,027
Andrew Duxbury	**376**	367	**2**	5	**23**	22	**401**	394	**373**	366	**734**	–	**–**	–	**1,107**	366	**1,508**	760
Non-executive directors																		
Terry Miller	**67**	63	**–**	–	**–**	–	**67**	63	**–**	–	**–**	–	**–**	–	**–**	–	**67**	63
Gavin Slark	**45**	44	**–**	–	**–**	–	**45**	44	**–**	–	**–**	–	**–**	–	**–**	–	**45**	44
Peter Ventress	**206**	202	**1**	1	**–**	–	**207**	203	**–**	–	**–**	–	**–**	–	**–**	–	**207**	203
Marisa Cassoni	**54**	52	**–**	–	**–**	–	**54**	52	**–**	–	**–**	–	**–**	–	**–**	–	**54**	52
Alison Wood	**12**	–	**–**	–	**–**	–	**12**	–	**–**	–	**–**	–	**–**	–	**–**	–	**12**	–
Sally Boyle	**8**	–	**–**	–	**–**	–	**8**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8**	–
Former directors																		
Jeremy Townsend	**–**	13	**–**	–	**–**	–	**–**	13	**–**	–	**–**	–	**–**	–	**–**	–	**–**	13

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

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

3 In line with average salary increase of 4.4% across the workforce, salaries for non-executive directors (excluding the Chairman) increased by 4.5% with effect from 1 April 2022. Bill Hocking and Andrew Duxbury received a salary increase of 3.5% with effect from 1 April 2022.

2022 Annual bonus outcome (audited)

For the financial year ended 30 June 2022, the annual bonus measures, targets, weightings and performance are set out in the table below. Senior management was subject to similar targets, which were applied to their respective business performance.

		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	47.5%	£15.2m (0%)	£16.0m (23.75%)	£18.4m (47.5%)	£19.1m	47.5%
Pre-exceptional half year Group profit before tax	15.0%	£4.5m (0%)	£5.0m (7.5%)	£5.75m (15%)	£7.1m	15%
Group cash management	25.0%	95% of budget (12.5%)	100% of budget (12.5%)	110% of budget (25%)	25.0%	25%
Construction order book	12.5%	83.0% secured (0%)	85.0% secured (6.25%)	87.0% secured (12.5%)	90% secured	12.5%
Total payout (% of maximum bonus)	**100.0%**	**12.5%**	**50.0%**	**100.0%**	**100%**	**100%**

The Group achieved a strong performance against targets set at the start of the financial year. Taking into account the Group's profitability and enhanced dividends to shareholders, the Committee determined that the bonus level produced by the scorecard of 100% is an appropriate reward given the Group's operational and financial 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. In considering bonus awards the Committee took the Group's health and safety performance and ESG initiatives into consideration. The Group achieved an overall Accident Frequency Rate ("AFR") of 0.06 for 2021/22, with eight business units achieving an AFR of zero during the year (AFR for 2020/21: 0.08).

The Committee determined that, in respect of the year to 30 June 2022, the resulting annual bonus awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2021/22 (£000)	Cash (£000)	Shares (£000)
Bill Hocking	60%	120%	551	337	214
Andrew Duxbury	50%	100%	373	249	124

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 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. Recovery provisions apply at any time within the three-year period post-vesting or payment of cash bonuses in circumstances or error, material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

LTIP awards vesting in March 2023 (audited)

The LTIP awards granted to Bill Hocking and Andrew Duxbury on 13 March 2020 were based on underlying EPS performance over the three years to 30 June 2022. In total, 89% of the maximum award will vest as a result of the performance achieved. The Committee was satisfied that this outcome reflected the true performance of the Group and no discretion was applied. The awards will be subject to a two-year post vesting holding period in accordance with the existing Remuneration Policy. More details on each of the performance conditions are set out below.

	Threshold condition (25% vesting)	Stretch condition (100% vesting)	Actual performance	% of award vesting	Value of award vesting[1]	Element of value attributable to share growth[1]
Bill Hocking	13.0p	16.5p	16.0p	89%	903,827	303,827
Andrew Duxbury	13.0p	16.5p	16.0p	89%	734,409	246,267

1 Estimated based on the average share price over the three months to 30 June 2022. Actual value at vesting will be shown in the 2023 Remuneration Report.

Directors' share plan interests (audited)

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

Director	Plan	Grant Date	Share price at grant	Number of awards outstanding at 1 July 2021	Granted	Vested	Lapsed	Number of awards outstanding at 30 June 2022	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
	LTIP	23.09.21	£1.788	–	385,067	–	–	385,067	–	23.09.24
	ABP[3]	23.09.21	£1.7694	–	118,684	–	–	118,684	–	23.09.24
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
	LTIP	23.09.21	£1.788	–	312,919	–	–	312,919	–	23.09.24
	ABP[3]	23.09.21	£1.7694	–	69,015	–	–	69,015	–	23.09.24

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.
3 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 2021 was 176.94 pence.

Awards granted during the year (audited)

On 23 September 2021, 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	23 September 2021	385,067	150% of base salary	£1.788	688,500
Andrew Duxbury	23 September 2021	312,919	150% of base salary	£1.788	559,500

The performance conditions attached to these awards made in September 2021 are as follows:

Date of grant	Performance conditions
September 2021	Vesting of up to 75% of the award is based on underlying EPS. 25% of the element will vest for 15.9p, increasing to 100% vesting on a straight-line basis if 19.5p underlying EPS is achieved during the final year of the three-year performance period (1 July 2023 to 30 June 2024). Vesting of up to 25% of the award is based on average month-end cash as a percentage of annual turnover in the year ending 30 June 2024. 8% would generate 25% of the element 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 Remuneration Policy. Malus and clawback apply at any time within a three-year period post-vesting, in the case of material misstatement, misconduct, reputational damage or corporate failure as a result of poor risk management.

Directors' share interests (audited)

As at 30 June 2022, the Directors held the following beneficial, legal and unvested ABP interests in the Group's ordinary share capital.

Measure	Legally owned[1] 30.6.22	Legally owned[1] 30.6.21	LTIP (unvested)	Deferred bonus awards (unvested)	Total 30.6.22	% of salary held under share ownership guidelines[2]
Executive directors						
Bill Hocking	119,778	119,778	1,813,030	118,684	2,051,492	88%
Andrew Duxbury	24,955	24,955	1,473,217	121,984	1,620,156	66%
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
Alison Wood	–	–	–	–	–	n/a
Sally Boyle	–	–	–	–	–	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.
Alison Wood joined the Board on 1 April 2022 and Sally Boyle joined the Board on 1 May 2022.

There were no changes in the directors' interests from 30 June 2022 to the date of this Annual Report.

Performance graph

The graph shows the total shareholder return ("TSR") for Galliford Try shares over the past 10 financial years. It shows the value to 30 June 2022 of £100 invested in Galliford Try on 30 June 2012, assuming dividends are reinvested in the Company's shares, 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 2022 was £1.70. The high and low during the year were £2.06 and £1.38.

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.

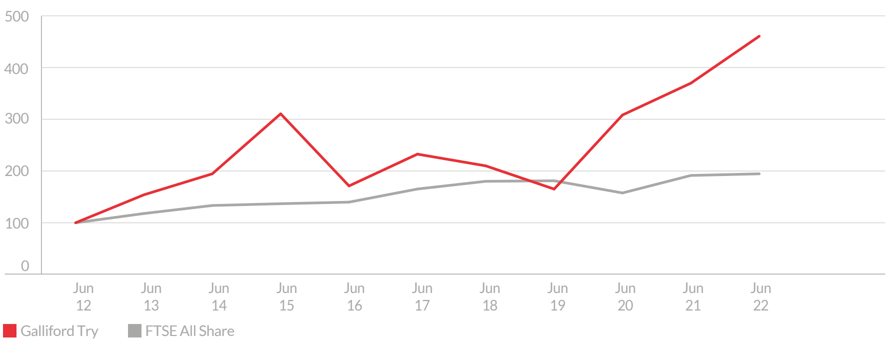
	2013	2014	2015[1]	2016	2016	2017	2018	2019[2]	2020[3]	2021	**2022**
				Chairman	Chief Executive						
Total remuneration (£000)	4,114	3,212	2,811	1,262	1,461	1,043	1,448	824	660	1,027	**1,957**
Annual bonus (% of maximum)	94%	97%	79%	74%	74%	46.3%	86.5%	57.0%	36.7%	100.0%	**100%**
LTIP (% of maximum)	87%	63%	63%	47%	–	16.5%	36.6%	16.5%	–	–	**89%**

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.

Total Shareholder Return
Value (£) (rebased)



Source: Datastream from Refinitiv

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
2021/22	Option B	£1,956,702	Ratio	63:1	36:1	26:1
			Total pay	£31,128	£53,976	£73,920
			Salary	£27,875	£44,720	£62,275

Unlike last year, the CEO figure includes earnings from the Long-Term Incentive Plan (last year, there were no long-term incentives due to vest). Long-term incentives are operated for the most senior Group employees only, namely, those responsible for strategy development and execution. The payouts from such plans are expected to be volatile from cycle to cycle.

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. 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 2021 and 30 June 2022:

	Year ended 30 June					
	2022			2021		
	Salary change[1]	**Benefits change[2]**	**Bonus change**	Salary change[4]	Benefits change	Bonus change[4]
Executive directors						
Bill Hocking	**2.9%**	**203.3%**	**2.0%**	119.5%	(85.5)%	449.8%
Andrew Duxbury	**2.6%**	**(70.0)%**	**1.9 %**	4.9%	(70.9)%	46.5%
Non-executive directors						
Peter Ventress	**1.9%**	**n/a**	**n/a**	5.0%	n/a	n/a
Terry Miller	**7.5%**	**n/a**	**n/a**	15.3%	n/a	n/a
Gavin Slark	**3.0%**	**n/a**	**n/a**	5.0%	n/a	n/a
Marisa Cassoni	**3.0%**	**n/a**	**n/a**	(1.1)%	n/a	n/a
Alison Wood[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Sally Boyle[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Former directors						
Jeremy Townsend	–	–	–	(73.9)%	–	–
P50 median employee	**2.1%**	**(11.1)%**	**40.0%**	**24.2%**	**4.5%**	**50.0%**

1 Salaries for the executive directors were increased by 3.5% with effect from 1 April 2022. Fees for the non-executive directors (excluding the Chairman) were increased by 4.5% with effect from 1 April 2022. Fees for the Chairman remained unchanged.
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 The percentage change is not shown for Alison Wood or Sally Boyle as they were appointed to the Board on 1 April 2022 and 1 May 2022 respectively and there is no prior year remuneration to compare against.
4 Please see page 83 in our 2021 Annual Report for further information.

To allow for comparison, the Committee has elected to compare the total remuneration of the P50 median employee (median) from this year (2021/22) to that used last year. The Committee continues to ensure that the wider total package on offer to employees remains competitive at all levels.

Relative importance of spend on pay

	2020/21	**2021/22**	Change
Total overall spend on pay (£m)	165.3	**213.0**	47.7
Dividends (£m)	5.2	**6.3**	21.2%
Share buyback (£m)	–	–	–
Group corporation tax (charge) (£m)[1]	(1.0)	**(1.7)**	£(0.7)m
Effective tax rate (%)	8.8	**8.9**	0.1 ppts

1 Pre-exceptional total tax.

The equivalent total overall spend on pay in 2021/22 is disclosed in note 5 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £65,500 per annum as at 30 June 2022 (2021: £62,100).

Composition of the Remuneration Committee and attendance

In addition to the Chair, Terry Miller, the other Committee members were Marisa Cassoni, Gavin Slark, Peter Ventress, Alison Wood (from 1 April 2022) and Sally Boyle (from 1 May 2022). 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. The HR Director attends certain meetings at the invitation of the Committee. No director nor the General Counsel & Company Secretary is present when his or her own remuneration is being considered. Attendance at Committee meetings is shown in the table on page 73.

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 obtains advice from independent external consultants, when required. Mercer Limited ("Mercer") was the Committee's remuneration consultant throughout the year. Fees paid to Mercer during the financial year were £16,250 (2021: £26,250).

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 Mercer's independence. 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 2021 full-year results in September 2021, the EST entered into a six-month trading plan with the Company from September 2021 to March 2022. 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 260,000 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 2022, the EST held 3,541,603 ordinary shares in the capital of the Company (3.19%) (2021: 1,721,603 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.

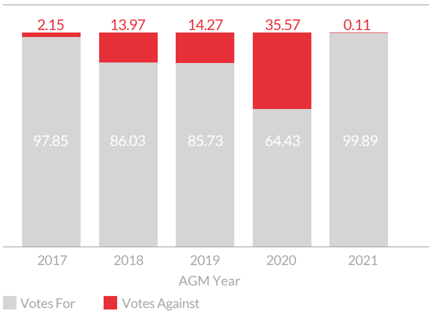
During the financial year, 739 new shares were issued arising from share scheme-related activities under the SAYE share option scheme. As at 30 June 2022, the total number of shares outstanding under the SAYE share option scheme was 2,789,523. The Group has complied with the dilution guidelines of the Investment Association ("Guidelines").

Applying the Guidelines, the Group has 7.49% 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
(%)



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 Committee and Board are grateful to shareholders for the strong support provided.

The current Policy was approved by 99.89% of shareholders who voted at the 2020 AGM.

Forward-looking implementation of Policy

Base salaries

The 2022/23 salary review was completed in April 2022. The Committee carefully scrutinised pay and conditions across the Group. Taking into account market conditions, peer group comparisons and the Group's overall performance, the overall pay budget increased by 4.5%. With effect from 1 April 2022, Bill Hocking's annual salary increased from £459,000 to £475,000, an increase of 3.5%. With effect from 1 April 2022, Andrew Duxbury was also awarded an annual salary increase of 3.5%, taking his annual salary from £373,000 to £386,000. These increases were below the average pay increase across the workforce.

ABP

For the financial year to 30 June 2023, 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 health and safety and the underlying performance of the Group. The Committee intends to introduce ESG annual bonus measures in 2022/23 aligned to the Group's strategy on ESG, with an ESG target in total of 12%. The ESG measures will comprise order book, employees, carbon, community and supply chain.

LTIP

Any award granted to the executive directors in 2022 will be within the current approved Remuneration Policy and based on performance metrics, with 75% based on earnings per share and 25% on average month-end cash as a percentage of revenue.

Performance measures applied over a three-year performance period to 30 June 2025 are:

- 25% of the EPS element will vest if underlying EPS is 13.0p, increasing to 100% vesting on a straight-line basis if 16.5p 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.

Awards will vest on a straight-line basis between the above threshold and maximum vesting levels.

Chairman and Non-executive fees

The Committee determined that the Chairman's fee for 2022 would be unchanged. In addition, and following a review of the NEDs' fees by the Board, it was agreed that the NEDs' fees would increase by 4.5% from 1 April 2022.

Accordingly, the annual fees effective from 1 April 2022 are as follows:

	2022	2021	Increase %
Chairman[1,2]	**£206,128**	£206,128	0%
Non-executive directors			
Base fee	**£46,701**	£44,690	4.5%
Additional fees:			
Senior Independent Director	**£4,660**	£4,459	4.5%
Chairs of Board Committees	**£8,783**	£8,405	4.5%
Chair of Employee Forum and Stakeholder Steering Committee	**£8,783**	£8,405	4.5%

1 Peter Ventress received no benefits in connection with his position as Chairman, other than membership of the Group's medical insurance plan.
2 Alison Wood will become the new Chair on 21 September 2022 after Peter Ventress has stepped down. At that point the Chair's basic fee will be £175,000.

For and on behalf of the Board

Terry Miller
Remuneration Committee Chair

21 September 2022

The directors present their Annual Report and audited financial statements for the Group for the financial year ended 30 June 2022.

Principal activities

Galliford Try is a trading name of Galliford Try Holdings plc, a leading UK construction group which has a premium listing and whose shares are traded on the Main Market of the London Stock Exchange. The Group operates as Galliford Try and Morrison Construction, and 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 is provided on pages 2 to 64. The Group's principal subsidiaries and joint ventures are shown in note 33 to the financial statements.

Strategic report

The Strategic report can be found on pages 1 to 65. It contains an indication of the directors' view on likely future developments in the Group's business. In addition, and in accordance with the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, the Strategic report contains information on employees, social and environmental matters, human rights and anti-corruption and anti-bribery matters, 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 contains a section 172 (1) statement describing how 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 62 to 63.

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

Corporate governance report

The Corporate governance report on pages 76 to 78 is the corporate governance statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

Results, dividends and capital

The pre-exceptional profit for the year before income tax was £19.1m, as shown in the consolidated income statement on page 110. On 3 March 2022, the Board declared an interim dividend of 2.2p per share, which was paid to shareholders on 8 April 2022. The Board has proposed a final dividend of 5.8p per share. Subject to approval by shareholders, this will be paid on 9 December 2022 to shareholders on the register at 11 November 2022, resulting in a total dividend in 2022 of 8.0p per share. Dividend cover is expected to be 2.0 times earnings.

On 21 September 2022, we announced an initial share buyback programme to repurchase up to £15m of ordinary shares.

Please refer to page 56 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, with a nominal value of 50p. The ordinary shares rank pari passu in respect of voting and participation and are traded on the Main Market of the London Stock Exchange.

At 30 June 2022, the Company had 111,054,228 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 Company's Articles of Association (the "Articles") set a deadline for submitting 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 holding the general meeting or the adjourned meeting (as the case may be).

The directors are authorised at the AGM each year 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 in November 2022. Resolutions to be proposed at the AGM will renew these authorities, which are explained in the Notice of 2022 AGM sent separately to shareholders. On 12 May 2022, the Company issued 739 shares following the exercise of options under the Company's 2021 Sharesave Scheme. No further shares were issued or purchased by the Company during the financial year or to the date of this Annual Report.

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

There are no shares carrying specific rights relating to control of the Company. The EST holds shares in the Company in connection with Group share plans which have rights relating to control of the Company that are not exercisable directly by the employee. The EST abstains from voting in respect of these shares. The EST currently holds 3.19% 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 pursuant to a resolution passed on 5 November 2019, set out the Company's internal regulations and define various aspects of its constitution, including the rights of shareholders, procedures for appointing and removing directors, and the conduct of directors and general meetings.

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

Significant direct and indirect holdings

As at 30 June 2022, being the date of this Annual Report, the Group had been made aware 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	12.14
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
Dimensional Fund Advisors LP	5,552,697	4.97
Ameriprise Financial Inc.	5,496,847	4.95
Brewin Dolphin Ltd	5,169,266	4.66

Between 30 June 2022 and 21 September 2022, no further notifications were received under Rule 5 of the Disclosure and Transparency Rules.

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 performance conditions and Remuneration Committee approval. 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 ventures 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 2022 are on pages 68 to 69. The director's interests in the Company's share capital are set out on page 97 and details of executive directors' service contracts and non-executive directors' letters of appointment can be found on page 94.

The Group operates a formal procedure for disclosing, reviewing and authorising directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, the Board reviews and authorises conflicts of interest, as necessary, on an annual basis.

The Group maintained 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 this Annual Report.

Employees

The Group is committed to best-practice employment policies, which promote 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 and is motivated to give their best.

The Group gives full and fair consideration to applications for employment from disabled persons, taking into account their aptitudes and abilities. The Group has signed up to the Government's Disability Confident scheme. 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 (see page 67), as well as 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 Strategic report on pages 2 to 65 and the Remuneration Policy and Report on pages 90-99.

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 which 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.

The Group's policy is to avoid making political donations of any nature and 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 greenhouse gas emissions for the financial year can be found on page 29 and are included by reference in this report.

Creditor payment policy

The Group's policy is to agree payment terms contractually with suppliers and sub-contractors, 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 55 and in note 23 to the financial statements.

Important developments during the year

In October 2021, the Group acquired the water business of nmcn plc (in administration).

Post Balance Sheet Events

On 8 July 2022, the Group acquired MCS Controls Systems Limited, a leading systems integrator to the industrial and utilities sectors, for a consideration of £1. For more details see Note 31 to the financial statements.

Going concern

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in 2014, the requirements of the 2018 UK Corporate Governance Code (2018 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. As a result, the Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, accordingly, is able to adopt 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.

AGM

The 2022 AGM will be held at Peel Hunt LLP, 7th floor, 100 Liverpool Street, London, EC2M 2AT on Friday 11 November 2022 at 11.30am. 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 2018 Code and as further described on page 103, 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, and the Corporate Governance report and Directors' Remuneration report were approved by the Board of Directors on 21 September 2022.

For and on behalf of the Board

Kevin Corbett
General Counsel & Company Secretary

21 September 2022

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with UK adopted International accounting standards. 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and 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 pages 68 and 69, confirms that to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
- the Group financial statements, which have been prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report contained on pages 1 to 61 includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

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

- so far as the director is aware, there is no relevant audit information of which the Group and 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

21 September 2022

Forward-looking statements

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

Independent auditor's report

to the members of Galliford Try 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

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 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, balance sheets, consolidated and company statement 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 UK adopted international accounting standards 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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 4 November 2019 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ending 30 June 2020 to 30 June 2022. 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 and impact of materials and labour price inflation.
- We assessed the actual cash performance against forecasts for the current financial year and post year end to evaluate the Directors' accuracy and achievability of the forecasts prepared.
- 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

		2022	2021
Coverage	94% (2021: 92%) of Group profit before tax		
	99% (2021: 97%) of Group revenue		
	92% (2021: 99%) of Group total assets		
Key audit matters	Revenue and profit recognition for construction contracts	✓	✓
	Recognition and recoverability of claims and variations	✓	✓
	Accounting for acquisition of NMCN	✓	
Materiality	*Group financial statements as a whole*		
	£1.9m (2021: £1.5m) based on 0.15% (2019: 0.14%) of revenue.		

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. For insignificant components, we carried out specified audit procedures. All components are located in the UK and were audited by the Group audit team.

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.

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue and profit recognition for construction contracts</td></tr>
<tr><td>
Note 1 on page 116 to the financial statements gives further detail regarding the estimates and judgments made by the Group in this regard. Note 1 on page 117 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 risk as the stage of completion, forecast revenue and forecast costs on contracts are areas of significant judgment.
These judgments have a consequential impact on a number of contract balances, including trade receivables, contract assets, trade payables, accruals and contract liabilities within the financial statements including the related judgments and estimates disclosures. There is also a risk that the accounting policies are not in accordance with – IFRS 15 Revenue from contracts with customers ('IFRS 15').
Having considered the above we determined that contract revenue and other related contract balances have an inherent high degree of estimation uncertainty with a range of possible outcomes and hence we have treated these areas as a KAM.
</td><td>
We obtained an understanding of and evaluated management's processes and controls for ensuring contracts meet the requirements of IFRS 15.
We have tested the operating effectiveness of the following controls:

Review and approval of tender submissions and contracts.
Approval of new suppliers within the system and restrictions in place to amend supplier details.
Prevention of procurement fraud and automated approval process for purchase orders.

We focused our work on those contracts with the greatest estimation uncertainty, based on the information included in the contract schedule (eg significant movement from tender/prior year or large unagreed variations or claims) 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 by obtaining the initial contract with the customer and holding discussions with commercial teams and management.
Agreeing forecast revenue to contractual agreements, supplemental agreements and agreed variations. The procedures to test the judgments in forecast revenue are included in the key audit matter on recognition and recovery of claims and variations.
Reconciling revenue recognised with amounts applied for and amounts certified by clients, agreeing the amounts received to bank. Where the balance has not been received into bank, we have considered recoverability of the balance by reviewing correspondence with the customer.
Re-performing the key calculations behind the margin applied, the profit taken and the stage of completion, as well contract assets and liabilities.
Testing a sample of accrued costs to the year-end subcontractor application.
Corroborated a sample of forecast costs for significant subcontractor packages to documentary evidence and where the subcontractor projected final accounts significantly differed from the amount included in the contract forecast we Challenged management and obtained supporting evidence as applicable.
Performed a review of forecast costs by type included within the CVR and performed a flux analysis for the stage of completion of each cost type to determine where costs are progressing in line with the overall stage of completion. We challenged management where costs were not in line with our expectations and obtained supporting documentation as applicable.
Remained alert for any contradictory evidence or indicators of understatement of forecast costs while carrying out testing, including site visits, cost testing and payments testing.
Performed a stand back review on the key judgments and estimates on each contract to ensure that sufficient assurance has been obtained and that we have sufficient coverage over the costs to complete.
Challenged commercial Directors on variances between the stage of completion (internal) with external certified completion, judgments made in determining forecast costs and the remaining contingency on a project for the possibility of a material misstatement.
Compared the percentage 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.
Assessed the recoverability of balance sheet items by comparing to the post year end external certification of the value of work performed, and the receipt of post year end funds.
Held 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 2022. We obtained corroborating evidence for the explanations provided.
Where appropriate, reviewed legal correspondence and expert advice obtained in respect of the judgments and where necessary spoke directly with management's experts who had provided this advice.

We carried out targeted testing on the remaining contracts 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 2021 to 30 June 2022 for projects that are substantially completed at the year-end as well as from tender to the 30 June 2022 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.
</td></tr>
</table>

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 116 to the financial statements gives further detail regarding the estimates and judgments made by the Group in this regard. Note 1 on page 117 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 also 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 – Provisions, Contingent Liabilities and Contingent Assets. These assumptions impact revenue recognised on these contracts, as well as contracts assets balances and hence is considered to be a key audit matter.	We challenged management's assessment of forecast revenue, 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'. In respect of the three contracts with entities owned by a major infrastructure fund, we have obtained the adjudication findings and discussed the results and implications with the Group's in house counsel and external legal advisors. We have also reviewed evidence of the recovery on instructed variations previously agreed on those contracts. We reviewed 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 considered the adequacy of provisions held and challenged movements since the prior year based on our understanding of the contracts, meetings with in-house counsel and review of key project correspondence. 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 in order to understand the progress on any ongoing legal claims/disputes. 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. In relation to other claims 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. In relation to other claims 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 judgements and associated disclosures made by management in respect of revenue recognition and downstream claims are reasonable.

Key audit matter	How the scope of our audit addressed the key audit matter
Accounting for the acquisition of nmcn	
Note 30 on page 141 to the financial statements gives further detail regarding the acquisition of the water business from nmcn plc. Note 1 on page 116 to the financial statements describes managements significant judgments. In the current period, the Group acquired certain contracts that are part of the water business of nmcn, in addition to the company Lintott Environmental Technologies Limited. Management has accounted for this as a business combination under IFRS 3. Significant judgment is exercised in the measurement of the fair value of the assets and liabilities acquired, the associated goodwill, and the disclosure of exceptional items in the consolidated income statement, as a result of the business combination and is therefore considered a KAM.	We have reviewed managements paper outlining the significant judgments/estimates involved in accounting for the acquisition. We have considered the fair value of the assets and liabilities acquired based on the review performed by external experts engaged by management and calculations prepared by management. We have corroborated schedules prepared by management to underlying supporting documentation and have also tested the underlying models/schedules provided by management's external experts as the basis of their valuation. We have obtained managements analysis of the consideration of the acquisition and have agreed this to the Share Purchase Agreement. We have reviewed the goodwill calculation provided by management, which is underpinned by the valuation performed by management's external experts and calculations of favourable and unfavourable contracts. We have also used our internal valuation experts to review the models that were prepared by management's external experts. We have reviewed the forecasts that underpin the management's external experts' model and have agreed a sample of contracts to supporting documentation. We have agreed the total exceptional costs to underlying supporting schedules. These schedules have been agreed to supporting documentation, including challenge of the basis of movement for the employees from productive to unproductive. We have also challenged management on the presentation of the items as exceptional items and the associated disclosures. Key observations: We consider that the estimates and judgments and associated disclosures made by management in respect of the acquisition of nmcn are reasonable.

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Materiality	1.9	1.5	1.8	1.4
Basis for determining materiality	0.15% of revenue	0.14% of revenue	95% of Group materiality	95% of Group materiality
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 as the basis of materiality. We adjusted this basis in the prior and current year due to previous losses incurred by the continuing businesses. 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 0.15% (2021: 0.14%) of Group revenue.		Materiality for the Parent company was capped at 85% of Group materiality.	
Performance materiality	1.2	0.9	1.1	0.9
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 of the Group and Parent company should be 65% of materiality.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 5% and 95% (2021: 5% and 95%) 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 £1.8m (2021: £0.1m to £1.35m). In the audit of each component, we further applied performance materiality levels of 65% (2021: 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 £38,000 (2021: £30,000). 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 and Financial Statements 2022 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 Code 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 101 and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 54.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 102; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 43; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and • The section describing the work of the Audit Committee set out on page 84.

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.

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 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 as to whether there was any known or suspected non-compliance with laws and regulations or fraud. We tested operating effectiveness of controls around procurement and tendering process.

We 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
21 September 2022

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 2022

	Notes	2022 Pre-Exceptional items £m	2022 Exceptional items (note 4) £m	2022 Total £m	2021 Total £m
Revenue	3	**1,237.2**	**–**	**1,237.2**	1,124.8
Cost of sales		**(1,151.5)**	**(5.8)**	**(1,157.3)**	(1,049.7)
Gross profit/(loss)		**85.7**	**(5.8)**	**79.9**	75.1
Administrative expenses		**(69.9)**	**(7.9)**	**(77.8)**	(67.1)
Operating profit/(loss)		**15.8**	**(13.7)**	**2.1**	8.0
Share of post tax profits from joint ventures		**0.4**	**–**	**0.4**	0.5
Finance income	6	**4.3**	**–**	**4.3**	4.1
Finance costs	6	**(1.4)**	**–**	**(1.4)**	(1.2)
Profit/(loss) before income tax	7	**19.1**	**(13.7)**	**5.4**	11.4
Income tax (expense)/credit	8	**(1.7)**	**2.6**	**0.9**	(1.0)
Profit/(loss) from continuing operations for the year		**17.4**	**(11.1)**	**6.3**	10.4
Loss from discontinued operations, net of income tax for the year	34	**–**	**–**	**–**	(2.7)
Profit/(loss) for the year		**17.4**	**(11.1)**	**6.3**	7.7
Earnings per share					
Basic					
— Profit from continuing operations attributable to ordinary shareholders	10	**16.0**		**5.8**	9.5p
— Profit attributable to ordinary shareholders	10	**16.0**		**5.8**	7.0p
Diluted					
— Profit from continuing operations attributable to ordinary shareholders	10	**15.0**		**5.5**	9.1p
— Profit attributable to ordinary shareholders	10	**15.0**		**5.5**	6.8p

There were no exceptional items in the prior year.

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

Consolidated statement of comprehensive income

for the year ended 30 June 2022

	Notes	2022 £m	2021 £m
Profit for the year		**6.3**	7.7
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of PPP and other investments – continuing operations	16	(0.9)	7.3
Total items that may be reclassified subsequently to profit or loss		(0.9)	7.3
Other comprehensive (expense)/income for the year net of tax		(0.9)	7.3
Total comprehensive income for the year		**5.4**	15.0

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

Balance sheets

	Notes	Group		Company	
		30 June 2022 £m	30 June 2021 (restated – note 35 £m	30 June 2022 £m	30 June 2021 £m
Assets					
Non-current assets					
Intangible assets	11	**8.8**	5.7	**–**	–
Goodwill	12	**88.2**	77.2	**–**	–
Property, plant and equipment	13	**7.1**	4.4	**–**	–
Right-of-use assets	14	**24.5**	19.5	**–**	–
Investments in subsidiaries	15	**–**	–	**188.0**	173.9
Investments in joint ventures		**0.3**	0.2	**–**	–
PPP and other investments	16	**47.5**	49.1	**–**	–
Deferred income tax assets	22	**14.0**	14.3	**–**	–
Total non-current assets		**190.4**	170.4	**188.0**	173.9
Current assets					
Trade and other receivables	17	**243.0**	241.4	**–**	–
Current income tax assets		**3.1**	4.3	**–**	–
Cash and cash equivalents	18	**218.9**	216.2	**109.4**	100.7
Total current assets		**465.0**	461.9	**109.4**	100.7
Total assets		**655.4**	632.3	**297.4**	274.6
Liabilities					
Current liabilities					
Trade and other payables	19	**(471.1)**	(454.0)	**–**	–
Lease liabilities	14	**(9.9)**	(7.3)	**–**	–
Provisions for other liabilities and charges	20	**(27.4)**	(25.0)		
Total current liabilities		**(508.4)**	(486.3)	**–**	–
Non-current liabilities					
Lease liabilities	14	**(14.9)**	(11.9)	**–**	–
Total non-current liabilities		**(14.9)**	(11.9)	**–**	–
Total liabilities		**(523.3)**	(498.2)	**–**	–
Net assets		**132.1**	134.1	**297.4**	274.6
Equity					
Ordinary shares	24	**55.5**	55.5	**55.5**	55.5
Other reserves	26	**132.2**	118.4	**132.2**	118.4
Retained earnings	26	**(55.6)**	(39.8)	**109.7**	100.7
Total equity attributable to owners of the Company		**132.1**	134.1	**297.4**	274.6

The profit for the Parent Company for the year was £28.8m (2021: profit of £34.7m).

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

The financial statements on pages 110 to 149 were approved and authorised for issue by the Board on 21 September 2022 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 2022

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
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	26	–	–	32.7	(32.7)	–
At 30 June 2021		55.5	–	118.4	(39.8)	134.1
Profit for the year		–	–	–	6.3	6.3
Other comprehensive income		–	–	–	(0.9)	(0.9)
Total comprehensive income for the year		–	–	–	5.4	5.4
Transactions with owners:						
Dividends	9	–	–	–	(6.3)	(6.3)
Purchase of shares		–	–	–	(3.4)	(3.4)
Share-based payments		–	–	–	2.3	2.3
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	26	–	–	13.8	(13.8)	–
At 30 June 2022		55.5	–	132.2	(55.6)	132.1
Company statement						
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	26	–	–	32.7	(32.7)	–
At 30 June 2021		55.5	–	118.4	100.7	274.6
Profit for the year		–	–	–	28.8	28.8
Total comprehensive expense		–	–	–	28.8	28.8
Transactions with owners:						
Dividends	9	–	–	–	(6.3)	(6.3)
Share-based payments		–	–	–	0.3	0.3
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	26	–	–	13.8	(13.8)	–
At 30 June 2022		55.5	–	132.2	109.7	297.4

Statements of cash flows

for the year ended 30 June 2022

	Notes	Group 2022 £m	Group 2021 (restated – note 35 £m	Company 2022 £m	Company 2021 £m
Cash flows from operating activities					
Profit for the year		6.3	7.7	28.8	34.7
Adjustments for:					
Loss for the year from discontinued operations	34	–	2.7	–	–
Income tax (credit)/expense – continuing operations	8	(0.9)	1.0	–	–
Net finance income – continuing operations	6	(2.9)	(2.9)	–	–
Profit before finance costs for continuing operations		2.5	8.5	28.8	34.7
Adjustments for continuing operations:					
Depreciation and amortisation	11, 13 & 14	14.5	13.3	–	–
Reversal of impairment of investment in subsidiary undertaking	15	–	–	(13.8)	(32.7)
Dividends received from subsidiary undertakings		–	–	(15.0)	(2.0)
Share-based payments		2.3	1.0	–	–
Share of post-tax (profits)/losses from joint ventures		(0.4)	(0.5)	–	–
Net cash generated from operations before changes in working capital		18.9	22.3	–	–
Decrease in trade and other receivables		1.2	15.8	–	–
Increase in trade and other payables		6.7	11.3	–	–
(Decrease)/increase in provisions	20	(11.3)	9.4		
Net cash generated from operations		15.5	58.8	–	–
Interest received		4.3	4.1	–	–
Interest paid		(1.4)	(1.2)	–	–
Net surplus returned on wind up of defined benefit pension scheme		–	1.0	–	–
Income tax received		4.4	4.5	–	–
Net cash generated from operating activities from continuing operations		22.8	67.2	–	–
Net cash used in operating activities from discontinued operations		–	(3.6)	–	–
Net cash generated from operating activities		22.8	63.6	–	–
Cash flows from investing activities					
Dividends received from joint ventures and associates		0.3	0.5	–	–
Increase in amounts due from joint ventures		–	(5.2)	–	–
Decrease in amounts due from joint ventures		5.0	–		
Acquisition of PPP and other investments	16	–	(1.9)	–	–
Proceeds from disposal of PPP and other investments and loan repayments	16	0.7	0.7	–	–
Acquisition of business combinations, net of cash acquired	30	(0.3)	–	–	–
Dividends received from subsidiary undertakings		–	–	15.0	2.0
Proceeds from disposal of property, plant and equipment	13	0.1	–	–	–
Acquisition of property, plant and equipment	13	(5.0)	(2.1)	–	–
Net cash generated from/(used in) investing activities from continuing operations		0.8	(8.0)	15.0	2.0
Net cash (used in) from investing activities from discontinued operations		–	(23.7)	–	–
Net cash generated from/(used in) investing activities		0.8	(31.7)	15.0	2.0
Cash flows from financing activities					
Repayment of lease liabilities	14	(11.2)	(10.5)	–	–
Purchase of own shares		(3.4)	(1.1)	–	–
Dividends paid to Company shareholders	9	(6.3)	(1.3)	(6.3)	(1.3)
Net cash used in financing activities from continuing operations		(20.9)	(12.9)	(6.3)	(1.3)
Net cash used in financing activities from discontinued operations		–	–	–	–
Net cash used in financing activities		(20.9)	(12.9)	(6.3)	(1.3)
Net increase in cash and cash equivalents		2.7	19.0	8.7	0.7
Cash and cash equivalents at 1 July	18	216.2	197.2	100.7	100.0
Cash and cash equivalents at 30 June	18	218.9	216.2	109.4	100.7

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 the UK, and registered under the laws of 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.

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

For the year to 30 June 2022, the Group consolidated financial statements and the Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, following the UK's exit from the European Union on 31 January 2020, and ending of the transition period on 31 December 2020. There was no impact or changes in accounting policies from the transition, which reflects a change in accounting framework.

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 54) and the Strategic Report (from page 1).

As at 30 June 2022, 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.

The Group's forecasts have been prepared in the context of the current economic conditions and additionally, the directors have considered a range of downside sensitivities (as discussed in detail in the Viability Statement on page 54). 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 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions Extension of the practical expedient
- Amendment to IFRS 4 – deferral of IFRS 9

These standards have been assessed to have no significant impact on the Group 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:

- Narrow scope amendments to IFRS 3, IAS 16, IAS 37
- Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- IFRS 17 'Insurance Contracts', including amendments
- Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

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.

The acquisition method of accounting is used to account for the acquisition of a business 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. If the fair value of the Group's share of the identifiable net assets is in excess of the cost of the acquisition, the gain on bargain purchase is recognised as a credit through the income statement.

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.

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.

1 Accounting policies (continued)

Critical accounting estimates and judgments (continued)

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.

Contract modifications are recognised when the Group considers they have been approved (which also includes consideration of whether enforceable rights exist in the contract). The estimation of final contract value includes the assessment of the recovery of variations, claims and compensation events (contract modifications). The estimate made is constrained in accordance with IFRS 15 so that it is highly probable not to result in a significant reversal of revenue in the future. Where the change in scope results to an increase to the work to be performed that is distinct and reflects the stand-alone selling price of the distinct good/service, it is treated as a separate contract. This is assessed on a contract specific basis.

The Group recognises recoveries of claims from clients as revenue where clear entitlement has been established, such as through dispute-resolution processes. This includes the recovery of costs (such as delays to the contract programme) to the extent it is highly probable not to result in a significant reversal of revenue in the future.

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 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.

As at 30 June 2022, the Group's contract assets, contract liabilities and contract provisions amounted to £173.4m, £104.4m and £27.4m respectively as set out in Notes 17, 19 and 20. The Group has considered the nature of the estimates involved in deriving these balances and concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different from the Group's assumptions applied as at 30 June 2022 and could require a material adjustment to the carrying amounts of these assets and liabilities in the next financial year. However, due to the level of uncertainty, combination of cost and income variables and timing across the Group's large portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

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).

	£m
Overall contract value (including total estimated end of contract variations and claims after IFRS 15 constraints)	569.5
Revenue in the year	101.9
Total estimated end of contract variations and claims before IFRS 15 constraints	136.0
Total estimated end of contract variations after IFRS 15 constraints	65.4

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 £5.9m.

These items include estimation uncertainty, with a range of reasonably possible outcome of £nil to £136.0m.

In respect of contract assets of £173.4m (30 June 2021 (restated, see note 35):£156.0m) and in assessing receivable provisions calculated on an expected loss basis, the Group has recorded a provision of £14.0m (2021: £14.0m). The directors' estimate represents a reasonably possible outcome within an estimated reasonable range of outcomes of nil to £nil to £24m (2021: nil to £24m).

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 £173.4m 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 56 and note 17.

(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 22).

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 2022, £47.5m (2021: £49.1m) 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 equate to an overall blended discount rate of 7.0% (2021: 7.0%), which reflects the rates typically experienced in the marketplace. 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 £4.0m (2021: £4.3m) (note 16).

1 Accounting policies (continued)

Critical accounting estimates and judgments (continued)

(vi) Impairment of investments in subsidiaries (judgment and estimate)

During the prior years, 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. The Company has subsequently recognised a reversal in the impairment. Further details of this impairment are included in note 15.

(vii) Business combinations (judgment and estimate)

The acquisition of the nmcn Water Business during the year, represented a material business combination. This required the application of both estimates and judgments to be made by management in determining the allocation of the purchase price against the identifiable assets and liabilities and any residual goodwill.

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 (contract modifications) 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.

Government funding

Grants (including research and development expenditure credits) 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.

1 Accounting policies (continued)

Income tax (continued)

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.

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. We recognise tax on the movements in other comprehensive income, where we expect the recycling to attract a tax charge/credit to 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. Management has reviewed the classification of PPP investments and considers that the business model continues to be hold to collect and sell. 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.

1 Accounting policies (continued)

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 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 included in the Group financial Statements as a deduction from retained earnings. The charge made to the income statement for employee share awards and options is based on the fair value of the award at the date of grant, spread over the performance period. Where such shares subsequently vest to the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in equity.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Equity instruments

Equity instruments, such as ordinary share capital, issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Consideration paid for shares in the Company held by the Trust are deducted from total equity.

Investments in subsidiaries

The Company's investments in subsidiaries are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment annually.

2 Segmental reporting

Segmental reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segment reporting is not required by geographical region.

The Chief Operating Decision-Makers (CODM) have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments of the 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 2022	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	789.1	441.9	6.2	–	1,237.2
Pre-exceptional operating profit/(loss) before amortisation of intangible assets	18.9	10.8	(0.9)	(10.3)	18.5
Share of post tax profits from joint ventures	–	–	0.4	–	0.4
Finance income	–	–	3.9	0.4	4.3
Finance costs	(0.3)	(0.7)	–	(0.4)	(1.4)
Pre-exceptional profit/(loss) before amortisation and taxation	18.6	10.1	3.4	(10.3)	21.8
Exceptional items	–	(7.7)	–	(6.0)	(13.7)
Amortisation of intangible assets	(1.0)	(0.7)	–	(1.0)	(2.7)
Profit/(loss) before taxation	17.6	1.7	3.4	(17.3)	5.4
Income tax credit					0.9
Profit for the year					6.3

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 (loss)/profit before amortisation and taxation	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/(loss) before taxation	14.6	5.5	2.6	(11.3)	11.4
Income tax expense					(1.0)
Profit for the year					10.4

Inter-segment revenue is eliminated from revenue above. In the year to 30 June 2022, this amounted to £38.8m (2021: £39.4m) for continuing operations, of which £nil (2021: £nil) was in Building, £21.7m (2021: £24.7m) was in Infrastructure and £17.1m (2021: £14.7m) was in central costs.

2 Segmental reporting (continued)

Balance sheet

30 June 2022	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		42.0	53.3	–	1.7	97.0
Working capital employed		(92.8)	(139.5)	41.9	6.6	(183.8)
Net cash	18	154.9	(1.4)	(9.6)	75.0	218.9
Net assets		104.1	(87.6)	32.3	83.3	132.1
Total Group liabilities						(523.3)
Total Group assets						655.4

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	18	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 (restated – note 35)						(498.2)
Total Group assets (restated – note 35)						632.3

Other segmental information

Year ended 30 June 2022	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Investment in joint ventures		–	–	0.3	–	0.3
Contracting revenue		789.1	441.9	–	–	1,231.0
Capital expenditure – property, plant and equipment	13	0.9	3.8	–	0.4	5.1
Total depreciation	13 & 14	4.5	5.8	0.1	1.4	11.8
Share-based payments	25	0.6	0.1	0.3	1.3	2.3
Acquisition of intangible assets[1]	30	–	5.8	–	–	5.8
Amortisation of intangible assets	11	1.0	0.7	–	1.0	2.7

1 Acquired as part of the business combination note 30.

Year ended 30 June 2021	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Investment in joint ventures		–	–	0.2	–	0.2
Contracting revenue		789.2	329.2	–	–	1,118.4
Capital expenditure – property, plant and equipment	13	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	17	–	–	–	(1.5)	(1.5)
Share-based payments	25	0.2	0.1	0.1	0.6	1.0
Amortisation of intangible assets	11	1.0	–	–	1.1	2.1

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 around 5% of the total Building segment turnover.

(ii) Investments segment

Our Investments business specialises in managing construction through to operations for major building projects through public private partnerships and co-development opportunities. The business leads bid consortia and arranges finance, as well as making debt and equity investments (which are recycled).

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.

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 2022	2023 £m	2024 £m	2025 onwards £m	Total £m
Building	526.4	111.6	33.2	671.2
Infrastructure	295.2	134.5	142.4	572.1
Total Construction	821.6	246.1	175.6	1,243.3
PPP Investments	2.8	2.7	25.7	31.2
Total transaction price allocated to performance obligations yet to be satisfied	824.4	248.8	201.3	1,274.5

3 Revenue (continued)

Disaggregation of revenue (continued)

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

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

	2022 £m	2021 £m
Acquisition and integration related costs[1] – cost of sales	5.8	–
Acquisition and integration related costs[1] – administrative expenses	1.9	–
Implementation costs of cloud based arrangements[2] – administrative expenses	6.0	–
Total	13.7	–

There were no exceptional items in the prior year. The items in respect of the current year are as follows:

1 The Group acquired the Water business of nmcn plc (in administration) on 7 October 2021 and incurred acquisition and integration related costs of £7.7m. This is predominantly made up of legal and professional fees, integration and restructuring costs recognised in administrative expenses, and specific staff costs incurred during the period of site closures following nmcn plc entering administration that are recognised in cost of sales.

2 The Group incurred £6.0m of customisation and configuration costs associated with the move to Oracle Fusion, a cloud-based computing arrangement, during the period. Taking into account the IFRIC Agenda Decision issued by the IFRS IC in March 2021, the Group has analysed the costs and concluded that these costs should be expensed in the period. In accordance with the Group's existing accounting policy, management considers that the costs should be separately disclosed as exceptional because they are significant and irregular.

An associated tax credit of £2.6m has been recognised.

5 Employees and directors

Employee benefit expense during the year

		Group		Company	
	Notes	2022 £m	2021 £m	2022 £m	2021 £m
Wages and salaries		171.5	133.5	–	–
Social security costs		21.3	15.0	–	–
Other pension costs		17.7	14.3	–	–
Share-based payments	25	2.3	1.0	–	–
Restructure costs		0.2	1.5	–	–
Total		213.0	165.3	–	–

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, £8.3m (2021: £7.6m) and £9.4m (2021: £6.7m) were included, respectively, within cost of sales and administrative expenses.

5 Employees and directors (continued)

Average monthly number of people (including Executive and non-executive directors) employed

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
By business:				
– Building	1,265	1,356	–	–
– Infrastructure	1,751	1,060	–	–
Construction	3,016	2,416	–	–
PPP Investments	73	79	–	–
Central	165	167	6	6
Total	3,254	2,662	6	6

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.

	2022 £m	2021 £m
Salaries and short-term employee benefits	3.4	3.4
Retirement benefit costs	0.3	0.2
Share-based payments	2.0	0.9
Total	5.7	4.5

6 Net finance income

Group	2022 £m	2021 £m
Interest receivable on bank deposits	0.4	0.1
Interest receivable from PPP Investments and joint ventures	3.9	3.9
Other interest receivable	–	0.1
Finance income	4.3	4.1
Other (including interest on lease liabilities)	(1.4)	(1.2)
Finance costs	(1.4)	(1.2)
Net finance income	2.9	2.9

7 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Notes	2022 £m	2021 £m
Employee benefit expense	5	213.0	165.3
Total depreciation	13 & 14	11.8	11.2
Amortisation of intangible assets	11	2.7	2.1
Repairs and maintenance expenditure on property, plant and equipment		0.7	0.8
Decrease in provision for receivables	17	–	(1.5)
Exceptional items	4	(13.7)	–

In addition to the above, the Group incurs other costs classified as cost of sales relating to labour, materials and subcontractors' costs.

7 Profit before income tax (continued)

Services provided by the Group's auditor and network firms

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below:

	2022 £m	2021 £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	0.8	0.5
Audit-related assurance services	0.1	0.1
Total other services	0.9	0.6
Total	1.1	0.8

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	2022 £m	2021 £m
Analysis of expense in year			
Current year's income tax			
Current tax		(1.6)	0.5
Deferred tax[1]	22	0.5	5.0
Adjustments in respect of prior years			
Current tax		0.8	(4.8)
Deferred tax	22	(0.6)	0.3
Income tax (credit)/expense		(0.9)	1.0
Tax on items recognised in other comprehensive income			
Tax recognised in other comprehensive income		–	–
Total taxation		(0.9)	1.0

1 Includes impact of change in rate of tax.

The total income tax credit for the year of £0.9m (2021: £1.0m) is lower (2021: lower) than the blended standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £m	2021 £m
Profit before income tax	5.4	11.4
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 19.0% (2021: 19.0%)	1.0	2.2
Effects of:		
Expenses not deductible for tax purposes	0.4	0.7
Non-taxable income	(0.1)	(1.1)
Adjustments in respect of prior years[1]	0.2	(4.5)
Change in tax rates	(0.4)	(2.1)
Net (recognition and utilisation)/restriction of tax losses[2]	(2.1)	5.8
Other	0.1	–
Income tax (credit)/charge	(0.9)	1.0

1 The adjustments in respect of prior years' £0.2m (2021: £(4.5)m) reflect changes to the estimates made in the previous years' Annual Report and Accounts and the finalised tax computations submitted to HMRC. The June 2021 adjustment of £(4.5)m incorporates, and principally relates to, the finalisation of certain tax estimates made following the demerger of the Group's housebuilding divisions in January 2020.

2 The net recognition and utilisation of tax losses of £2.1m (2021: restriction £5.8m) reflects the utilisation of £nil (2021: £1.5m) tax losses in the year and the recognition of £2.1m (2021: restriction of £7.3m) tax losses in line with the Group's accounting policy (note 22).
The restriction of tax losses in 2021 resulted from changes to the estimated tax relief on historic loss-making contracts. The Group had assumed a level of recovery on these contracts in prior years and paid the associated corporation tax. On finalisation of the contracts, an overall loss was made, and the Group sought to recover the associated corporation tax in the form of a refund (as at 30 June 2020), and subsequently in the form of tax losses (as at 30 June 2021) restricted in accordance with the Group's accounting policy.

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 22).

9 Dividends

Group and Company	2022 £m	2022 pence per share	2021 £m	2021 pence per share
Previous year final	3.9	3.5	–	–
Current year interim	2.4	2.2	1.3	1.2
Dividend recognised in the year	6.3	5.7	1.3	1.2

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

	2022 £m	2022 pence per share	2021 £m	2021 pence per share
Interim	2.4	2.2	1.3	1.2
Final	6.4	5.8	3.9	3.5
Dividend relating to the year	8.8	8.0	5.2	4.7

The directors are proposing a final dividend in respect of the financial year ended 30 June 2022 of 5.8 pence per share (2021: 3.5 pence per share), bringing the total dividend in respect of 2022 to 8.0 pence per share (2021: 4.7p pence per share). The final dividend will absorb approximately £6.4m of equity. Subject to shareholders' approval at the AGM to be held on 11 November 2022, the dividend will be paid on 9 December 2022 to shareholders who are on the register of members at the close of business on 11 November 2022.

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.

	2022 Earnings £m	2022 Weighted average number of shares	2022 Per share amount pence	2021 Earnings £m	2021 Weighted average number of shares	2021 Per share amount pence
Continuing operations						
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	17.4	109,016,667	16.0	10.4	109,976,145	9.5
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	6.3	109,016,667	5.8	10.4	109,976,145	9.5
Effect of dilutive securities:						
Options	n/a	6,627,132	n/a	n/a	3,804,698	n/a
Diluted EPS – pre-exceptional	17.4	115,643,799	15.0	10.4	113,780,843	9.1
Diluted EPS	6.3	115,643,799	5.5	10.4	113,780,843	9.1
Total operations						
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	17.4	109,016,667	16.0	7.7	109,976,145	7.0
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	6.3	109,016,667	5.8	7.7	109,976,145	7.0
Effect of dilutive securities:						
Options	n/a	6,627,132	n/a	n/a	3,804,698	n/a
Diluted EPS – pre-exceptional	17.4	115,643,799	15.0	7.7	113,780,843	6.8
Diluted EPS	6.3	115,643,799	5.5	7.7	113,780,843	6.8

The discontinued operations earnings per share for the year was nil (2021: loss per share of 2.5 pence per share) and the discontinued operations diluted earnings per share for the year was nil (2021: loss per share of 2.3p).

11 Intangible assets

Group	Notes	Customer contracts and relationships £m	Computer software £m	Total £m
Cost				
At 1 July 2020 and 30 June 2021		12.2	10.9	23.1
Additions	30	**5.2**	**0.6**	**5.8**
At 30 June 2022		**17.4**	**11.5**	**28.9**
Accumulated amortisation				
At 1 July 2020		(8.2)	(7.1)	(15.3)
Amortisation in year		(1.0)	(1.1)	(2.1)
At 1 July 2021		(9.2)	(8.2)	(17.4)
Amortisation in year		**(1.5)**	**(1.2)**	**(2.7)**
At 30 June 2022		**(10.7)**	**(9.4)**	**(20.1)**
Net book amount				
At 30 June 2022		**6.7**	**2.1**	**8.8**
At 30 June 2021		3.0	2.7	5.7
At 30 June 2020		4.0	3.8	7.8

All amortisation charges in the year have been included in administrative expenses. Computer software relates to the Group's reporting systems.

The remaining period of amortisation on computer software ranges from one year and six months to two years and three months . The remaining period of amortisation on customer contracts and relationships ranges between two and nine years.

12 Goodwill

Group	Notes	£m
Cost		
At 30 June 2020 and 30 June 2021		77.2
Addition	30	11.0
Disposal		–
At 30 June 2022		**88.2**
Aggregate impairment at 30 June 2020 and 30 June 2021		–
At 30 June 2020 and 30 June 2022		**–**
Net book amount		
At 30 June 2022		**88.2**
At 30 June 2021		77.2
At 30 June 2020		77.2

Goodwill is allocated to the Group's CGUs identified according to business segment. The goodwill is attributable to the following business segments:

	2022 £m	2021 £m
Building	**40.0**	40.0
Infrastructure	**48.2**	37.2
	88.2	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 revenue and 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.

12 Goodwill (continued)

Impairment review of goodwill and key assumptions (continued)

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.

Building CGU

A pre-tax discount rate of 13.1% (2021: 15.8%) 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 12.7% (2021: 15.7%) 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 significantly in excess of the carrying value of the CGU assets.

The Infrastructure 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.

13 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
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 1 July 2021	1.1	3.1	9.4	13.6
Additions	**1.7**	**1.9**	**1.5**	**5.1**
Disposals	**–**	**(1.8)**	**(0.4)**	**(2.2)**
At 30 June 2022	**2.8**	**3.2**	**10.5**	**16.5**
Accumulated depreciation				
At 1 July 2020	(0.3)	(1.0)	(10.9)	(12.2)
Charge for the year	(0.1)	(0.2)	(1.3)	(1.6)
Disposals	–	0.1	4.5	4.6
At 1 July 2021	(0.4)	(1.1)	(7.7)	(9.2)
Charge for the year	**(0.1)**	**(0.2)**	**(1.1)**	**(1.4)**
Disposals	**–**	**0.8**	**0.4**	**1.2**
At 30 June 2022	**(0.5)**	**(0.5)**	**(8.4)**	**(9.4)**
Net book amount				
At 30 June 2022	**2.3**	**2.7**	**2.1**	**7.1**
At 30 June 2021	0.7	2.0	1.7	4.4
At 30 June 2020	0.2	1.1	2.5	3.8

There has been no impairment of property, plant and equipment during the year (2021: £nil).

The Company has no property, plant or equipment.

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 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 1 July 2021	10.0	7.1	16.4	33.5
Additions	**5.3**	**2.7**	**7.4**	**15.4**
Disposals	**(2.7)**	**(1.1)**	**(2.2)**	**(6.0)**
At 30 June 2022	**12.6**	**8.7**	**21.6**	**42.9**
Accumulated depreciation				
At 1 July 2020	(2.6)	(2.1)	(3.8)	(8.5)
Charge for the year	(2.4)	(2.5)	(4.7)	(9.6)
Disposals	0.8	1.9	1.4	4.1
At 1 July 2021	(4.2)	(2.7)	(7.1)	(14.0)
Charge for the year	**(2.2)**	**(2.8)**	**(5.4)**	**(10.4)**
Disposals	**2.7**	**1.1**	**2.2**	**6.0**
At 30 June 2022	**(3.7)**	**(4.4)**	**(10.3)**	**(18.4)**
Net book amount				
At 30 June 2022	**8.9**	**4.3**	**11.3**	**24.5**
At 30 June 2021	5.8	4.4	9.3	19.5
At 30 June 2020	8.4	5.7	8.7	22.8

Lease liabilities

	2022 £m	2021 £m
Current	**9.9**	7.3
Non-current	**14.9**	11.9
Total lease liabilities	**24.8**	19.2

The statement of profit or loss shows the following amounts relating to leases for continuing operations:

	2022 £m	2021 £m
Depreciation of right-of-use assets	**10.4**	9.6
Interest expense (included in finance cost)	**1.0**	0.9
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**9.6**	7.9
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**0.1**	0.5
Total expenses	**21.1**	18.9

The total cash outflow for leases in the year to 30 June 2022 was £11.2m, of which £1.0m was included in net interest expense – note 6 (2021: £11.4m and £0.9m respectively).

14 Leases (continued)

Lease liabilities (continued)

Maturity of contractual undiscounted future lease payments:

As at 30 June 2022

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Total £m
Less than 1 year	2.3	2.5	5.2	10.0
Between 1 and 5 years	6.4	1.3	7.0	14.7
More than 5 years	7.8	–	–	7.8
Total	16.5	3.8	12.2	32.5

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

15 Investments in subsidiaries

Company	2022 £m	2021 £m
Cost		
As at 1 July 2021 and 2020	287.7	287.7
Additions	0.3	–
At 30 June	288.0	287.7
Aggregate impairment		
As at 1 July 2021 and 2020	(113.8)	(146.5)
Reversal of impairment/(impairment)	13.8	32.7
At 30 June	100.0	(113.8)
Net book value		
At 30 June	188.0	173.9

The carrying value of investments was reviewed and a partial reversal of £13.8m (2021: £32.7m) was recorded, determined from value in use calculations based on the same assumptions as those disclosed in note 12.

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.

16 PPP and other investments

Group	2022 £m	2021 £m
At 1 July	**49.1**	40.7
Additions	–	1.9
Disposals and subordinated loan repayments	**(0.7)**	(1.0)
Movement in fair value	**(0.9)**	7.5
At 30 June	**47.5**	49.1

These comprise PPP/PFI investments and investments in other listed securities.

None of the financial assets are past their due dates (2021: £nil), and the directors expect an average maturity profile of around 10 years. Further disclosures relating to financial assets are set out in note 23.

The expected credit loss (ECL) was assessed to be minimal and accordingly no ECL recognised.

During the year, there were no additions (2021: £1.9m) to the Group's PPP/PFI investments, subordinated loans of £0.5m (2021: £0.5m) were repaid and the Group disposed of interests held at £0.2m (2021: £0.5m), generating a profit on disposal of £nil (2021: £nil). Of the total fair value movement in the year of £0.9m, all of it relates to the movement in the fair value of the PPP investments (2021: total of £7.5m, of which £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).

The Group has commitments of £nil (2021: £nil) to provide further subordinated debt to its investments.

This portfolio equates to a blended discount rate of 7.0% (2021: 7.0%). A reduction of 1.0% would result in an increase in the fair value of approximately £4.0m (2021: £4.3m).

Our share of PPP and other investments' external bank funding was £257.2m at 30 June 2022 (2021: £267.7m). Our share of these entities' other external funding consists of £64.1m (2021: £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[1] joint ventures (in which the Group also holds debt investments either directly or indirectly) are disclosed within this note.

	Aberdeen Roads (Finance) Plc		Aberdeen Roads Limited	
Income statement – extracts	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Revenue	–	–	**9.4**	64.6
Depreciation and amortisation	–	–	–	–
Finance income	**24.7**	25.4	**29.6**	31.1
Finance expense	**(24.7)**	(25.4)	**(24.7)**	(25.4)
Income tax expense	–	–	–	–
Profit (100%)	–	–	–	–
Other comprehensive income	**4.6**	2.4	–	–
Total comprehensive income (100%)	**4.6**	2.4	–	–
Group's share of profit and total comprehensive income	**1.5**	0.8	–	–
Dividends received by the Group during the year	–	–	–	–
Balance sheet – extracts				
Cash and cash equivalents	**0.2**	0.2	**29.9**	28.0
Other current assets	–	–	**3.8**	5.1
Current assets	**0.2**	0.2	**33.7**	33.1
Non-current assets	**548.4**	562.7	**544.5**	556.2
Current external borrowings – bank/listed bonds	**(19.1)**	(18.6)	–	–
Other current liabilities	**(6.5)**	(5.5)	**(30.6)**	(26.6)
Current liabilities	**(25.6)**	(24.1)	**(30.6)**	(26.6)
Non-current external borrowings – bank/listed bonds	**(474.8)**	(489.0)	–	–
Other non-current liabilities	**(47.2)**	(53.4)	**(547.6)**	(562.7)
Non-current liabilities	**(522.0)**	(542.4)	**(547.6)**	(562.7)
Net assets/(liabilities) (100%)	**1.0**	(3.6)	–	–

1 Material due to their holdings and/or issuing listed debt.

Details of related party transactions with joint ventures are given in note 29. The Group's shareholding in each joint venture can be seen in note 33.

17 Trade and other receivables

	Notes	Group 2022 £m	Group 2021 (restated – note 35) £m
Amounts falling due within one year:			
Trade receivables		**46.0**	48.5
Less: provision for impairment of receivables		**(0.1)**	(0.1)
Trade receivables – net		**45.9**	48.4
Contract assets[1]	21	**173.4**	156.0
Amounts due from joint ventures		**1.1**	6.1
Research and development expenditure credits		**4.5**	4.5
Other receivables		**4.7**	12.8
Prepayments		**13.4**	13.6
		243.0	241.4

1 Contract assets of £173.4m at 30 June 2022 (2021: £156.0m) is stated net of a life-time expected credit loss allowance of £14.0m (2021: £14.0m).

The Company has no trade and other receivables.

Retentions will be collected in the normal operating cycle of the Group and are therefore shown as a current asset. It is expected that £33.6m (2021: £30.6m) will be collected within 12 months from the balance sheet date.

The Group has no significant capitalised contract costs.

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 claim is progressing in line with the original expected timetable.

Taking into account the requirements of IFRS 15, the Group 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. 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. Given the progress, in line with expectations during the year, this is unchanged. It is possible 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 2020 (as well as their immediate parent and investor whose latest filed financial statements are to 31 December 2021), 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 2022 and consequently, there has been no material change to the expected credit loss provision since the prior year. The expected credit loss provision (among our overall portfolio of contracts) is discussed further in note 1 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 2022. 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:

	2022 £m	2021 £m
At 1 July	**(0.1)**	(1.6)
Decrease in provision for receivables impairment	**–**	1.5
At 30 June	**(0.1)**	(0.1)

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.

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 15% (2021: 8%) 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 2022, trade receivables of £13.7m (2021: £15.2m) were past due but not impaired.

17 Trade and other receivables (continued)

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:

	2022 £m	2021 £m
Number of days past due date		
Less than 30 days	**4.4**	1.5
Between 30 and 60 days	**1.3**	3.7
Between 60 and 90 days	**0.9**	0.7
Between 90 and 120 days	**1.3**	0.3
Greater than 120 days	**5.8**	9.0
	13.7	15.2

As of 30 June 2022, 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 (2021: £0.1m). The allocation of the provision is as follows:

	2022 £m	2021 £m
Number of days past due date:		
Greater than 120 days	**0.1**	0.1
	0.1	0.1

18 Cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash at bank and in hand and per the statement of cash flows	**218.9**	216.2	**109.4**	100.7

Cash at bank above includes £22.7m (2021: £16.9m), being the Group's share of cash held by jointly controlled operations. The effective interest rate received on cash balances is 0.3% (2021: 0.1%). 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.

19 Trade and other payables

		Group	
	Notes	2022 £m	2021 (restated – note 35) £m
Trade payables		**102.3**	90.9
Contract liabilities	21	**104.4**	92.7
Other taxation and social security payable		**29.9**	30.5
Other payables		**1.6**	1.2
Accruals		**232.9**	238.7
		471.1	454.0

The Company has no trade and other payables.

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 £336.8m (2021: £330.8m) and these are expected to be settled within one year of the balance sheet date.

20 Provisions for other liabilities and charges

Group	Discontinued operations	Onerous contracts	Rectification	Total £m
At 1 July 2020 (as previously reported)	(24.0)	–	–	**(24.0)**
At 1 July 2020 (restated)[1]	(24.0)	(1.0)	(14.3)	**(39.3)**
Utilised	24.0	1.0	3.1	**28.1**
Additions	–	(0.8)	(13.0)	**(13.8)**
At 30 June 2021 (restated)[1]	–	(0.8)	(24.2)	**(25.0)**
Utilised	–	10.2	3.7	**13.9**
Additions[2]	–	(14.0)	(2.3)	**(16.3)**
At 30 June 2022	–	(4.6)	(22.8)	**(27.4)**

1 The provisions balance has been restated, reflecting a reclassification between accruals and provisions of £25.0m as at 30 June 2021 (1 July 2020: £15.3m), with no impact to any other balance reported at the balance sheet date. Onerous contract and rectification provisions were previously reported within accruals but should have been presented as provisions (see note 35).

2 Additions include £13.7m acquired as part of business combinations (note 30).

Onerous contract provisions are made on loss-making contracts the Group is obliged to complete.

Rectification provisions are made for potential claims and defects for remedial works against work completed by the Group.

The discontinued operations resulted from the working capital adjustment agreed in respect of the disposal of the housebuilding divisions. This was fully settled in the year to 30 June 2021.

As at 30 June 2022 £21.6m of provision related to three loss making contracts. Management's best estimate of the range of outcomes on these two contracts is between £10.7m and £24m. The remaining £5.8m of the provision for loss making contracts to relates to a high number of immaterial balances. Due to the level of uncertainty, combination of cost and income variables and timing across the remaining portfolio of contracts, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level and therefore management have not given a range of expected outcomes.

Due to the nature of the provisions, the timing of any potential future outflows is uncertain, however they are expected to be utilised within the Group's normal operating cycle, and accordingly are classified as current liabilities. Of the total provisions, £18.8m (2021: £17.8m) is likely to be utilised in 1-3 years with the remainder utilised within 12 months.

The Company does not hold any provisions.

21 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:

	2022		2021 (restated – note 35)	
	Contract asset £m	**Contract liability £m**	Contract asset £m	Contract liability £m
At 30 June 2021	**156.0**	**(92.7)**	172.0	(112.3)
Revenue recognised in the year (continuing operations)	**1,183.2**	**54.0**	1,073.5	51.3
Net cash received in advance of performance obligations being fully satisfied[1]	**–**	**(65.7)**	–	(31.7)
Transfers in the year from contract assets to trade receivables[2]	**(1,165.8)**	**–**	(1,089.5)	–
30 June 2022	**173.4**	**(104.4)**	156.0	(92.7)

1 Net cash received in advance of performance obligations being fully satisfied was previously reported as £(38.1)m in the prior period.

2 Transfers in the year from contract assets to trade receivables was previously reported as £(1,086.4)m in the prior period.

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.

The amount of revenue recognised in the year from performance obligations satisfied in previous periods amounts to £3.0m (2021: £7.3m).

22 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	
	2022 £m	2021 £m
Deferred income tax assets – non-current	**15.6**	15.0
Deferred income tax assets	**15.6**	15.0
Deferred income tax liabilities – non-current	**(1.6)**	(0.7)
Deferred income tax liabilities	**(1.6)**	(0.7)
Net deferred income tax	**14.0**	14.3

The movement for the year in the net deferred income tax account is as shown below:

	Group	
	2022 £m	2021 £m
At 1 July	**14.3**	4.3
Current year's deferred income tax	**(0.9)**	(8.9)
Adjustment in respect of prior years	**0.6**	(0.3)
Transfer from current tax assets and change in rates of deferred income tax[1]	**0.3**	19.2
Acquisition of subsidiaries	**(0.3)**	–
At 30 June	**14.0**	14.3

1 The Group had previously recorded a deferred tax asset in respect of unutilised tax credits resulting from historic trading contract losses. This asset was initially recorded within current tax assets and was transferred during the previous 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 £53m (2021: £95m) of unrecognised trading losses, although these are subject to agreement with HMRC.

Movements in deferred income tax assets and liabilities during the year are shown below:

The Company has no deferred tax balances.

Deferred income tax assets

Group	Accelerated tax depreciation £m	Share-based payments £m	Tax losses £m	Other[1] £m	Total £m
At 30 June 2020	0.4	–	–	4.9	5.3
Expense taken to income statement	(0.4)	–	(9.3)	0.5	(9.2)
Adjustment in respect of prior years[2]	–	–	(0.3)	–	(0.3)
Transfer from current tax assets and change in rates of deferred income tax	–	–	19.2	–	19.2
At 30 June 2021	–	–	9.6	5.4	15.0
(Expense)/credit taken to income statement	**(0.4)**	**0.2**	**–**	**(0.4)**	**(0.6)**
Adjustment in respect of prior years[2]	**(0.2)**	**–**	**2.4**	**(1.6)**	**0.6**
Transfer to deferred income tax liabilities	**0.6**	**–**	**–**	**–**	**0.6**
At 30 June 2022	**–**	**0.2**	**12.0**	**3.4**	**15.6**

1 Deferred tax assets included in the 'Other' category relate to future income tax deductions available from IFRS transitions adjustments in respect of IFRS 15, IFRS 9 and IFRS 16 which will be utilised over the next 3-6 years in line with the requirements of tax legislation.

2 The adjustment is respect of prior years of £0.6m (2021: £0.3m) arises predominantly due to the recognition of previously restricted tax interest expense deductions due to the corporate interest restriction provisions. This deferred tax asset will be utilised over the next three financial years in the form of reactivated tax interest expense deductions against tax interest income from Group investment assets. This is offset by other adjustments that reflect changes to the estimates made in the previous years' Annual Report and Accounts and the finalised tax computations submitted to HMRC.

The Company has no deferred tax balances.

22 Deferred income tax (continued)

Deferred income tax liabilities

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Intangible assets acquired £m	Total £m
At 30 June 2020	–	(0.2)	(0.8)	(1.0)
Income taken to income statement	–	0.2	0.1	0.3
At 30 June 2021	–	–	(0.7)	(0.7)
Transfer from deferred income tax assets	(0.6)	–	–	(0.6)
Acquisition of subsidiaries	–	–	(0.3)	(0.3)
At 30 June 2022	(0.6)	–	(1.0)	(1.6)

23 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. 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 2022 (2021: nil).

(ii) Price risk

Other than a residual interest in equity securities, 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 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 does not hold any debt facilities. Further details of credit risk relating to trade and other receivables are disclosed in note 17. 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. 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.

23 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:

		2022		2021 (note – 35)	
	Notes	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities:					
Current financial liabilities measured at amortised cost[1]	19	**336.8**	**336.8**	330.8	330.8
Financial assets:					
PPP and other investments	16	**47.5**	**47.5**	49.1	49.1
Current assets measured at amortised cost	17	**229.6**	**229.6**	227.8	227.8
Cash and cash equivalents	18	**218.9**	**218.9**	216.2	216.2

1 The prior year balance has been restated to reflect a reclassification between accruals and provisions as detailed in note 20 and 35.

Prepayments are excluded from the financial assets measured at amortised cost; and statutory liabilities and contract liabilities are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilities is given in note 19.

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 2022 or 2021.

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 16.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	2022		2021	
	Level 3 £m	Total £m	Level 3 £m	Total £m
Assets				
Fair value through other comprehensive income				
– PPP and other investments	**47.5**	**47.5**	49.1	49.1
Total	**47.5**	**47.5**	49.1	49.1

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)

	2022 £m	2021 £m
At 1 July	**49.1**	40.7
Additions	**–**	1.9
Movement in fair value	**(0.9)**	7.5
Disposals and subordinated loan repayments	**(0.7)**	(1.0)
Closing balance	**47.5**	49.1

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% (2021: 7.0%) and is based on current market conditions. The sensitivity to discount rates is set out in note 16. If receipts were to occur earlier than expected, the fair value would increase.

24 Ordinary shares and share premium

Group	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 30 June 2020 and 30 June 2021	111,053,489	55.5	–	55.5
Allotted under share option schemes	739	–	–	–
At 30 June 2022	**111,054,228**	**55.5**	**–**	**55.5**

Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 30 June 2020 and 30 June 2021	111,053,489	55.5	–	55.5
Allotted under share option schemes	739	–	–	–
At 30 June 2022	**111,054,228**	**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.

At 30 June 2022, the total number of shares outstanding under the SAYE share option scheme was 2,589,973 (2021: 1,989,993) and under the LTIPs was 6,986,213 (2021: 5,496,703) as detailed in note 25.

25 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 £2.3m (2021: £1.0m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £2.1m (2021: £1.0m).

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
13.04.22	999,819	174p	143p	01.06.22	58%	3	1.5%	3.3%	10%	70p

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 2022 is shown below:

	2022		2021	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**1,989,993**	**112p**	–	–
Awards	**999,819**	**143p**	1,998,476	112p
Forfeited	**(120,096)**	**112p**	(5,141)	112p
Cancelled	**(79,454)**	**113p**	(3,342)	112p
Expired	**(199,550)**	**113p**	–	–
Exercised	**(739)**	**112p**	–	–
Outstanding at 30 June	**2,589,973**	**123p**	1,989,993	112p
Exercisable at 30 June	**–**	**–**	–	–

The weighted average fair value of awards granted during the year was 70p (2021: 50p). There were 739 share options exercised during the year ended 30 June 2022 (2021: nil) and the weighted average share price at the date of exercise was 171 pence (2021: nil). The weighted average remaining contractual life is 2 years and 3 months (2021: 2 years and 11 months).

25 Share-based payments (continued)

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for Executives, details of which are set out in the Directors' Remuneration report. The awards that vest are satisfied by the transfer of shares for no consideration.

The 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
23.09.20	3,247,874	78p	36	(0.1)%	3.1%	71p
23.09.21	1,489,510	177p	36	0.4%	2.5%	164p

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:

	2022 Number	2021 Number
Outstanding at 1 July	**5,496,703**	2,248,829
Exercised	**1,489,510**	3,247,874
Outstanding at 30 June	**6,986,213**	5,496,703
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 164p (2021: 71p). There were nil options exercised during the year ended 30 June 2022 (2021: nil). The weighted average remaining contractual life is nil as the shares are exercised on the day that they vest (2021: nil).

26 Other reserves and retained earnings

Group	Notes	Other reserves £m	Retained earnings £m
At 30 June 2020		85.7	(20.7)
Profit for the year		–	7.7
Dividends paid	9	–	(1.3)
Share-based payments	25	–	1.0
Movement in fair value of PPP and other investments	16	–	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)
Profit for the year		**–**	**6.3**
Dividends paid	9	**–**	**(6.3)**
Share-based payments	25	**–**	**2.3**
Movement in fair value of PPP and other investments	16	**–**	**(0.9)**
Purchase of own shares		**–**	**(3.4)**
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	**13.8**	**(13.8)**
At 30 June 2022		**132.2**	**(55.6)**

26 Other reserves and retained earnings (continued)

The Group's other reserves relates to a merger reserve amounting to £132.2m (2021: £118.4m).

Company	Notes	Other reserves £m	Retained earnings £m
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
Profit for the year		–	**28.8**
Dividends paid	9	–	**(6.3)**
Share-based payments		–	**0.3**
Reversal of impairment of investment in Galliford Try Limited and associated recycling of retained earnings to merger reserve	15	**13.8**	**(13.8)**
At 30 June 2022		**132.2**	**109.7**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5m (2020: £9.5m).

At 30 June 2022, the Galliford Try Employee Share Trust (the Trust) held 3,541,603 (2021: 1,721,603) Galliford Try Holdings plc shares. The nominal value of the shares held is £1.8m (2021: £0.9m). 1,820,000 shares were acquired during the year (2021: 1,500,000) at a net cost of £3.4m (2021: £1.1m) and a further £nil (2021: £nil) was paid in relation to other share related transactions. Nil (2021: nil) 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 2022 was £6.0m (2021: £2.4m). No shareholders (2021: 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 plc), they are being sold in a number of tranches, with the first three tranches of a total of 98,924 share sold in the prior years for £1.3m cash and 14,132 shares sold in the current year for £0.2m with a residual 14,132 shares held by the Group at 30 June 2022. These shares are recorded at fair value with the movement being reflected in profit or loss.

27 Financial and capital commitments

The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2022 (2021: £nil), nor any commitment for other capital expenditure.

28 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, amounting to £127.1m (2021: £146.8m).

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.

29 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trading transactions				
Related parties	**97.3**	110.5	**38.4**	42.2

	Interest and dividend income from related parties	
	2022 £m	2021 £m
Non-trading transactions		
Related parties	**4.6**	4.4

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 26 years (2021: 27 years). These receivables are unsecured, with interest rates varying between a range of 9% and 12%. Payables are due within one year (2021: one year) and are interest free.

29 Related party transactions (continued)

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	
	2022 £m	2021 £m
Non-trading transactions		
Subsidiary undertakings	**15.0**	2.0

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

30 Business combinations

On 7 October 2021, the Group acquired the water business of nmcn plc (which had been placed into administration) for £1.0m settled in cash. This expanded the Group's geographical presence on key frameworks across the UK, and its capabilities in the water sector, in line with the Group's strategy.

The acquisition comprised of significantly all of the water business contracts and orderbook and the entire share capital and control of Lintott Environmental Technologies Limited and its trading subsidiary Lintott Control Systems Limited. nmcn Water delivers water and wastewater projects for clients across the UK, including design and MEICA capabilities which will further allow growth across our Environment business.

The goodwill of £11.0m arising from the acquisition is significantly attributable to the acquired workforce, consisting of 967 employees. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid and the provisional fair value of the assets acquired and liabilities assumed (which are deemed to represent one cash generating unit).

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Net cash and cash equivalents	0.7
Property plant and equipment	0.1
Intangible assets[1]	5.8
Right-of-use assets	1.4
Trade and other receivables[2,5]	7.8
Trade and other payables[3,5]	(10.4)
Provisions and other liabilities[4]	(13.7)
Lease liabilities	(1.4)
Net deferred tax liabilities[6]	(0.3)
Total identifiable net liabilities	**(10.0)**
Goodwill	11.0
Total	**1.0**

Consideration	
Cash	1.0
Total	**1.0**

1 Intangible assets of £5.8m comprise customer relationships and contracts (£5.2m) and technology (£0.6m) that will be amortised over 3 -10 years,
2 Trade and other receivables include £4.4m relating to favourable contracts acquired.
3 Trade and other payables include £6.4m relating to unfavourable contracts acquired.
4 Provisions and other liabilities relate to onerous contracts.
5 The favourable and unfavourable contracts have been valued after assessing the margins in the underlying contracts novated.
6 Deferred tax has been recognised where temporary differences arise on the fair value adjustments.

The acquisition contributed £74.1m of revenue and £1.8m of pre-exceptional profit before tax and amortisation (on the acquired intangibles) in the period to 30 June 2022. The performance of the business preceding the acquisition was impacted by nmcn plc entering administration, and accordingly it is impracticable to assess the contribution it would have made to the Group if acquired at the start of reporting period.

Acquisition related costs of £7.7m include legal and professional fees, integration, and staff costs, have been treated as exceptional, being material and non-recurring/irregular items in accordance with our accounting policies and detailed further in note 4.

31 Post balance sheet events

On 8 July, the Group acquired 100% of the share capital of MCS Controls Systems Limited ("MCS"), a leading systems integrator to the industrial and utilities sectors for a consideration of £1 settled in cash.

The addition of MCS's capabilities is complementary to the operations of Galliford Try's expanding Environment business. In particular, MCS provides additional competencies that complement those acquired in October 2021 with nmcn's water business and Lintott Control Systems and will accelerate the growth of Galliford Try Environment's asset optimisation and capital maintenance strategy.

For the year ended 31 December 2020, being the last year for which MCS has published audited results, MCS generated revenue of £10.1 million, incurred a pre-tax loss of £0.5 million and had net assets of £2.0 million. In addition to the purchase consideration of £1, Galliford Try expects to fund certain contractual liabilities incurred prior to the completion date of the acquisition to strengthen MCS's balance sheet and provide additional operational stability. As the acquisition was made after the reporting date, it has made no contribution to Group results for the year ended 30 June 2022.

The provisional Balance Sheet at the date of acquisition is shown below.

	£
Property, plant and equipment	0.3
Trade and other receivables	2.8
Trade and other payables	(3.6)
Borrowings	(1.2)
Deferred tax liabilities	(0.5)
Net liabilities acquired	(2.2)

At the date of this report, it is impracticable to disclose the provisional fair values of the acquired assets, liabilities, contingent liabilities and goodwill,including those expected to be deductible for tax purposes as the initial accounting for the business combination is not complete.

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 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 UK adopted International Accounting Standards and in line with the Group's accounting policies, that can be found in note 1.

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. Divisional operating margin is the combined operating margin of Building and Infrastructure.

32 Alternative performance measures (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 2022					
Statutory operating profit/(loss)	**17.9**	**2.4**	**(0.9)**	**(17.3)**	**2.1**
add: amortisation of intangible assets (note 11)	**1.0**	**0.7**	**–**	**1.0**	**2.7**
exclude: exceptional items (note 4)	**–**	**7.7**	**–**	**6.0**	**13.7**
Pre-exceptional operating profit before amortisation	**18.9**	**10.8**	**(0.9)**	**(10.3)**	**18.5**
Revenue	**789.1**	**441.9**	**6.2**	**–**	**1,237.2**
Pre-exceptional operating margin	**2.4%**	**2.4%**	**n/a**	**n/a**	**1.5%**
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%

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:

	2022 £m	2021 £m
Statutory profit/(loss) before tax	**5.4**	11.4
add: exceptional items (note 4)	**13.7**	–
Pre-exceptional profit before tax	**19.1**	11.4

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:

			2022			2021
	Earnings £m	**Ave number of shares**	**EPS pence**	Earnings £m	Ave number of shares	EPS pence
Statutory results	**6.3**	**109,016,667**	**5.8**	10.4	109,976,145	9.5
add: exceptional items (note 4)	**11.1**	**n/a**	**n/a**	–	n/a	n/a
Pre-exceptional earnings per share	**17.4**	**109,016,667**	**16.0**	10.4	109,976,145	9.5

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 2022.

(i) Subsidiary undertakings

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Chancery Court Business Centre Limited	3 Frayswater Place, Uxbridge, UB8 2AD	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 Asset Intelligence 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 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 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 Telecommunications Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Galliford Try (Water) 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 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 Guildford Crescent Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
GT Inverness Investments 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%
Lintott Control Systems Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Lintott Environmental Technologies 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%

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
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%
Try Accord Limited	3 Frayswater Place, Uxbridge, UB8 2AD	100%
Try Construction 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.

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.

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

The Group has not recognised any discontinued operations in the current year.

The result of these discontinued operations in the previous year were 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.

35 Prior year adjustments

The Group has identified the need to make a correction to the 2021 and 2020 balance sheets.

i) The balance sheet at 30 June 2021 has been restated due to the incorrect presentation of trade receivables, contract assets and contract liabilities in relation to one combined contract. At 30 June 2021, no trade receivable should have been recognised as there was not an unconditional right to payment, the amount should have instead been recognised as a contract asset. Additionally, the contract position across different performance obligations within the combined contract should have been presented as one net balance whereas it was previously presented on a gross basis.

ii) The provisions and accruals balance have been restated, reflecting a reclassification between the two line items. Onerous contract and rectification provisions were previously reported within accruals but should have been presented as provisions. See note 20 for additional information on provisions.

iii) Other receivables and current income tax assets have been restated reflecting a reclassification of research and development expenditure credits from current income tax assets to other receivables.

To correct the presentation of these balances in the prior year, the Group has restated the balance sheet and associated note disclosures as at 30 June 2021 and statement of cash flows for the year then ended as outlined below.

There is no overall effect of the restatements on net assets at 30 June 2021 nor profit for the year then ending.

Balance Sheet

					Group
	2021 originally reported £m	Adjustment i)	Adjustment ii)	Adjustment iii)	2021 restated £m
Assets					
Non-current assets					
Intangible assets	5.7	–	–	–	5.7
Goodwill	77.2	–	–	–	77.2
Property, plant and equipment	4.4	–	–	–	4.4
Right-of-use assets	19.5	–	–	–	19.5
Investments in subsidiaries	–	–	–	–	–
Investments in joint ventures	0.2	–	–	–	0.2
PPP and other investments	49.1	–	–	–	49.1
Deferred income tax assets	14.3	–	–	–	14.3
Total non-current assets	170.4	–	–	–	170.4
Current assets					
Trade and other receivables	243.3	(6.4)	–	4.5	241.4
Current income tax assets	8.8	–	–	(4.5)	4.3
Cash and cash equivalents	216.2	–	–	–	216.2
Total current assets	468.3	(6.4)	–	–	461.9
Total assets	638.7	(6.4)	–	–	632.3
Liabilities					
Current liabilities					
Trade and other payables	(485.4)	6.4	25.0	–	(454.0)
Lease liabilities	(7.3)	–	–	–	(7.3)
Provisions for other liabilities and charges	–	–	(25.0)	–	(25.0)
Total current liabilities	(492.7)	6.4	–	–	(486.3)
Non-current liabilities					
Lease liabilities	(11.9)	–	–	–	(11.9)
Total non-current liabilities	(11.9)	–	–	–	(11.9)
Total liabilities	(504.6)	6.4	–	–	(498.2)
Net assets	134.1	–	–	–	134.1
Equity					
Ordinary shares	55.5	–	–	–	55.5
Other reserves	118.4	–	–	–	118.4
Retained earnings	(39.8)	–	–	–	(39.8)
Total equity attributable to owners of the Company	134.1	–	–	–	134.1

The only material impact on the 30 June 2020 balance sheet is a reclassification to increase other receivables by £4.5m, reduce current income tax assets by £4.5m, increase provisions for other liabilities and charges by £15.3m and reduce accruals by £15.3m. There is no impact on net assets or reserves.

35 Prior year adjustments (continued)

Statements of cash flows

As a result of the restatements to the balance sheet, the following working capital movements have also been restated, with no other impact to the statement of cash flows.

						Group
	2021 originally reported £m	Adjustment i)	Adjustment ii)	Adjustment iii)	Impact of 30 June 2020 restatement[1]	2021 restated £m
Net cash generated from operations before changes in working capital	22.3	–	–	–	–	22.3
(Increase)/decrease in trade and other receivables	9.4	6.4	–	–	–	15.8
Increase/(decrease) in trade and other payables	27.4	(6.4)	(25.0)	–	15.3	11.3
(Decrease)/increase in provisions	(0.3)	–	25.0	–	(15.3)	9.4
Net cash generated from operations	58.8	–	–	–	–	58.8

1 Refer to note 20 for the impact on 30 June 2020.

Trade and other receivables

					Group
	2021 originally reported £m	Adjustment i)	Adjustment ii)	Adjustment iii)	2021 restated £m
Trade receivables	51.8	(3.3)	–	–	48.5
Less: provision for impairment of receivables	(0.1)	–	–	–	(0.1)
Trade receivables – net	51.7	(3.3)	–	–	48.4
Contract assets	159.1	(3.1)	–	–	156.0
Amounts due from joint ventures	6.1	–	–	–	6.1
Research and development expenditure credits	4.5	–	–	–	4.5
Other receivables	12.8	–	–	–	12.8
Prepayments	13.6	–	–	–	13.6
	243.3	(6.4)	–	4.5	241.4

Trade and other payables

					Group
	2021 originally reported £m	Adjustment i)	Adjustment ii)	Adjustment iii)	2021 restated £m
Trade payables	90.9	–	–	–	90.9
Contract liabilities	99.1	(6.4)	–	–	92.7
Other taxation and social security payable	30.5	–	–	–	30.5
Other payables	1.2	–	–	–	1.2
Accruals	263.7	–	(25.0)	–	238.7
	485.4	(6.4)	(25.0)	–	454.0

The impact on provisions for other liabilities and charges is stated in note 20.

Five-year record (unaudited)

	2018 £m	2019[1] £m	2020[1] £m	2021[1] £m	**2022[1] £m**
Revenue	2,931.6	1,400.1	1,121.6	1,124.8	**1,237.2**
Profit/(loss) before exceptional items	188.7	(17.2)	(59.7)	11.4	**19.1**
Exceptional items	(45.0)	(47.3)	25.1	–	**(13.7)**
Profit/(loss) before taxation	143.7	(64.5)	(34.6)	11.4	**5.4**
Tax	(25.4)	15.0	2.0	(1.0)	**0.9**
Profit/(loss) after taxation attributable to shareholders	118.3	(49.5)	(32.6)	10.4	**6.3**
Fixed assets (including IFRS 16 right-of-use assets), investments in joint ventures, PPP and other investments	93.4	124.8	67.5	73.2	**79.4**
Intangible assets and goodwill	174.9	171.4	85.0	82.9	**97.0**
Net current assets/(liabilities)	579.8	340.2	(14.4)	(24.4)	**(43.4)**
Other long term assets	155.9	246.7	5.3	14.3	**14.0**
Long-term payables and provisions	(321.8)	(203.8)	(22.9)	(11.9)	**(14.9)**
Net assets	682.2	679.3	120.5	134.1	**132.1**
Share capital	55.5	55.5	55.5	55.5	**55.5**
Reserves	626.7	623.8	65.0	78.6	**76.6**
Shareholders' funds	682.2	679.3	120.5	134.1	**132.1**
Dividends per share (pence)	77.0	58.0	–	4.7	**8.0**
Basic earnings per share (pence)[2]	121.1	(10.7)	(47.7)	9.5	**16.0**
Diluted earnings per share (pence)[2]	120.6	(10.6)	(47.7)	9.1	**15.0**

1 2019, 2020, 2021 and 2022 Income Statement and earnings per share balances reflect continuing operations only, accounted for in accordance with IFRS 5 (2018 reflects the total Group in those years, including housebuilding). The 2018 and 2019 balance sheets reflect the whole Group, including housebuilding, in those years.

2 Pre-exceptional.

Shareholder information

Financial calendar 2022

Half year results announced	3 March
Full year results announced	21 September
Ex dividend date	10 November
Final dividend record date	11 November
Annual General Meeting	11 November
Final dividend payment	9 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 +44 371 384 2202 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 2022

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.08%	2,941	2.70%	3,005,929
10,001 – 50,000	4.00%	128	2.64%	2,929,843
50,001 – 500,000	2.82%	90	14.15%	15,710,665
500,001 – highest	1.10%	35	80.15%	89,407,791
Total	100.00%	3,194	100.00%	111,054,228

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Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

Barclays Bank PLC
HSBC Bank PLC

Registration

England and Wales 12216008

Independent auditor

BDO LLP

Notes

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