Galliford Try Construction Limited (formerly Galliford Try Building Limited)

Annual report and Financial statements

For the year ended 30 June 2020

Registered number: 02472080

Galliford Try Construction Limited (formerly Galliford Try Building Limited)

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Directors and advisers

Directors

ND Cocker
MC Bruce
S Burton
B Hocking
IT Jubb
JF Marston
DJ McLachlan
MM Pool
EJ Robertson
GW West
CJ Wheatley
M Baxter
DR Parker (appointed 1 October 2019)
GM Bridge (appointed 1 October 2019)
IJ Jones (appointed 20 May 2020)
D Elliott (appointed 29 June 2020)

Company secretary

Galliford Try Secretariat Services Limited

Registered office

Blake House
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Cowley
Uxbridge
Middlesex
UB8 2AD

Independent auditors

BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
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Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
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70 Pall Mall
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Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Strategic report for the year ended 30 June 2020

The directors present their strategic report of Galliford Try Construction Limited (formerly Galliford Try Building Limited) ("the Company"), for the year ended 30 June 2020.

Review of business

The Company's principal activity is to provide a comprehensive range of construction services to public and private sector clients across the United Kingdom.

Operating from regional centres in Scotland, the North East, North West, Central and Southern England, the businesses carry out building projects ranging from under £1m to over £100m with a significant proportion of work being carried out in multi project frameworks. The Company and its subsidiaries have specific expertise in the areas of education, health, commercial, prisons, leisure and facilities management. Going forward, the Company will start delivering new infrastructure projects.

The Company trades as Morrison Construction in Scotland and Galliford Try in England and Wales.

During the year, the Company won contracts and positions on frameworks worth over £1bn. This included securing a place on 13 lots across the UK for the Crown Commercial Services Construction Works and Associated Services major framework. The framework is available to all public sector organisations to procure construction services and has a total value of approximately £20bn.

Other notable contracts secured during the year included framework contracts with the University of Glasgow and the University of Birmingham; contracts for Castlebrae High School in Scotland, a new education campus in Hexham for Northumberland County Council, The Exchange for the University of Birmingham; and a contract to build a new women's prison in Scotland. The division also won a contract for the 1-4 Marble Arch mixed-use development and two mixed-use residential schemes for an urban development specialist, both in London.

Effective 1 July 2019, the trade and assets of the facilities management business were sold for no gain or loss to Galliford Try Facilities Management Limited at net book value of £6,646k. The business had a total revenue of £26,454k (3% of total revenue of the Company) with a profit before tax of £1,271k for year ended 30 June 2019. Since, this does not form a significant part of the Company's business, the business unit is not considered to be a discontinued operation under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

COVID-19

The Covid-19 outbreak developed rapidly in 2020. Measures taken to contain the virus have affected the wider economy and directly impacted on the Company's trading results. The Company continued to operate sites where possible, in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. The Directors regularly review the working capital requirements of the Company as part of the Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country (in the first lockdown between March and June 2020). All sites have since re-opened and remain open and appropriate operating procedures adopted, including social distancing measures. Further details are also provided in note 1.

Section 172 Companies Act 2006

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the company for the benefit of its shareholders, while taking into account how the Company's activities and Board decisions will affect its stakeholders. This statement explains how the Board complies with its obligations under s172 is consistent with that disclosed in the consolidated Galliford Try Holding Plc's annual report for the year ended 30 June 2020.

The Company recognises the importance of its stakeholders' views and actively engage with them, proactively considering their interests in the decisions it makes.

Section 172 Companies Act 2006 (continued)

Employees

We use the following mechanisms to outline our approach to employee priorities and gather feedback on our interactions:

- Face-to-face engagement through the Employee Forum, which is chaired by our Senior Independent Director; staff inductions with members of our Executive Board present; CEO roadshow; our annual Graduate Welcome event, director site and office visits; Performance Development Reviews/one-to-ones, toolbox talks and town halls.
- Wider communication tools such as emails, videos, webcasts, while also monitoring various metrics such as employee churn, sickness leave and wider health and safety KPI's.
- Independent support such as access to our Employee Assistance Programme and whistleblowing hotline.
- Encouraging and analysing independent employee feedback via employee surveys or external sites.

Clients

Satisfied clients are essential for a sustainable and profitable business. We use the following mechanisms to outline our approach to client priorities and gather feedback on our interactions:

- Direct engagement through face-to-face, video or telephone client meetings; high-quality bid submissions, contract negotiation and management; client satisfaction surveys; site tours; business development activities such as attendance at exhibitions and Meet the Buyer events.
- Indirect engagement such as project reports, marketing materials, an up-to-date website, press coverage and engaging in social media.
- Project performance feedback.

Supply chain

We rely on suppliers to deliver our construction projects. We use the following mechanisms to outline our approach to supply chain priorities and gather feedback on our interactions:

- Direct engagement through Meet the Buyer events; workshops; face-to-face, video or telephone meetings; contract negotiation and management and toolbox talks.
- Creating mutually-beneficial relationships through our Advantage through Alignment programme.
- Indirect engagement such as via trade associations, project reports, an up-to-date website, press coverage, engaging in social media and involvement in the Considerate Constructors Scheme.

We recognise the importance of our stakeholders' views and actively engage with them, proactively considering their interests in the decisions we make.

Shareholders

We must act in the interests of our shareholders to maintain the capital needed to fund our activities. We use the following mechanisms to outline our approach to shareholder priorities and gather feedback on our interactions:

- Direct engagement 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 such as an up-to-date website, press coverage, engaging in social media, trading updates; corporate and financial videos and contributions to investor decision-making resources.

Section 172 Companies Act 2006 (continued)

Communities

We construct buildings and infrastructure in communities and must meet the needs of local groups so we are welcomed and can carry out our work.

- Direct engagement such as through our membership of the Considerate Constructors Scheme, local newsletters, town hall meetings and exhibitions, school and college visits, site tours, Open Doors and local community engagement plans.
- Indirect engagement such as an up-to-date website, press coverage and engaging in social media.

Standards of business conduct

The Board is acutely aware of the need to maintain high standards of business conduct. The Group has a strong ethical culture, underpinned by our values, policies and our Code of Conduct, all of which are endorsed by the Board. The Code of Conduct sets out the ethical standards everyone in Galliford Try must adhere to and provides a framework to ensure we always behave in a way that reflects our values. The Group also has specific policies and procedures to prevent bribery and corruption, as described on page 39 of the Group's annual report for year ended 30 June 2020.

Environmental impact

Information on the Company's environmental impact forms part of the wider Galliford Try Holdings plc Group which can be found on pages 36 and 37 of the Group's annual report for year ended 30 June 2020 which is publicly available.

Principal risks, uncertainties and key performance indicators

From the perspective of the Company, the principal risks and uncertainties are integrated with that of Galliford Try Holdings plc and are not managed separately. These are discussed within the Group's annual report for the year ended 30 June 2020 on pages 31 to 34.

The directors monitor the Company's revenue, operating profit, working capital and cash as its key performance indicators. The development, performance and position of Galliford Try Holdings plc, which includes the Company, is discussed in the Group's annual report, which does not form part of this report. The Galliford Try Holdings plc annual report is publicly available.

Further details on those considered to be the key principal risks are listed below:

Principal risk	Potential cause	Mitigation
Opportunity pipeline: Insufficient pipeline of opportunities in our target markets	- A significant and sustained reduction in Government investment in building and infrastructure projects. - Delays to and/or reduced levels of private sector investment due to macro-economic conditions.	- We manage the potential impact of an economic downturn by building a strong order book. - We concentrate on sectors and clients with long-term growth and profitability potential. - We focus on securing positions on key procurement frameworks and repeat business with key clients. - We have appointed sector leads to manage activity in each of our core areas.

Principal risks, uncertainties and key performance indicators (continued)

Margin erosion: We fail to deliver project margins in line with tender and/or forecasts	- 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. - An imbalance between supply and demand for materials and subcontractors results in higher than expected prices. - Unrealistic estimates, including cost to complete, inflation estimates, outcomes of disputes, final value included in project forecasts.	- Robust review and approval of contractual terms, pre-contract to ensure we do not sign up to contracts with onerous terms. - Margin thresholds employed. - Monthly cross-disciplinary contract review meetings on all projects. - Project level controls and management oversight of project forecasts has been strengthened and visibility of risks and exposures has improved. - Standardised formats (value cost analysis and cost and value reconciliation) 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.
Supply chain and joint arrangement partners: We are unable to secure subcontractors and joint venture partners with the quality, capacity and financial resilience that we need	- Lack of capacity in the supply chain due to high levels of activity in the construction sector. - Lack of geographical coverage. - Subcontractor insolvency. - Failure to comply with fair payment practices.	- 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. - The Group's 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 meeting the requirements of the Prompt Payment Code. - We use a credit tracker on the Dun and Bradstreet portal to monitor subcontractor financial strength.
Cash management: We are unable to maintain sufficient net cash to finance business operations	- Loss-making projects. - Inability to produce accurate cash forecasts. - Significant amounts of cash locked up in WIP and claims against clients. - Insolvency of a key client.	- 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.

General

The Company's loss for the financial year was £43,514k (2019: £17,551k), which will be deducted from reserves. Net liabilities as at 30 June 2020 were £27,824k (2019 restated: net assets £15,842k).

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Galliford Try Holdings plc. The directors have received confirmation that Galliford Try Holdings plc intend to support the Company for at least one year after these financial statements are signed (as disclosed in the Directors' report).

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Strategic report for the year ended 30 June 2020 (continued)

On behalf of the board

ND Cocker
Director
22 January 2021

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Directors' Report for the year ended 30 June 2020

The directors present their report and audited financial statements of Galliford Try Construction Limited (formerly Galliford Try Building Limited) ("the Company"), registered number 02472080 for the year ended 30 June 2020.

Future developments

The Company will start delivering new infrastructure projects in the new year including those in the highways and environment sectors. The directors do not expect any other significant changes to the principal activities of the Company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2019: £Nil).

Political and charitable donations

The Company is exempt from disclosing political and charitable donations as it is a wholly owned subsidiary incorporated in the United Kingdom.

Financial risk management

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis during board meetings.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Weekly reviews of the debtors ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the Company's liquidity position.

The rates of interest earned or paid on the Group's cash balances and loans and overdrafts are monitored on an ongoing basis with regular reviews of the Galliford Try group banking arrangements. Deposits, loans and overdrafts are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Galliford Try group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the Group as a whole. The group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the group's financial risk management can be found in the consolidated group financial statements of Galliford Try Holdings plc copies of which are publicly available.

Directors

The present directors of the Company are set out on page 1, all of whom served throughout the year and up to the date of signing the financial statements, except as stated below.

M Laws , CM Slidel and JR Parker resigned as directors of the Company on 31 August 2019, 31 December 2019 and 30 June 2020, respectively.
DR Parker, GM Bridge, IJ Jones and D Elliott were appointed as directors of the Company 1 October 2019, 20 May 2020 and 29 June 2020, respectively.

Qualifying third-party and pension scheme indemnity provisions

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

Going concern

The Company is part of the wider Galliford Try Holdings plc group (the "Group"), and the directors of the Group have assessed the full cash requirements of each Company over the coming 12 months. As at 30 June 2020, 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 Company as part of the Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country. All sites have since re-opened and appropriate operating procedures adopted, including social distancing measures. Even in the worst-case scenario, the Group is forecast to continue to meet obligations and remain cash positive.

The directors of the Group have provided a letter of support that the Group will provide sufficient operational and financial support to the Company to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on its business without curtailment for the foreseeable future. Given the financial strength of the wider Group the directors consider that this financial support will enable the Company to discharge its obligations in the ordinary course of business for a period of at least twelve months from the date when the financial statements are authorised for issue. The directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Employees

The Company is an equal opportunities employer.

It is the Company's policy to give full and fair consideration to applications for employment by disabled persons, to continue wherever possible the employment of those who became disabled and to provide equal opportunities for the training, retraining, career development and promotion of disabled persons.

The establishment and maintenance of safe working practices are of the greatest importance to the Company and special training in health and safety is provided for employees. Within the bounds of commercial confidentiality, management disseminates information to, and consults with, all levels of staff about matters that affect the progress of the Company and are of interest and concern to them as employees. This has been achieved through road shows hosted at all the major business sites, webcasts of the annual results and through updates on the intranet. The Company also encourages employee involvement in the Company's performance by the operation of employee incentive schemes.

Further details are included within the section 172 statement within the Strategic Report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Statement of directors' responsibilities (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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 company's auditors are unaware;
- 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 company's auditors are aware of that information.

Independent auditors

The auditors, BDO LLP, who were appointed during the year, have indicated their willingness to continue in office.

Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

The directors' report was approved by the board of directors on 22 January 2021 and signed by its order by:

Galliford Try Secretariat Services Limited
Company secretary

Galliford Try Construction Limited (formerly Galliford Try Building Limited) Independent auditors' report to the members of Galliford Try Construction Limited (formerly Galliford Try Building Limited)

Report on the financial statements

Opinion

We have audited the financial statements of Galliford Try Construction Limited ("the Company") for the year ended 30 June 2020 which comprise the Balance sheet, the Income statement, the Statement of changes in equity and the 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements 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 are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the members of Galliford Try Construction Limited (formerly Galliford Try Building Limited) (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Independent auditors' report to the members of Galliford Try Construction Limited (formerly Galliford Try Building Limited) (continued)

Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
22 January 2021

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Income statement for the year ended 30 June 2020

	Notes	2020 Pre-exceptional items £'000	2020 Exceptional items (note 3) £'000	2020 Total £'000	2019 Pre-exceptional items £'000	2019 Exceptional items (note 3) £'000	2019 Total £'000
Revenue	2	**697,189**	**–**	**697,189**	867,854	–	867,854
Cost of sales[1]		**(701,535)**	**(1,839)**	**(703,374)**	(848,560)	–	(848,560)
Gross (loss)/profit		**(4,346)**	**(1,839)**	**(6,185)**	19,294	–	19,294
Administrative expenses		**(47,628)**	**(192)**	**(47,820)**	(38,986)	(908)	(39,894)
Operating loss		**(51,974)**	**(2,031)**	**(54,005)**	(19,692)	(908)	(20,600)
Interest receivable and similar income	5	**709**	**–**	**709**	3,721	–	3,721
Interest payable and similar charges[1]	5	**(3,401)**	**–**	**(3,401)**	(5,116)	–	(5,116)
Loss before taxation	6	**(54,666)**	**(2,031)**	**(56,697)**	(21,087)	(908)	(21,995)
Tax credit on loss	7	**12,797**	**386**	**13,183**	4,271	173	4,444
Loss for the financial year		**(41,869)**	**(1,645)**	**(43,514)**	(16,816)	(735)	(17,551)

There are no recognised gains and losses other than those shown in the income statement above and therefore no separate statement of comprehensive income has been presented.

All results are derived from continuing operations.

The notes on pages 16 to 37 are an integral part of these financial statements.

[1] The Company adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within administrative expenses and an increase in depreciation charge and interest expense (note 9 and 25).

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Balance sheet as at 30 June 2020

	Notes	2020 £'000	2019 restated (note 20) £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**359**	298
Right of use asset [1]	9	**7,968**	–
Investments in subsidiaries	10	**69**	69
Deferred income tax asset	19	**1,227**	225
Other investments	11	**278**	278
Total non-current assets		**9,901**	870
Current assets			
Developments	12	**–**	905
Trade and other receivable	13	**186,951**	371,931
Corporation tax recoverable	14	**15,639**	10,960
Cash and cash equivalents	15	**102,251**	78,286
Total current assets		**304,841**	462,082
Total assets		**314,742**	462,952
Liabilities			
Current liabilities			
Bank borrowings and overdrafts	17	–	(1,643)
Trade and other payables	16	**(334,396)**	(445,467)
Lease liabilities[1]	9	**(3,538)**	–
Total current liabilities		**(337,934)**	(447,110)
Net current (liabilities)/assets		**(33,093)**	14,972
Non-current liabilities			
Lease liabilities[1]	9	**(4,632)**	–
Total non-current liabilities		**(4,632)**	–
Total liabilities		**(342,566)**	(447,110)
Net (liabilities)/assets		**(27,824)**	15,842
Equity			
Share capital	20	**15,000**	15,000
Reserves		**(42,824)**	842
Total equity		**(27,824)**	15,842

The notes on pages 16 to 37 are an integral part of these financial statements.

The financial statements on pages 13 to 37 were approved by the Board of directors on 22 January 2021 and signed on its behalf by:

ND Cocker
Director
Registered number: 02472080

[1] The Company adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within administrative expenses and an increase in depreciation charge and interest expense (note 9 and 25).

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Statement of changes in equity for the year ended 30 June 2020

	Share capital £'000	Profit and loss account £'000	Total equity £'000
As at 1 July 2018 (as originally reported)	15,000	42,387	57,387
Restatement as a result of correction of previous error (note 20)	–	(29,475)	(29,475)
As at 1 July 2018 (restated)	15,000	12,912	27,912
Adjustment as a result of transition to IFRS 15 on 1 July 2018 (restated – note 20)	–	(4,819)	(4,819)
Adjusted equity at 1 July 2018	15,000	8,093	23,093
Loss for the financial year	–	(17,551)	(17,551)
Capital contribution	–	10,000	10,000
Transactions with owners:			
Share based payments	–	300	300
As at 30 June 2019 (restated)	15,000	842	15,842
Adjustment as a result of transition to IFRS 16 on 1 July 2019 (note 25)	–	(256)	(256)
Adjusted equity at 1 July 2019	15,000	586	15,586
Loss for the financial year	–	**(43,514)**	**(43,514)**
Transactions with owners:			
Share based payments	–	**104**	**104**
As at 30 June 2020	**15,000**	**(42,824)**	**(27,824)**

The notes on pages 16 to 37 are an integral part of these financial statements.

Galliford Try Construction Limited (formerly Galliford Try Building Limited)
Notes to the financial statements for the year ended 30 June 2020

1. Accounting policies

General Information

Galliford Try Construction Limited (Formerly Galliford Try Building Limited) ('the Company') is a limited Company incorporated and domiciled in England and Wales (Registered number: 02472080). The address of the registered office is Galliford Try Construction Limited (Formerly Galliford Try Building Limited), Blake House, 3 Frayswater, Cowley, Uxbridge, Middlesex, UB8 2AD. Refer to note 24 for details of the immediate and ultimate parent undertaking. The principal activity of the Company is set out on page 2.

The financial statements are measured and presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates. The amounts stated are denominated in thousands (£'000).

Basis of accounting

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS as adopted by the EU may be obtained.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present cash flow statement.
- The requirements of paragraph 45(b) and 46 to 52 of IFRS 2, Share Based Payments
- The requirements of IFRS 7, Financial Instrument Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies
- The re requirements of paragraph 17 of IAS 24, Related Party Disclosures, and the requirements in IAS 24 to disclose related party transactions between two members of the Galliford Try group.
- The requirements of paragraph 134 (d) to 134 (f) of IAS 36 Impairment of Assets.
- Certain disclosure requirements under IFRS12 Disclosure of Interests in Other Entities.
- The requirements of Paragraph 38 of IAS1, Presentation of financial statements
- The requirements of IAS 1.40A to present comparative third balance sheet

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2019 are listed below. The new amendments had no significant impact on the Company's results other than certain revised disclosures.

- Amendments to FRS 9 'Financial Instruments' on prepayments with negative compensation and modification of financial liabilities (effective 1 January 2019)
- Amendments to IAS 19 ' Employee Benefits' on plan amendment curtailment or settlement (effective 1 January 2019)
- IFRS 16 'Leases' (effective 1 January 2019)
- Amendments to IAS 28 'Long-term interests in Associates and Joint Ventures' (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)
- Amendments resulting from annual improvements 2015-2017 cycle (effective 1 January 2019)

1. Accounting policies (continued)

Basis of accounting (continued)

The new standards and amendments had no significant impact on the Company's results except as described below:

IFRS 16 Leases

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

The Company has adopted the modified retrospective approach for IFRS 16, recognising the right of use asset as if IFRS 16 has always been applied (but using the incremental borrowing rate as at the date of initial application of 1 July 2019), with a resulting transition adjustment recognised to opening equity. The weighted average incremental borrowing rate applied was 3.77%.

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

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

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

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

The financial impact on transition is as follows:

	£'000
Right of use assets	9,533
Prepayment assets derecognised	(389)
Lease liabilities	(9,481)
Accrual liabilities derecognised	20
Deferred tax asset recognised on transition	61
Retained earnings on transition at 1 July 2019	(256)

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

1. Accounting policies (continued)

Accounting policy applied from 1 July 2019

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

From 1 July 2019, leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right–of–use asset is depreciated over the lease term on a straight–line basis, unless the useful life of the asset is shorter than the lease term. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Payments associated with short–term leases and leases of low–value assets (defined as those with a weekly lease payment of less than £25) are recognised on a straight–line basis as an expense.

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

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

The lease payments are discounted using the appropriate incremental borrowing rate specific to each lease within each asset class.

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

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

1. Accounting policies (continued)

Basis of accounting (continued)

New standards, amendments and interpretations issued but not effective or yet to be endorsed by the EU are as follows:

- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8 on the Definition of Material (effective 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective 1 January 2020).
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions (effective 1 June 2020)
- IFRS 17 'Insurance Contracts' (effective 1 January 2023).
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities as current or non-current (effective 1 January 2022)

The Company has yet to assess the full impact of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Company.

Covid-19

The Covid-19 outbreak has developed rapidly in 2020. Measures taken to contain the virus have affected the wider economy and directly impacted on the Company's trading results. The Company continued to operate sites where possible, in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. In light of the pandemic, the Company has performed a further review of its accounting policies and consider they remain appropriate. Some of the key points and clarifications resulting from this review are highlighted below:

The main impact to the trading results has been to the revenue and margin shortfall resulting from lockdown and to the ongoing costs incurred on projects which ultimately have not fulfilled performance obligations under IFRS 15 as efficiently as expected (or not at all). The Company continues to recognise these costs as incurred (in accordance with IFRS 15 paragraph 98), and the associated revenue to the extent it is highly probable not to result in a significant reversal, adjusting for the measure of progress in accordance with IFRS 15: B19 (a). When measuring progress towards completion of a performance obligation recognised over time, future costs include costs associated with the new working guidelines in respect of Covid-19 secure environment, providing such costs are expected to contribute to the satisfaction of the performance obligation. Inefficient costs and any costs that are not expected to contribute to the satisfaction of the performance obligation are excluded when measuring progress and are expensed through the trading results (not exceptional items).

The Company has utilised the Government's Job Retention Scheme. The grant income received has been accounted for in accordance with IAS 20, and has been offset against the costs incurred in line with our existing accounting policy in the Income Statement.

The Company has reviewed any potential impairment indicators of both financial and non-financial assets (in accordance with IAS 36 and IFRS 9 in particular), especially where operations have been curtailed or customers are in financial distress

Going concern

The Company is part of the wider Galliford Try Holdings plc group (the "Group"), and the directors of the Group have assessed the full cash requirements of the Company over the coming 12 months. As at 30 June 2020, the Group had substantial cash balances, no debt, and a strong forward secured order book.

1. Accounting policies (continued)

Going concern (continued)

The directors regularly review the working capital requirements of the Company as part of the Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country. All sites have since re-opened and appropriate operating procedures adopted, including social distancing measures. The Group is forecast to continue to meet obligations and remain cash positive.

The directors of the Group have provided a letter of support that the Group will provide sufficient operational and financial support to the Company to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on its business without curtailment for the foreseeable future. Given the financial strength of the wider Group the Directors consider that this financial support will enable the Company to discharge its obligations in the ordinary course of business for a period of at least twelve months from the date when the financial statements are authorised for issue. The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting estimates and judgments

The preparation of the 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. 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:

Estimation of costs to complete and loss provisions

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 allocate total costs of the construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation.

The estimation of final contract value includes assessments of the recovery of variations which have yet to be agreed with the client, compensation events and claims where these meet the criteria set out in the Company's accounting policies and are in accordance with IFRS 15 Revenue from Contracts with Customers and are therefore highly probable to be agreed. The amount of these variations and claims can be substantial and at any time, these are often not fully agreed with the customer due to timing and requirements of the normal contractual process.

The Company recognises recoveries of claims from clients in certain situations where clear entitlement has been established such as through dispute-resolution processes. Therefore, assessments are based on an estimate of the potential cost impact of the compensation events and revenue is constrained to the extent that amounts that the Company believes are highly probable of not being subject to a significant reversal.

1. Accounting policies (continued)

Exceptional items

Exceptional items are material or significant irregular items of income and expense which the Company believes should be disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Company 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.

Basis of consolidation

These separate financial statements contain information about Galliford Try Construction Limited (formerly Galliford Try Building Limited) as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Galliford Try Holdings plc, a listed company incorporated and domiciled in England and Wales.

Revenue and profit

Revenue is recognised when the Company 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 Company estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future period. Revenue also includes the Company's proportion of work carried out under jointly controlled operations.

Where a modification to an existing contract occurs, the Company 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 is recognised as follows:

Construction contracts

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. The estimated final value includes variations, compensation events and claims where it is highly probable that there will not be a significant reversal. Provision will be made against any potential loss as soon as it is identified.

Cost-reimbursable contracts - revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once 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.

The recognition of expected reimbursements resulting from certain third-party claims (previously accounted for under IAS 11 Construction Contracts) is accounted in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This requires recovery to be 'virtually certain before an asset can be recognised.

1. Accounting policies (continued)

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.

Government grants

Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. The grants are recognised in the income statement over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Interest income and expense

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Dividend policy

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

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.

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the exception of the initial recognition of goodwill arising on an acquisition.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the comprehensive income, when it is charged or credited there.

1. Accounting policies (continued)

Property, plant and equipment

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.

Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life. The annual rates of depreciation are as follows:

On cost or reducing balance:

Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation, the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified. The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

Repairs and maintenance expenditure is expensed as incurred on an accruals basis.

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 costs.

The Company operates schemes under which part of the agreed sales price for a residential property can be deferred for up to 25 years. The fair value of these assets is calculated by taking into account forecast inflation in property prices and discounting back to present value using the effective interest rate. Provision is also made for estimated default to arrive at the initial fair value. The unwinding of this discount included on initial recognition at fair value is recognised as finance income in the year.

The Company applies equity accounting for its investments in PPP/PFI entities. These investments are treated as associates as the Company has significant influence over them. On initial recognition the investments in these entities are recognised at cost, and carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the PPP/PFI entities after the date of acquisition. The Company's share of the investments' profits or losses are recognised in the profit or loss net of any impairment losses. Distributions received in the profit or loss net of any impairment losses. Distributions received reduce the carrying amount of the investments.

The debt element of the Company's PPP/PFI entities is accounted for under IFRS 9 'Financial instruments' with fair value movements recorded in other comprehensive income, with recycling of gains and losses through the income statement.

1. Accounting policies (continued)

Leases

Leases for all comparative periods have been accounted for under IAS 17. Under this standard, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Rentals under operating leases were charged to the income statement on a straight-line basis over the lease term. IFRS 16 is applicable to all accounting periods beginning on or after 1 July 2019. In accordance with IFRS 16, leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right–of–use asset is depreciated over the lease term on a straight–line basis, unless the useful life of the asset is shorter than the lease term.

Trade and other 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 cost of sales in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment of financial assets

IFRS 9 establishes a new model for recognition and measurement of impairment in financial assets. Loans and receivables apply the "expected credit losses" (ECL) model. 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 Company 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. Bank overdrafts are also included as they are an integral part of the Company's cash management.

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.

Bank and other borrowings

Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value net of transaction costs incurred. Such borrowings are subsequently stated at amortised cost with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

1. Accounting policies (continued)

Bank and other borrowings (continued)

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method. Re-financing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land), in due course, to cost of sales in the income statement.

Retirement benefit obligations

The Company operates a defined contribution pension scheme. The pension cost charge disclosed in note 4 represents contributions payable by the Company to the fund. Contributions to the defined contribution schemes are determined as a percentage of employee earnings and are charged to the income statement on an accruals basis.

Share based payments

The Company 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. 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 Company 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.

2. Revenue

Revenue and profit are recognised as follows:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed price	A number of projects are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. The Company 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 are undertaken using open-book/cost-plus (possibly with a pain/gain share mechanism) contracts. Contracts are typically accounted for as a single performance obligation with the majority of these contracts including a build phase only. The Company 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.
Framework	Projects can be undertaken under an overall framework agreement (possibly granted on a regulatory cycle, such as for water contracts), with work performed under individual work orders submitted by the customer and governed by the terms of the framework agreement (often including a schedule of rates and a pain/gain element). Individual work orders will typically consist of a single deliverable or job and are anticipated to comprise only a single deliverable (and consequently performance obligation). Revenue is therefore recognised over time based on an input model (reference to costs incurred to date).

Disaggregation of revenue

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

The revenue disaggregation below represents the Company's underlying revenue.

Timing of revenue recognition	**2020** **£'000**	2019 £'000
Over time	**697,189**	867,854

2. Revenue (continued)

Transaction price allocated to the remaining performance obligations

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 2020	2021 £'000	2022 £'000	2023 onwards £'000	Total £'000
Building	519,343	172,875	10,312	702,530

Revenue – year ended 30 June 2019	2020 £'000	2021 £'000	2022 onwards £'000	Total £'000
Building	575,900	128,500	4,800	709,200

Any element of variable consideration is estimated at a value that is highly probable not to result in future reversal.

3. Exceptional items

	2020 £'000	2019 £'000
Cost of sales	**1,839**	–
Administrative expenses	**192**	908
	2,031	908

During the year, the Company reported an exceptional charge of £2,031K (2019: £908K). This is in respect of the restructuring exercise completed following the disposal of the housebuilding operations to Vistry plc by the Galliford Try group, in addition to the impact of the Covid-19 pandemic, to reflect the ongoing size and structure of the Company.

4. Employees and directors

Employee benefit expense for the Company for the year is:

	2020 £'000	2019 £'000
Wages and salaries	**70,701**	80,163
Redundancy and termination costs	**2,031**	163
Social security costs	**8,008**	9,078
Other pension costs	**7,556**	7,573
Share-based payments	**104**	300
	88,400	97,277

The average monthly number of people including executive directors employed is:

	2020 Number	2019 Number
By activity:		
Production and sales	**1,164**	1,119
Administration and support	**146**	140
Management	**78**	75
Average number of employees during the year	**1,388**	1,334

4. Employees and directors (continued)

The disclosure above includes employees who are employed by Galliford Try Employment Limited, a fellow subsidiary company, who are seconded to Galliford Try Construction Limited (formerly Galliford Try Building Limited) and their costs are recharged to the Company accordingly.

Highest paid director

	2020 £'000	2019 £'000
Aggregate emoluments	**465**	435
Company pension contributions to money purchase schemes	**54**	50
	519	485

Aggregate directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	**2,676**	2,788
Company pension contributions to money purchase schemes	**238**	359
Total	**2,914**	3,147

The emolument of B Hocking is paid by other subsidiaries within the Galliford Try Holdings plc Group. He is also the director of fellow subsidiaries of Galliford Try Holdings plc and it is not possible to make an accurate apportionment in respect of his emolument to this subsidiary. Accordingly, the above details include no emoluments in respect of this director. His emolument is disclosed in the consolidated Group annual report and financial statements of Galliford Try Holdings plc for the year ended 30 June 2020.

5. Interest payable and similar charges / interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable and similar income		
-on gross cash balances (note 15)	**709**	3,721
Total interest receivable and similar income	**709**	3,721
Interest payable and similar charges		
-on gross overdraft balances (note 15)	**(3,187)**	(5,026)
-Other interest (including interest on lease liabilities)	**(214)**	(90)
Total interest payable and similar charges	**(3,401)**	(5,116)
Net finance cost	**(2,692)**	(1,395)

6. Loss on ordinary activities before taxation

The following items have been included in arriving at the loss on ordinary activities before taxation:

	2020 £'000	2019 £'000
Employee benefits expense	**88,400**	97,277
Depreciation of property, plant and equipment		
- Owned assets	**90**	125
- Leased assets	**4,308**	–
Repairs and maintenance expenditure on property, plant and equipment	**449**	474

Services provided by the Company's auditors

During the year the Company obtained the following services from the Company's auditors at costs as detailed below:

Fees payable to the Company's auditors for the audit of the financial statements	–	77

In the current year, the auditors' fee is born by Galliford Try Services Limited, a fellow subsidiary of Galliford Try Holdings plc. In the prior year, the fee represents amounts paid to the previous auditor.

7. Tax on loss

	2020 £'000	2019 £'000
Current tax for the year	**10,474**	4,917
Deferred tax credit	**(111)**	–
Adjustments in respect of prior years:		
Current tax	**1,768**	(473)
Deferred tax	**1,052**	–
Income tax credit	**13,183**	4,444

The total income tax credit for the year of £13,183k (2019: £4,444k) is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	**(56,697)**	(21,995)
Loss before income tax multiplied by the standard rate in the UK of 19.0% (2019: 19.0%)	**10,772**	4,179
Expenses not deductible for tax purposes	**(24)**	(13)
Non-taxable income	–	445
Adjustments in respect of prior years	**2,820**	(473)
Other	**(385)**	306
Income tax credit	**13,183**	4,444

8. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 01 July 2019	41	1,249	1,290
Additions	–	151	151
At 30 June 2020	**41**	**1,400**	**1,441**
Accumulated depreciation			
At 01 July 2019	41	951	992
Charge for the year	–	90	90
At 30 June 2020	**41**	**1,041**	**1,082**
Net book amount			
At 30 June 2020	–	**359**	**359**
At 30 June 2019	–	298	298

There has been no impairment of property, plant and equipment during the year (2019: £Nil).

9. Leases

This note provides information for leases where the Company is a lessee.

Right of use assets

	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 July 2019 (on transition to IFRS16)	4,274	1,712	3,548	9,534
Additions	**98**	**1,071**	**2,369**	**3,538**
Disposals	**(332)**	**(913)**	–	**(1,245)**
At 30 June 2020	**4,040**	**1,870**	**5,917**	**11,827**
Accumulated depreciation				
At 01 July 2019 (on transition to IFRS 16)	–	–	–	–
Charge for the year	**962**	**1,578**	**1,774**	**4,314**
Disposal	**(44)**	**(406)**	**(5)**	**(455)**
At 30 June 2020	**918**	**1,172**	**1,769**	**3,859**
Net book amount				
At 30 June 2020	**3,122**	**698**	**4,148**	**7,968**
At 1 July 2019 (on transition to IFRS16)	4,274	1,712	3,548	9,534

Lease liabilities

	2020 £'000	2019 £'000
Current	**3,538**	–
Non-current	**4,632**	–
Total lease liabilities	**8,170**	–

9. Leases (continued)

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

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	**4,314**	–
Interest expense (included in finance cost)	**214**	–
Expenses relating to short term leases and leases of low value	**3,886**	
Total expenses	**8,414**	–

The Company has not early adopted the Amendment to IFRS 16 Covid-19 Related Rent Concessions (effective 1 June 2020). The amendment is optional and is not expected to have a material impact.

10. Investments in subsidiaries

	£'000
Cost	
At 01 July 2019	69
At 30 June 2020	**69**
Aggregate impairment	
At 01 July 2019	–
At 30 June 2020	–
Net book value	
At 30 June 2020	**69**
At 30 June 2019	69

The carrying value of investments has been reviewed and the directors are satisfied that there is no impairment.

The Company holds 100% of the ordinary £1 shares in its subsidiaries, unless otherwise stated. All the subsidiary companies were incorporated in England and Wales.

The subsidiary undertakings of the Company are:

Name	Registered office or principal place of business	Proportion of capital held
Galliford Try HPS Limited	Cowley Business Park, Uxbridge UB8 2AL	100%
GT Asset 24 Limited	PO Box 17452, 2 Lochside View, Edinburgh EH2 1LB	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	100%
Kingseat Development 3 Limited	13 Queen's Road, Aberdeen AB15 4YL	100%

11. PPP / PFI and Other investments

	£'000
At 1 July 2018 and 30 June 2019	278
At 30 June 2020	**278**

12. Developments

	2020 £'000	2019 £'000
Land	–	697
Work in progress	–	208
	–	905

13. Trade and other receivables

	2020 £'000	2019 restated (note 20) £'000
Amounts falling due within one year:		
Trade receivables	**16,623**	50,561
Contract assets	**105,475**	113,281
Amounts owed by Group undertakings	**50,972**	156,648
Other debtors	**4,818**	412
Recoverable value-added tax	**6,327**	8,700
Prepayments	**2,736**	42,329
	186,951	371,931

Amounts owed by Group undertakings are non-interest bearing, unsecured and are repayable on demand.

14. Corporation tax receivable

	2020 £'000	2019 £'000
Corporation tax recoverable	**15,639**	10,960

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the Company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

15. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**102,251**	78,286

It should be noted that cash and cash equivalents and bank overdrafts are presented on a net (offset) basis in the current year whereas they were presented on a gross basis in the prior year. 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 Company's bank arrangements and facilities with both HSBC Bank plc and Barclays Bank plc provide the legally enforceable right to offset and in the current year, the Group demonstrated its intention to offset by formally sweeping the balances. Consequently, the balances have been offset in the financial statements in 2020.

Treasury is managed by Galliford Try Services Limited, a fellow subsidiary of Galliford Try Holdings plc, on behalf of the Group and all subsidiary entities, and those entities earn interest at a rate of 1.5% on bank deposits and are charged 6.5% on bank overdrafts. It should be noted that interest income has been earned on gross cash balances and interest expense has been charged on gross overdraft balances (note 5).

16. Trade and other payables

	2020 £'000	2019 restated (note 20) £'000
Trade payables	**55,466**	102,629
Contract liabilities	**80,278**	107,594
Amounts owed to Group undertakings	**109,036**	72,222
Amounts owed to joint ventures	–	7,601
Other taxation and social security, payable	**997**	4,056
Other creditors	**15**	1
Accruals	**88,604**	151,364
	334,396	445,467

Other payables are unsecured. Amounts owed to fellow group undertakings are non-interest bearing, unsecured and repayable on demand.

17. Bank borrowings and overdrafts

	2020 £'000	2019 £'000
Current		
Bank borrowings and overdrafts	–	1,643

Refer to note 15 for disclosure on cash and cash equivalents which include any overdraft facilities.

18. 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 Company's balance sheet.

	Contract assets £'000	**Contract liabilities £'000**
At 1 July 2019	113,281	(107,594)
Revenue recognised of which relates to performance obligations satisfied in the current year	**638,936**	**58,253**
	752,217	**(49,341)**
Transfers in the period from contract assets to trade receivables	**(646,742)**	–
Net cash received in advance of performance obligations being fully satisfied	–	**(30,937)**
At 30 June 2020	**105,475**	**(80,278)**

19. Deferred taxation

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 19.0% (2019: 19.0%).

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 2020 was:

	2020 £'000	2019 (restated – note 20) £'000
Deferred tax assets	**1,227**	255

The movement for the year in the net deferred income tax account is as shown below:

	2020 £'000	2019 (restated - note 20) £'000
At 1 July 2019	**225**	35
Adjustment as a result of transitioning to IFRS 16 on 1 July 2019	**61**	–
Income statement:		
Adjustment to prior year's deferred income tax	**1,052**	190
Deferred tax credit	**(111)**	–
At 30 June 2020	**1,227**	225

Deferred income tax assets have been recognised in respect of all the losses and other temporary differences because it is probable that these will be recovered.

20. Share capital and reserves

Allotted and fully paid ordinary shares of £1	Number of shares	Share Capital £'000	Reserves £'000	Total £'000
At 01 July 2018 (as originally reported)	15,000,000	15,000	42,387	**57,387**
Restatement as a result of correction of previous error[1,2,3]	–	–	(29,475)	**(29,475)**
As at 1 July 2018 (restated)	15,000,000	15,000	12,912	**27,912**
Adjustment as a result of transition to IFRS 15 on 1 July 2018 (restated[2])	–	–	(4,819)	**(4,819)**
Adjusted equity at 01 July 2018	15,000,000	15,000	8,093	**23,093**
Loss for the financial year	–	–	(17,551)	**(17,551)**
Capital contribution	–	–	10,000	**10,000**
Share based payments	–	–	300	**300**
As at 30 June 2019 (restated)	15,000,000	15,000	842	**15,842**
Adjustment as a result of transition to IFRS 16 on 1 July 2019	–	–	(256)	**(256)**
At 01 July 2019	15,000,000	15,000	586	**15,586**
Loss for the financial year	–	–	(43,514)	**(43,514)**
Share based payments	–	–	104	**104**
At 30 June 2020	**15,000,000**	**15,000**	**(42,824)**	**(27,824)**

[1] In the prior years, there were debits totalling £18.3m (a debit of £16.7m in accruals, £4.5m in prepayments) and a credit of £2.9m in amounts due to joint ventures recorded in the company's financial statements. These balances were eliminated on consolidation for the Galliford Try plc group, however, they should have been historically eliminated within the company's financial statements. Consequently, a prior year adjustment has been recorded in the company's financial statements for the year-ended 30 June 2020 to correct this error, therefore reducing the retained earnings by £18.3m, increasing accruals by £16.7m, reducing prepayments by £4.5m and reducing amounts due to joint ventures by £2.9m of the company as at 30 June 2018 and as at 30 June 2019.

[2] The prior year adjustments include £10.4m of net assets recognised incorrectly at 30 June 2018 relating to downstream claims under IAS 11. This was derecognised on transition to IFRS 15 on 1 July 2018. On review of accounting at 30 June 2018, it was concluded that this should have been presented as the correction of error under IAS 11 at 30 June 2018 rather than a transition adjustment at 1 July 2018. Consequently, a prior year adjustment has been recorded in the company's financial statements for the year-ended 30 June 2020 to correct this error, therefore reducing the IFRS 15 transitional adjustment by £10.4m and reducing retained earnings as at 30 June 2018.

[3] Prior to the 2019 financial period, Galliford Try plc group recorded a provision of £1.0m in relation to a project which was not booked in the Company's financial statements. Therefore, this has been booked as a prior year adjustment increasing accruals by £1.0m with associated deferred tax of £0.19m and reducing the retained earnings by net of £0.81m as at 30 June 2018 and as at 30 June 2019.

Included within reserves is £20.0m (2019: £20.0m) of capital contribution from its immediate parent Galliford Try Construction & Investments Holdings Limited.

21. Guarantees and contingent liabilities

The ultimate parent company Galliford Try Holdings plc and Group subsidiary companies have entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of the group undertakings, including joint arrangements and joint ventures, in the normal course of the business amounting to £157.4m (2019: £239.2m).

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. Whilst 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 Company's financial position.

22. Share based payments

The Group operates a performance related share incentive plans for executives, this is discussed in the Group's annual report (refer to note 29). The Group also operates savings related option schemes ("SAYE"). The total charge for the year relating to employee share based payment plans was £0.1m (2019: £0.3m) all of which related to equity settled share based payment transactions.

Savings related share options

The Group operates an HM Revenue and Customs approved savings related option scheme ("SAYE") under which employees are granted an option to purchase ordinary shares in the Group at up to 20% less than the market price at grant, in either three or five years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees. No performance criteria are applied to the exercise of SAYE options. The options were valued using the binomial option-pricing model.

The weighted average fair value of awards granted during the year was nil (2019: 76p). There were 20,872 (2019: 4,455) share options exercised during the year ended 30 June 2020 at a weighted average exercise price of 868p (2019: 863p). The weighted average remaining contractual life is nil (2019: 2 years 4 months).

23. Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Construction & Investments Holdings Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is Galliford Try Holdings plc, which is registered in England and Wales. This is the only company into which the Company's results are consolidated. Copies of the consolidated group financial statements of Galliford Try Holdings plc are publicly available from Galliford Try Holdings plc, Blake House 3 Frayswater Place, Uxbridge, Middlesex, UB8 2AD.

25. Impact of the adoption of IFRS 16 Leases

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

	As originally reported at 30 June 2019 £'000	Impact of IFRS 16 £'000	As at 1 July 2019 £'000
Right of use assets	–	9,533	9,533
Lease prepayment assets (de-recognised)	–	(389)	(389)
Lease liabilities	–	(9,481)	(9,481)
Lease accrual liabilities (de-recognised)	–	20	20
Deferred tax (associated with leases)	–	61	61
Net impact on retained earnings on transition at 1 July 2019	–	(256)	(256)

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

	£'000
Operating lease commitment disclosed at 30 June 2019	(4,854)
Discounted at the incremental borrowing rate[1]	541
Leases previously not recognised as a liability	(5,168)
Lease liability recognised at 1 July 2019	(9,481)

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