

07:00 AM WEDNESDAY 20 SEPTEMBER 2023

GALLIFORD TRY HOLDINGS PLC
ANNUAL RESULTS STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

**Continued Earnings Momentum, Delivering Shareholder Value
and Improved Outlook**

- **Strong performance across all operations** delivering increased revenue and profit.
- **Pre-exceptional profit before tax increased by 23% to £23.4m** (2022: £19.1m) excluding the £2.8m contract settlement write-off previously announced.^{1,2}
- **Divisional operating margin of 2.4%** (2022: 2.4%), with increased confidence in our target margin of 3% by 2026.³
- **Improved annual dividend policy** of 1.8x cover to recognise the value of the PPP assets.
- **Final dividend payment of 7.5p up 29%** (2022: 5.8p), together with an interim dividend of 3.0p giving a total dividend for the financial year of 10.5p, up 31%.
- **Special dividend to shareholders of 12.0p per share**, as previously announced following resolution of a long running dispute, to be paid in October 2023.
- **Share buyback returned a further £10.6m to shareholders** during the year and is now over 90% complete.
- **Well-capitalised debt-free balance sheet**, average month end cash for the period of £135m (2022: £174m), PPP asset portfolio of £44.6m (2022: £47.5m) and no pension liabilities.
- **Improved outlook** with high quality £3.7bn order book (2022: £3.4bn) positioned across our chosen sectors and 92% of FY24 revenue already secured.
- **Increased confidence in FY24 outlook**, with pre-exceptional profit before tax expected to be at the upper end of the current range of analyst estimates⁴.
- **On track to deliver FY26 targets and our Sustainable Growth Strategy.**

	2023	2022	Change
Revenue	£1,394m	£1,237m	+12.6%
Operating profit before amortisation ^{1,2}	£21.9m	£18.5m	+18.4%
Divisional operating margin ³	2.4%	2.4%	-
Pre-exceptional profit before tax excluding contract settlement write off ^{1,2}	£23.4m	£19.1m	+22.5%
Statutory profit before tax	£10.1m	£5.4m	+87.0%
Pre-exceptional earnings per share ^{1,2}	18.9p	16.0p	+18.1%
Statutory earnings per share	8.7p	5.8p	+50.0%
Full year dividend per share	10.5p	8.0p	+31.3%
Average month-end cash	£135m	£174m	(22.4)%
Order book	£3.7bn	£3.4bn	+8.8%

1 Stated before exceptional items. Exceptional items relate to our investment in cloud-based computer software and, in 2022, the acquisition of nmcn.

2 FY23 is stated excluding the effect of the contract settlement announced on 8 June 2023. The equivalent balances would be pre-exceptional operating profit before amortisation of £19.1m; pre-exceptional profit before tax of £20.6m; and pre-exceptional earnings per share of 16.6p if stated including the effect of the contract settlement.

3 Divisional operating margin is defined as operating profit before amortisation as a percentage of revenue, and in FY23 excludes the effect of the contract settlement on 8 June 2023. It is stated for the combined Building and Infrastructure divisions.

4 The range of analysts' estimates for pre-exceptional profit before tax for the year ending 30 June 2024 is £24.0m to £28.0m based on forecasts at 13 September 2023.

Bill Hocking, Chief Executive, commented:

"Galliford Try continues to perform strongly and we are making good progress on our Sustainable Growth Strategy, of risk managed controlled growth - supporting our financial and non-financial targets to 2026.

Our commitment to robust risk management, careful contract selection and operational excellence continues to underpin our performance and prospects. We are doing what we said we would do, consistently delivering increased revenue and profit, supported by our great people, a strong balance sheet, excellent order book and good supply chain and client relationships.

Our high quality order book provides visibility and security of future workloads. Our business is not exposed to the short term economic cycle as our sectors are critical to the UK's future growth. Together with our excellent people and our strong balance sheet, this gives confidence in our ability to deliver our Sustainable Growth Strategy to 2026 and beyond and continue to provide long-term sustainable value for our stakeholders.

We are encouraged that the momentum in the business has carried into the first quarter of the new financial year and our expectations for the full year to June 2024 have now increased"

Enquiries:

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This announcement contains inside information. The person responsible for making this announcement on behalf of Galliford Try is Kevin Corbett, General Counsel & Company Secretary.

Investor presentations

A webcast presentation and conference call for Analysts and Investors will be held at 09:30am BST today, Wednesday 20 September 2023. To register for this event please follow this link:

https://brrmedia.news/GFRD_FY23

Should you wish to ask a question, please dial-in on +44 (03)330 551 quoting 'Galliford Try Full Year' when prompted by an operator, it will not be possible to submit a question via the webcast link.

An open presentation and Q&A session for retail investors will be held on 26 September 2023 at 2:00pm BST via the Investor Meet Company platform. Investors can register for the event via this link:

<https://www.investormeetcompany.com/galliford-try-holdings-plc/register-investor>

SUSTAINABLE GROWTH STRATEGY

Our strategy is to deliver high-quality buildings and infrastructure in a socially responsible way, while providing a sustainable return for our shareholders. The Group's strategic priorities are a progressive culture, socially responsible delivery, focus on quality and innovation, and sustainable financial returns.

Our Sustainable Growth Strategy balances financial targets with wider commitments and aspirations to create long term value for all our stakeholders. We are making good progress against our financial targets to 2026 with opportunities for further growth beyond then:

Objective	KPI	Target (2026)
Earning a sustainable return on the value we deliver.	Focus on bottom line margin growth	Divisional operating margin growth to 3.0%
	Disciplined contract selection and sustainable revenue growth	Revenue growth towards £1.6bn
	Maintain strong balance sheet	Operating cash generation
	Sustainable dividends	Improved dividend cover of 1.8x

Our strategy is designed to:

- retain our strong platform for sustainable growth, with a particular focus on our progressive culture, robust risk management and commercial discipline;
- improve our operational performance and drive margin progression; and
- deliver strong predictable cash flows, margin growth and sustainable returns.

Our financial targets will be achieved by continued selective bidding, improving operating margins and disciplined revenue growth in our existing markets of Infrastructure (formally our Highways business), Environment and Building. We will target further growth in complementary and adjacent markets, utilising our balance sheet strength to deliver increased margins. These adjacent markets, in which we are making good progress, include co-development of Private Rented Sector (PRS) schemes in Building; developing our green retrofit offering within our Facilities Management team; and increasing our capital maintenance and asset optimisation capabilities within our Environment business. In August 2023 the Group achieved completion on its first PRS co-development scheme.

Risk management and order book

The Group's established approach to strong risk management, commercial discipline and contract selection is one of the key enablers to delivering our Sustainable Growth Strategy. Our embedded culture of risk awareness has been particularly important to enable the business to mitigate the macroeconomic challenges of the last financial year, such as high inflation. This approach is reflected in the quality of our order book.

At 30 June 2023, the Group had a high-quality order book of £3.7bn (2022: £3.4bn), of which 87% is in the public and regulated sectors and 13% is in the private sector (2022: 91% and 9% respectively).

Frameworks, which provide good visibility of future revenue, amount to 82% of our order book (2022: 90%). Importantly, frameworks provide the certainty of a pipeline of work with repeat clients on established terms and conditions.

During the year ended 30 June 2023, Building and Infrastructure were appointed to contracts and frameworks worth over £999m and £659m including:

- the £5.1bn Defence Estate Optimisation Portfolio.
- the £4.5bn Southern Construction Framework.
- the £2.5bn Ministry of Justice Constructor Services Framework.
- the £600m Southern Water AMP8 Framework.
- the £140m Carlisle Southern Link Road.
- the £95m new custodial facility at HMP Rye Hill.
- the £81m Melton Mowbray Distributor Road.
- the £75m Brent Cross Residential Project and
- the £72m remodelling and refurbishment of Adelaide House, London.

The Group started the new financial year with 92% of planned revenue secured for the 2024 financial year (2022: 90%).

Dividends and capital allocation

Having reviewed the Group's results and the outlook, the Directors are recommending a final dividend of 7.5 pence per share which, subject to approval will be paid on 8 December 2023 to shareholders on the register at 10 November 2023. Together with the interim dividend of 3.0 pence per share paid in April, this will result in a total full year dividend for 2023 of 10.5 pence per share.

In addition the Board has previously declared a Special Dividend of 12 pence per share. The Special Dividend will be paid on 27 October 2023 to shareholders on the register as at 6 October 2023.

The Group's capital allocation priorities are:

- Strong balance sheet to support operations

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. The current outlook across our markets remains encouraging and supports our strategy. However the Group also 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 inflationary pressures of the last year, clearly demonstrate the value and importance of the Group's risk management framework and focus.

- Invest in the business

We are able to allocate capital to assist the development of our adjacent markets, as demonstrated by our acquisitions during the year of the water businesses of MCS Control Systems and Ham Baker. Our strong cash balance sheet enables the Group to react quickly to strategic opportunities, including bolt-on acquisitions that enhance our capabilities and increase value, and to continue to invest in enablers of growth such as digital capabilities.

- 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 as the business grows.

The Board's confidence in the outlook has led to an improved dividend policy, of earnings covering the dividend by 1.8 times. Alongside dividend growth from our operational performance, this improvement reflects the low-risk nature of the PPP asset portfolio and its annuity interest income, and provides a sustainable increase in dividend to shareholders while retaining capital to invest in growing the business.

- Returning excess cash

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. As previously announced, where average month-end cash and PPP assets increase above the level required, the Board will consider making additional returns to shareholders.

In line with this approach in June 2023 the Board declared a Special Dividend to be paid in October 2023, and in September 2022 the Group announced an initial share buyback programme to repurchase up to £15m of ordinary shares of 50 pence per share. The Board is satisfied with the progress of this buyback programme, with a total of 7,985,696 shares purchased and cancelled as at 15 September 2023, at a total cost of £14.1m.

CURRENT TRADING AND OUTLOOK

The Group has delivered another strong operational and financial performance in the year to 30 June 2023 with increased revenue and profit.

Our businesses are performing well and we are doing what we said we would do, consistently delivering increased dividends and revenue growth, supported by a strong balance sheet, excellent order book and good supply chain and client relationships. We will continue our disciplined approach to risk management and careful contract selection whilst operating sustainably.

The Group's 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. We have a pipeline of new opportunities across our chosen sectors in the public, regulated and private markets together with opportunities in complementary and adjacent markets where we have additional opportunities through our recently acquired businesses.

The Group's strong balance sheet, quality order book and the UK's planned investment in economic and social infrastructure mean we are well placed to meet our growth objectives for the new financial year, with pre-exceptional profit before tax expected to be at the upper end of the current range of analyst estimates.

FINANCIAL REVIEW¹

During the year the Group delivered another strong performance delivering an increase in revenue, operating profit and dividends.

Revenue for the year was up 12.6% at £1,393.7m (2022: £1,237.2m), primarily reflecting growth in Infrastructure as we benefited from increased AMP 7 spending and the first full year of trading following our acquisition of the water business of nmcn plc (in administration). Of the total, Building contributed revenue of £797.1m (2022: £789.1m) broadly in line with 2022 despite some delays to new contract starts through calendar year 2022, initially due to the increased length of client procurement in response to rising inflation and later due to delays in public sector decision making. These delays have now eased and the resulting contract awards provide excellent visibility into the new financial year. Infrastructure recorded revenue of £590.8m (2022: £441.9m), with substantial growth in Environment. PPP Investments' revenue was £5.8m (2022: £6.2m).

The Group's operating profit before amortisation was £19.1m (2022: £18.5m), including the profit on disposal of our interest in a joint venture arrangement. Excluding a previously announced one-off contract settlement (see below), operating profit before amortisation was £21.9m. This is stated adjusted for exceptional items. The combined divisional operating margin of 2.4% (2022: 2.4%) is in line with our margin improvement targets. This margin performance was delivered against a backdrop of macroeconomic challenges in 2022, including inflation, materials shortages and rising interest rates, and also after allowing for a £1m cost of living payment to employees in autumn 2022 and costs associated with two acquisitions in the year. The margin performance provides confidence against delivery of our 2026 financial targets.

The Group announced on 8 June 2023 that it had agreed settlement terms in respect of its longstanding dispute concerning three contracts with entities owned by a major infrastructure fund. The settlement brought to a conclusion a complex and challenging multi-contract dispute. 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 and had also previously assessed any expected credit loss provision in accordance with IFRS 9. As a result of the settlement a further one-off expected credit loss of £2.8m has been recognised in the current financial year.

Exceptional items of £10.5m were incurred in the year (2022: £13.7m), as set out in note 5 to the financial statements, relating to our investment in cloud-based Enterprise Resource Planning (ERP) finance, HR and commercial systems. These systems went into operation in summer 2023, and are part of our investment in our digital and data capabilities, which under updated accounting guidance, is not allowed to be capitalised. The exceptional items in 2022 related to the ERP investment (£6.0m) and the acquisition of the nmcn water business (£7.7m).

The Group's pre-exceptional profit before tax for the year was £20.6m (2022: £19.1m), or £23.4m excluding the one-off contract settlement. 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 or one-off items, such as 2023. Post-exceptional profit before tax was £10.1m (2022: £5.4m).

We recorded pre-exceptional earnings per share for the year of 16.6p (2022: 16.0p), or 18.9p excluding the one-off contract settlement. The post-exceptional earnings per share in 2023 was 8.7p (2022: 5.8p). Dividend per share of 10.5p is based on the adjusted EPS of 18.9p.

The table below reconciles profit before income tax to our alternative performance measure of pre-exceptional profit before income tax, which is a key metric for us when monitoring performance of the business.

	2023	2022
	£m	£m
Profit before income tax	10.1	5.4
Exceptional items	(10.5)	(13.7)
Pre-exceptional profit before income tax	20.6	19.1

The Group has no debt or defined benefit pension obligations, and at 30 June 2023 had a cash balance of £220.2m (2022: £218.9m). The Group operates with daily net cash and the average month-end cash balance in the year was £135m (2022: £174m). This demonstrates continued robust cash performance throughout the year, with the reduction compared to the prior year reflecting recent acquisitions, our investment in cloud based digital systems, some delays to contract starts, and in excess of £20m in dividends and capital returns in the year. We expect similar levels of average cash in FY24.

We continue to be proud of our collaborative and open approach with all our supply chain. Under the Prompt Payment Code we paid 98% of invoices within 60 days (2022: 98%), average payment being made in 26 days (2022: 25 days).

At 30 June 2023, we had a PPP portfolio of £44.6m (2022: £47.5m), reflecting a blended 7.3% discount rate (2022: 7.0%). This portfolio contributes to our balance sheet strength and generated interest income of £3.9m (2022: £3.9m) in the year.

We have modest working capital requirements. At 30 June 2023, net working capital employed was £268.5m (30 June 2022: £255.5m).

¹ Pre-exceptional items unless otherwise stated.

OPERATIONAL REVIEW

BUILDING

Building operates through nine regional businesses, serving a range of public and private sector clients across the UK, with a focus on the Education, Defence, Health and Justice sectors, where we have core and proven strengths. Building maintains a substantial presence in Scotland, operating as Morrison Construction. Our FM business continues to complement our operations by providing high-quality building maintenance services.

	2023	2022
Revenue (£m)	797.1	789.1
Operating profit before amortisation (£m)	18.5	18.9
Operating profit margin (%)	2.3	2.4
Order book (£m)	2,249	2,047

Building (which includes our FM business) generated revenue of £797.1m (2022: £789.1m) and an operating profit before amortisation of £18.5m (2022: £18.9m), which represents a margin of 2.3% (2022: 2.4%). Revenue is broadly in line with the previous year despite some delays to new contracts towards the end of the financial year, reflecting increased length of client procurement in response to rising inflation and some public sector delays. The margin change reflects the challenging macroeconomic conditions through the financial year, and we remain on track for our 2026 targets.

We continue to grow the capabilities of our FM operation, with a specific focus on decarbonising existing buildings through retrofit and other interventions.

Building won contracts and positions on frameworks worth over £999m, (2022: £945m). Significant appointments and wins for Building included:

- the £5.1bn Defence Estate Optimisation Portfolio.
- the £2.5bn Ministry of Justice Constructor Services Framework.
- the £95m new custodial facility at HMP Rye Hill.
- the £75m Brent Cross Residential Project and
- the £72m remodelling and refurbishment of Adelaide House, London.

Building's order book stands at £2,249m, compared to £2,047m last year including 25% in Education, 30% in Defence and Custodial, 15% in Facilities Management and 5% in Health.

INFRASTRUCTURE

Infrastructure carries out civil engineering projects across the UK, focused on Highways and Environment (incorporating our activities in water and wastewater). This business has established long term relationships with customers where we have a strong track record on capital delivery and a growing capability in capital maintenance and asset optimisation.

	2023	2022
Revenue (£m)	590.8	441.9
Operating profit before amortisation (£m)	14.5	10.8
Operating profit margin (%)	2.5	2.4
Order book (£m)	1,464	1,396

Infrastructure's revenue was £590.8m (2022: £441.9m). As expected, revenue increased due to the higher level of activity from the AMP7 programme in the water sector and the first full year of trading following the acquisition of the acquired water operations of nmcn plc (in administration). Infrastructure generated an operating profit before amortisation of £14.5m (2022: £10.8m) which represents a margin of 2.5% (2022: 2.4%). The improved profit performance is in line with our expectations, and includes the benefit of new contract frameworks.

During the year the Group acquired the water businesses of MCS Control Systems and Ham Baker providing the Group with further geographic scale and increased capabilities in the water sector.

Infrastructure won contracts and positions on frameworks worth £659m (2022: £466m). These included:

- the £600m Southern Water AMP8 Framework;
- the £140m Carlisle Southern Link Road;
- two frameworks for Welsh Water; and
- the £81m Melton Mowbray Distributor Road.

Infrastructure's current order book is £1,464m, compared to £1,396m last year, including £626m in Infrastructure (Highways) and £838m in Environment.

PPP INVESTMENTS

PPP Investments delivers major building and infrastructure projects through public-private partnerships and co-development opportunities in the Private Rented Sector, generating work for the wider Group in the process.

	2023	2022
Revenue (£m)	5.8	6.2
Profit/(loss) from operations (£m)	1.4	(0.9)
Net interest income	3.8	3.9
Directors' valuation (£m)	44.6	47.5

With the reduction in traditional PPP/PFI bidding opportunities, PPP Investments' main focus is co-development of Private Rented Sector (PRS) projects. The Group achieved completion on its first PRS scheme in August 2023. The development will see the creation of 272 one and two bedroom apartments in a 30-storey tower, close to the centre of Cardiff. At the year-end the business was preferred bidder on three further PRS schemes with a gross development value of c£250m and anticipates further opportunities in the future.

At the year end, the directors' valuation of our PPP portfolio was £44.6m (2022: £47.5m), which is the fair value included in the balance sheet reflecting a blended discount rate of 7.3% (2022: 7.0%). The valuation compared with a value invested of £35.2m (2022: £35.7m). There is an active secondary market for these assets, which generated an annuity interest income of £3.9m (2022: £3.9m) and contributes to our balance sheet strength.

ENVIRONMENT, SOCIAL and GOVERNANCE (ESG)

Operating sustainably helps us to win work, engages our employees, benefits communities and the environment, and makes us more efficient. This is why ESG is an integral part of our strategy, and at the core of how we deliver stakeholder value. We monitor progress against the six pillars of our sustainability strategy, which are mapped to the UN Sustainable Development Goals, as set out below:

Health and Safety

Health and Safety is the number one priority for our business, with our commitment to no harm leading the actions that we take to keep each other safe every day. This was, once again, highlighted in our Employee Survey, where respondents stated that we give health and safety the highest priority.

As part of our drive for no harm, we made a concerted effort to address our Lost Time Frequency Rate (LTFR), which measures every incident that results in an employee taking more than a day away from work. During the year this figure improved from 0.26 to 0.20. Our Accident Frequency Rate (AFR), which measures where the number of injuries resulting in more than seven days away from work, rose to 0.09 from 0.06.

In March, we appointed a new leader for our Challenging Beliefs, Affecting Behaviour Programme (CBAB) to reinvigorate our efforts to address accident behaviour linking wider elements of the business' strategy such as wellbeing and quality into the programme that can influence behaviour.

People

Attracting, developing and retaining quality talent is a cornerstone of our strategy. During the year, we made significant investment in our Employee Value Proposition (EVP), acknowledging the correlation between a strong EVP and engaged employees. This included the launch of our People Pledge - 'Grow Together' campaign, which showcases the unique set of benefits such as culture, compensation, career development, work-life balance, stability and location that our people receive in return for the skills, capabilities and experience they bring.

We also launched our internal mobility programme, Explore, to ensure we retain the talent we have built up by enabling our people to move between roles and location within our organisation, rather than seeking external moves, to meet their professional and personal needs.

We pride ourselves on being people-orientated, progressive and inclusive, and we sought our first Equity, Diversity and Inclusion (EDI) rating from Clear Assured. In January 2023, we achieved Bronze under this standard for our commitment to embedding inclusive practices across our organisation. We have set our sights on improving this rating and have established an inclusion team. Early careers (apprentices, trainees and graduates) remain a key area of focus as they help us grow our own talent, so we were pleased to be voted number one Graduate Employer in Construction and Civil Engineering, and second for apprentices in a list compiled by TheJobCrowd, based on employee feedback. We also received our second Gold Award from The 5% Club's Employer Audit Scheme for our approach to 'earn and learn' opportunities for young people. In recognition of the increased costs of living challenge, we took early action and, in October 2022, paid a one-off cost of living payment of up to £750 to more than half our employees and additionally became early adopters of the new rate of the Real Living Wage.

Environment and Climate Change

We champion the role we have to play in decarbonising the environment for a greener, more sustainable future and reduced our scope 1 and 2 emissions by a further 5.6% on a like-for-like basis, thanks to a number of ongoing initiatives.

Having pledged to achieve net zero carbon across our own operations by 2030 and all activities by 2045, we performed a full inventory of our Scope 3 emissions which enabled us to set near-term emissions reduction targets which have subsequently been validated by the Science Based Targets initiative (SBTi).

We participated in the Carbon Disclosure Project (CDP), a global disclosure system for organisations to manage their environmental impacts, and, in our first submission as a construction company, achieved a climate change score of 'C' – Awareness Level. Making public disclosures through CDP provides transparent reporting of our carbon reduction targets, initiatives and performance, and how we are managing the risks and opportunities presented by climate change. The score achieved provides a baseline against which we can monitor the progress we are making in managing climate-related issues.

We continue to invest in our capabilities to support clients to deliver low and net zero carbon projects and recruited a team of new low carbon managers across our business.

We have embedded our Net Zero Partners programme, an initiative to collaborate closely with our supply chain and design consultants to help everyone in the industry reach their net zero carbon targets. We have also reviewed and updated our environmental strategy, which now includes the ambition to deliver a biodiversity net gain of 10% across the business.

Communities

Delivering a legacy of positive social value outcomes is increasingly important for our clients and employees. Digitalising how we measure our contributions is improving our ability to capture more of the good work we do. Since FY22, we have delivered over £650m in social and local economic value by providing employment, work for the local supply chain, and opportunities for training and apprenticeships.

We continue to take part in the Considerate Constructors Scheme (CCS), which assesses sites on their approach to communities, the environment and workforce. We increased our average CCS score from 41.8 to 43.4, which is above the industry average of 40.0.

Clients

Delivering excellence for our clients is key to the long-term sustainability of our business. Our approach is reflected by the fact that 87% of our order book is repeat business (2022: 94%) and we have already secured 92% of our order book for FY24 (2022: 90%).

Quality is one of the biggest challenges facing the construction industry today, with contractors striving to achieve the level of quality expected every day in the buildings and infrastructure that they deliver. Our approach is to embed quality into our designs and to follow through into project delivery and handover. This is supported by Modern Methods of Construction, and our Business Management System (BMS), which contains the processes and templates required to provide quality assurance at every step of a projects journey, irrespective of size and complexity. We are developing our digital tools and have an entirely digitised approach to project delivery, improving safety, quality and collaboration, and reducing carbon. Galliford Try become one of the first contractors to be awarded Building a Safer Future Champion status.

Our increasing capability in supporting clients to design, build and maintain low carbon infrastructure and buildings is recognised by our selection to be on two of the working groups developing the UK Net Zero Carbon Buildings Standard (NZCBS), a cross-industry initiative which will provide a single agreed definition and methodology for the industry to determine what constitutes a net zero carbon building.

Supply Chain

The majority of our work is delivered in partnership with our supply chain so we align key supply chain members with our culture and develop collaborative relationships that improve social, environmental and economic outcomes. This is led through our Advantage through Alignment (AtA) programme and 58% of our core Aligned trades spend is now with Aligned subcontractors. Training and education remain a key theme beyond AtA, and we continue to offer our CBAB and Net Zero Programmes to key supply chain members.

We are signatories of the Prompt Payment Code, and pay 98% of invoices within 60 days (FY22: 98%), with the average days to pay of 26 days. We are also making progress against the additional metric of paying 95% of invoices from suppliers with fewer than 50 employees within 30 days.

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

BOARD

As previously announced Alison Wood became Chair on 21 September 2022, when Peter Ventress stepped down from the role. On 31 March 2023, Gavin Slark, Non-executive Director, resigned from the Board, after over seven years. On 1 June 2023 Michael Topham joined the board as a Non-executive Director.

Also as previously announced Terry Miller, Senior Independent Director, Non-executive Director and Chair of the Remuneration Committee, will step down in October 2023 having served just over 9 years on the board. Sally Boyle Non-executive Director, who joined the board on 26 April 2022, will assume the role of Chair of the Remuneration Committee on Terry stepping down.

The Board thanks Peter, Gavin and Terry for their significant contributions to the Group over many years and wishes them every success in the future.

Consolidated income statement
for the year ended 30 June 2023

		2023			2022		
	Notes	Pre-Exceptional items £m	Exceptional items (note 5) £m	Total £m	Pre-Exceptional items £m	Exceptional items (note 5) £m	Total £m
Revenue	4	1,393.7	–	1,393.7	1,237.2	–	1,237.2
Cost of sales		(1,292.3)	–	(1,292.3)	(1,151.5)	(5.8)	(1,157.3)
Gross profit/(loss)		101.4	–	101.4	85.7	(5.8)	79.9
Other income		3.6	–	3.6	–	–	–
Administrative expenses		(86.1)	(10.5)	(96.6)	(69.9)	(7.9)	(77.8)
Impairment of financial assets	13	(2.8)	–	(2.8)	–	–	–
Operating profit/(loss)		16.1	(10.5)	5.6	15.8	(13.7)	2.1
Share of post-tax profits from joint ventures		–	–	–	0.4	–	0.4
Finance income	6	6.3	–	6.3	4.3	–	4.3
Finance costs	6	(1.8)	–	(1.8)	(1.4)	–	(1.4)
Profit/(loss) before income tax		20.6	(10.5)	10.1	19.1	(13.7)	5.4
Income tax (expense)/credit	7	(3.1)	2.1	(1.0)	(1.7)	2.6	0.9
Profit/(loss) for the year		17.5	(8.4)	9.1	17.4	(11.1)	6.3
Earnings per share							
Basic							
> Profit attributable to ordinary shareholders	9	16.6p		8.7p	16.0p		5.8p
Diluted							
> Profit attributable to ordinary shareholders	9	15.6p		8.1p	15.0p		5.5p

Consolidated statement of comprehensive income
for the year ended 30 June 2023

	Notes	2023 £m	2022 £m
Profit for the year		9.1	6.3
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in fair value of PPP and other investments	12	(2.4)	(0.9)
<i>Total items that may be reclassified subsequently to profit or loss</i>		(2.4)	(0.9)
Other comprehensive expense for the year net of tax		(2.4)	(0.9)
Total comprehensive income for the year		6.7	5.4

Balance sheet

		Group	
	Notes	30 June 2023 £m	30 June 2022 £m
Assets			
Non-current assets			
Intangible assets	10	5.6	8.8
Goodwill	11	92.7	88.2
Property, plant and equipment		7.2	7.1
Right-of-use assets		38.6	24.5
Investments in joint ventures		–	0.3
PPP and other investments	12	44.6	47.5
Deferred income tax assets	18	15.5	14.0
Total non-current assets		204.2	190.4
Current assets			
Trade and other receivables	13	286.5	243.0
Current income tax assets		1.8	3.1
Cash and cash equivalents	14	220.2	218.9
Total current assets		508.5	465.0
Total assets		712.7	655.4
Liabilities			
Current liabilities			
Trade and other payables	15	(525.1)	(471.1)
Lease liabilities		(14.9)	(9.9)
Provisions for other liabilities and charges	16	(29.9)	(27.4)
Total current liabilities		(569.9)	(508.4)
Non-current liabilities			
Lease liabilities		(24.2)	(14.9)
Total non-current liabilities		(24.2)	(14.9)
Total liabilities		(594.1)	(523.3)
Net assets		118.6	132.1
Equity			
Ordinary shares		52.4	55.5
Other reserves	20	135.3	132.2
Retained earnings	20	(69.1)	(55.6)
Total equity attributable to owners of the Company		118.6	132.1

Consolidated statement of changes in equity
for the year ended 30 June 2023

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 30 June 2021		55.5	–	118.4	(39.8)	134.1
Profit for the year		–	–	–	6.3	6.3
Other comprehensive expense		–	–	–	(0.9)	(0.9)
Total comprehensive income for the year		–	–	–	5.4	5.4
Transactions with owners:						
Dividends	8	–	–	–	(6.3)	(6.3)
Purchase of shares		–	–	–	(3.4)	(3.4)
Share-based payments	19	–	–	–	2.3	2.3
Recycling of retained earnings to merger reserve on reversal of impairment of investment in Galliford Try Limited	20	–	–	13.8	(13.8)	–
At 30 June 2022		55.5	–	132.2	(55.6)	132.1
Profit for the year		–	–	–	9.1	9.1
Other comprehensive expense		–	–	–	(2.4)	(2.4)
Total comprehensive income for the year		–	–	–	6.7	6.7
Transactions with owners:						
Dividends	8	–	–	–	(9.6)	(9.6)
Purchase of shares		–	–	–	(14.0)	(14.0)
Share-based payments	19	–	–	–	3.4	3.4
Cancellation of shares	20	(3.1)	–	3.1	–	–
At 30 June 2023		52.4	–	135.3	(69.1)	118.6

Statement of cash flows
for the year ended 30 June 2023

		Group	
	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit for the year		9.1	6.3
Adjustments for:			
Income tax expense/(credit) – continuing operations	7	1.0	(0.9)
Net finance income – continuing operations	6	(4.5)	(2.9)
Profit before finance costs for continuing operations		5.6	2.5
Depreciation, amortisation and impairment of non-current assets	10	17.1	14.5
Profit on disposal of joint venture	12	(3.6)	–
Share-based payments	19	3.4	2.3
Share of post-tax losses/(profits) from joint ventures		–	(0.4)
Impairment of financial asset	13	2.8	–
Other non-cash movements		(0.2)	–
Net cash generated from operations before changes in working capital		25.1	18.9
(Increase)/decrease in trade and other receivables	13	(43.3)	1.2
Increase in trade and other payables	15	47.7	6.7
Increase/(decrease) in provisions	16	2.5	(11.3)
Net cash generated from operations		32.0	15.5
Interest received		6.3	4.3
Interest paid		(1.8)	(1.4)
Income tax (paid)/received		(1.0)	4.4
Net cash generated from operating activities		35.5	22.8
Cash flows from investing activities			
Dividends received from joint ventures and associates		0.3	0.3
Decrease in amounts due from joint ventures		0.2	5.0
Proceeds from disposal of joint venture		3.6	–
PPP loan repayments	12	0.5	0.7
Acquisition of business combinations, net of cash acquired	22	(1.0)	(0.3)
Proceeds from disposal of property, plant and equipment		–	0.1
Acquisition of property, plant and equipment		(2.2)	(5.0)
Net cash generated from investing activities		1.4	0.8
Cash flows from financing activities			
Repayment of lease liabilities		(12.0)	(11.2)
Purchase of own shares	20	(14.0)	(3.4)
Dividends paid to Company shareholders	8	(9.6)	(6.3)
Net cash used in financing activities		(35.6)	(20.9)
Net increase in cash and cash equivalents		1.3	2.7
Cash and cash equivalents at 1 July	14	218.9	216.2
Cash and cash equivalents at 30 June	14	220.2	218.9

Notes to the consolidated financial statements

1 Basis of preparation

The financial information set out in this preliminary announcement does not constitute Galliford Try Holdings plc's statutory accounts for the years ended 30 June 2023 and 30 June 2022. Statutory accounts for the year ended 30 June 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditor has reported on those accounts; their report was unqualified, did not draw attention by way of emphasis, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The Board approved the Statutory accounts for the year ended 30 June 2023 on 20 September 2023.

Statutory accounts for the year ended 30 June 2022 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their report was unqualified, did not draw attention by way of emphasis, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

In preparing the consolidated financial statements the directors have considered the risks and potential impact of climate change to the Group. It is unlikely that these risks will have a material financial impact in the short and medium term, particularly given the nature of the contractual arrangements in place, however the directors continue to monitor this, particularly regarding any judgements on construction contracts, impairment reviews and going concern.

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 information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory statements for the year ended 30 June 2023. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient disclosures to comply with IFRS.

2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2022.

3 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 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. In the financial year ending 30 June 2023, the Group has also presented pre-exceptional performance excluding a one off contract settlement as announced on 8 June 2023 (disclosed in the consolidated income statement as an impairment of financial assets of £2.8m). 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 2023	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Revenue	797.1	590.8	5.8	–	1,393.7
Pre-exceptional operating profit/(loss) before amortization and impairment of financial assets	18.5	14.5	1.4	(12.5)	21.9
Finance income	–	0.3	3.9	2.1	6.3
Finance costs	(0.7)	(0.7)	(0.1)	(0.3)	(1.8)
Pre-exceptional profit/(loss) before amortization, taxation and impairment of financial assets	17.8	14.1	5.2	(10.7)	26.4
Amortisation of intangible assets	(1.0)	(0.9)	–	(1.1)	(3.0)
Pre-exceptional profit/(loss) before taxation and impairment of financial assets	16.8	13.2	5.2	(11.8)	23.4
Impairment of financial assets	–	(2.8)	–	–	(2.8)
Exceptional items	–	–	–	(10.5)	(10.5)
Profit before tax	16.8	10.4	5.2	(22.3)	10.1
Income tax charge					(1.0)
Profit for the year					9.1

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	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
Amortisation of intangible assets	(1.0)	(0.7)	–	(1.0)	(2.7)
Pre-exceptional profit/(loss) before taxation	17.6	9.4	3.4	(11.3)	19.1
Exceptional items	–	(7.7)	–	(6.0)	(13.7)
Profit before tax	17.6	1.7	3.4	(17.3)	5.4
Income tax credit					0.9
Profit for the year					6.3

Inter-segment revenue is eliminated from revenue above. In the year to 30 June 2023, this amounted to £61.0m (2022: £38.8m) for continuing operations, of which £nil (2022: £nil) was in Building, £40.1m (2022: £21.7m) was in Infrastructure and £20.9m (2022: £17.1m) was in central costs.

Balance sheet

30 June 2023	Notes	Building £m	Infrastructure £m	PPP Investments £m	Central £m	Total £m
Goodwill and intangible assets		41.0	57.1	–	0.2	98.3
Working capital employed		(60.9)	(178.2)	43.3	(4.1)	(199.9)
Net cash	14	139.0	42.7	(8.6)	47.1	220.2
Net assets		119.1	(78.4)	34.7	43.2	118.6
Total Group liabilities						(594.1)
Total Group assets						712.7

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	14	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

4 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	<p>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.</p> <p>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.</p> <p>Management does not expect a financing component to exist.</p>
Cost-reimbursable	<p>A number of projects are undertaken using cost reimbursable/target price (possibly with a pain/gain share mechanism) contracts.</p> <p>These projects are often delivered under frameworks, however, individual performance obligations under the framework are normally determined at a project level where multiple services are supplied. The Group constrains revenue and calculates any pain/gain mechanism at the framework level where appropriate.</p> <p>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.</p> <p>No significant financing component typically exists in these contracts.</p>
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	<p>The Group has investments in a number of PPP Special Purpose Vehicles (SPVs), delivering major building and infrastructure projects.</p> <p>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.</p> <p>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).</p>

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:

	2024 £m	2025 £m	2026 onwards £m	Total £m
Revenue – year ended 30 June 2023				
Building	614.4	214.4	32.7	861.5
Infrastructure	453.1	185.0	49.4	687.5
Total Construction	1,067.5	399.4	82.1	1,549.0
PPP Investments	3.2	2.6	26.5	32.3
Total transaction price allocated to performance obligations yet to be satisfied	1,070.7	402.0	108.6	1,581.3
	2023 £m	2024 £m	2025 onwards £m	Total £m
Revenue – year ended 30 June 2022				
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

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.

5 Exceptional items

The Group adjusts for certain material one-off exceptional items and other 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.

	2023 £m	2022 £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	10.5	6.0
Total	10.5	13.7

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. Although similar costs have been incurred as a result of the acquisitions in the year, these have not been classified as exceptional as they are not considered to be material or significant in quantum.

² The Group incurred £10.5m (2022: £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. The Group expects the project and associated costs to be completed in the first half of the next financial year.

An associated tax credit of £2.1m (2022: £2.6m) has been recognised.

6 Net finance income

Group	2023 £m	2022 £m
Interest receivable on bank deposits	2.4	0.4
Interest receivable from PPP Investments and joint ventures	3.9	3.9
Finance income	6.3	4.3
Other (including interest on lease liabilities)	(1.8)	(1.4)
Finance costs	(1.8)	(1.4)
Net finance income	4.5	2.9

7 Income tax charge/(credit)

Group	Notes	2023 £m	2022 £m
Analysis of expense in year			
Current year's income tax			
Current tax		–	(1.6)
Deferred tax ¹	18	0.9	0.5
Adjustments in respect of prior years			
Current tax		–	0.8
Deferred tax	18	0.1	(0.6)
Income tax expense/(credit)		1.0	(0.9)

Tax on items recognised in other comprehensive income

Tax recognised in other comprehensive income	–	–
Total tax expense/(credit)	1.0	(0.9)

¹ Includes impact of change in rate of tax.

The total income tax charge for the year of £1.0m (2022: credit of £0.9m) is lower (2022: lower) than the blended standard rate of corporation tax in the UK of 20.5% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
Profit before income tax	10.1	5.4
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 20.5% (2022: 19.0%)	2.1	1.0
Effects of:		
Expenses not deductible for tax purposes	0.1	0.4
Non-taxable income	(1.0)	(0.1)
Adjustments in respect of prior years	0.1	0.2
Change in tax rates	0.1	(0.4)
Net (recognition and utilisation)/restriction of tax losses ¹	-	(2.1)
Other	(0.4)	0.1
Income tax expense/(credit)	1.0	(0.9)

¹ The net recognition and utilisation of tax losses in the prior year of £2.1m reflects the recognition of £2.1m tax losses.

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.

8 Dividends

Group	2023		2022	
	£m	pence per share	£m	pence per share
Previous year final	6.4	5.8	3.9	3.5
Current year interim	3.2	3.0	2.4	2.2
Dividend recognised in the year	9.6	8.8	6.3	5.7

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

	2023		2022	
	£m	pence per share	£m	pence per share
Interim	3.2	3.0	2.4	2.2
Special	12.6	12.0	-	-
Final	7.9	7.5	6.4	5.8
Dividend relating to the year	23.7	22.5	8.8	8.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2023 of 7.5 pence per share (2022: 5.8 pence per share), bringing the total dividend in respect of 2023 to 22.5 pence per share (2022: 8.0 pence per share). The final dividend will absorb approximately £7.9m of equity. Subject to shareholders' approval at the AGM to be held on 10 November 2023, the dividend will be paid on 8 December 2023 to shareholders who are on the register of members at the close of business on 10 November 2023.

On 8 June, the directors declared a special dividend of 12.0 pence per share following the settlement of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund, returning a substantial portion of the proceeds to shareholders. The Special Dividend will be paid on 27 October 2023 to shareholders on the register as at 6 October 2023. The ex-dividend date is 5 October 2023.

9 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.

	2023			2022		
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	17.5	105,180,316	16.6	17.4	109,016,667	16.0
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	9.1	105,180,316	8.7	6.3	109,016,667	5.8
Effect of dilutive securities:						
Options	n/a	7,286,375	n/a	n/a	6,627,132	n/a
Diluted EPS – pre-exceptional	17.5	112,466,691	15.6	17.4	115,643,799	15.0
Diluted EPS	9.1	112,466,691	8.1	6.3	115,643,799	5.5

The pre-exceptional EPS (basic) excluding the impact of the one-off contract settlement as announced on 8 June 2023 (note 13) is 18.9p (and diluted EPS is 17.7p).

10 Intangible assets

Group	Notes	Customer contracts and relationships £m	Computer software £m	Total £m
Cost				
At 1 July 2021		12.2	10.9	23.1
Additions		5.2	0.6	5.8
At 30 June 2022		17.4	11.5	28.9
Additions	22	0.3	–	0.3
At 30 June 2023		17.7	11.5	29.2
Accumulated amortisation and impairment loss				
At 1 July 2021		(9.2)	(8.2)	(17.4)
Amortisation in year		(1.5)	(1.2)	(2.7)
At 1 July 2022		(10.7)	(9.4)	(20.1)
Amortisation in year		(1.8)	(1.2)	(3.0)
Impairment loss		–	(0.5)	(0.5)
At 30 June 2023		(12.5)	(11.1)	(23.6)
Net book amount				
At 30 June 2023		5.2	0.4	5.6
At 30 June 2022		6.7	2.1	8.8
At 30 June 2021		3.0	2.7	5.7

11 Goodwill

Group	Notes	£m
Cost		
At 30 June 2021		77.2
Additions		11.0
At 30 June 2022		88.2
Additions	22	4.5
At 30 June 2023		92.7
Aggregate impairment at 30 June 2021, 2022 and 2023		–
At 30 June 2021, 2022 and 30 June 2023		–
Net book amount		
At 30 June 2023		92.7
At 30 June 2022		88.2
At 30 June 2021		77.2

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

	2023 £m	2022 £m
Building	40.0	40.0
Infrastructure	52.7	48.2
	92.7	88.2

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. 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 within the Annual Report for the year ended 30 June 2023. The Building and Infrastructure CGU's are 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.

12 PPP and other investments

Group	2023 £m	2022 £m
At 1 July	47.5	49.1
Disposals and subordinated loan repayments	(0.5)	(0.7)
Movement in fair value	(2.4)	(0.9)
At 30 June	44.6	47.5

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

During the year, there were no additions (2022: £nil) to the Group's PPP/PFI investments, subordinated loans of £0.5m (2022: £0.5m) were repaid. Of the total fair value movement in the year of £2.4m, all of it relates to the movement in the fair value of the PPP investments (2022: £0.9m), and has been recorded through other comprehensive income.

The fair value of the portfolio reflects a blended discount rate of 7.3% (2022: 7.0%). A 0.5% increase/reduction in the discount rate would result in a corresponding decrease/increase in the value of the investments recorded in the balance sheet of approximately £1.6m (2022: £1.9m).

During the year the Group disposed of equity accounted interests in joint ventures held at £nil (2022: £0.2m), generating a profit on disposal of £3.6m (2022: £nil).

13 Trade and other receivables

		2023 £m	2022 £m
	Notes		
Amounts falling due within one year:			
Trade receivables		52.0	46.0
Less: provision for impairment of receivables		(0.1)	(0.1)
Trade receivables – net		51.9	45.9
Contract assets ¹	17	204.9	173.4
Amounts due from joint ventures		0.9	1.1
Research and development expenditure credits		5.8	4.5
Other receivables		7.6	4.7
Prepayments		15.4	13.4
		286.5	243.0

1 Contract assets of £204.9m at 30 June 2023 (2022: £173.4m) are stated net of a life-time expected credit loss allowance of £nil (2022: £14.0m).

The Group announced on 8 June 2023 that it had agreed settlement terms in respect of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund. The settlement brought to a conclusion a complex and challenging multi-contract dispute. 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 and had also previously assessed any expected credit loss provision in accordance with IFRS 9. As a result of the settlement a further one-off expected credit loss of £2.8m has been recognised in the current financial year.

14 Cash and cash equivalents

	Group	
	2023 £m	2022 £m
Cash at bank and in hand and per the statement of cash flows	220.2	218.9

Cash at bank above includes £11.0m (2022: £22.7m), being the Group's share of cash held by jointly controlled operations. The effective interest rate received on cash balances is 2.6% (2022: 0.3%). The Group has no bank borrowings or loans.

Net cash excludes IFRS 16 lease liabilities.

15 Trade and other payables

		Group	
	Notes	2023 £m	2022 £m
Trade payables		136.6	102.3
Contract liabilities	17	106.6	104.4
Other taxation and social security payable		53.4	29.9
Other payables		1.9	1.6
Accruals		226.6	232.9
		525.1	471.1

16 Provisions for other liabilities and charges

Group	Onerous contracts	Rectification	Total £m
At 1 July 2021	(0.8)	(24.2)	(25.0)
Utilised	10.2	3.7	13.9
Additions ¹	(14.0)	(2.3)	(16.3)
At 30 June 2022	(4.6)	(22.8)	(27.4)
Utilised	6.8	3.5	10.3
Additions ¹	(4.2)	(8.6)	(12.8)
At 30 June 2023	(2.0)	(27.9)	(29.9)

¹ Additions include £0.1m (2022: £13.7m) acquired as part of business combinations (note 22).

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 and includes provisions for dilapidations on premises the Group occupies.

As at 30 June 2023 £22.3m of provision related to three contracts. Management's best estimate of the range of outcomes on these three contracts is between £14.6m and £22.7m. The remaining £7.6m of the provision relates to a 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 has 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, £17.0m (2022: £18.8m) is likely to be utilised by the end of 2031 with the remainder utilised within 12 months.

17 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 contract liabilities (customer advances and deposits, 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:

	2023		2022	
	Contract asset £m	Contract liability £m	Contract asset £m	Contract liability £m
At 1 July	173.4	(104.4)	156.0	(92.7)
Revenue recognised in the year	1,334.9	58.8	1,183.2	54.0
Net cash received in advance of performance obligations being fully satisfied	–	(61.0)	–	(65.7)
Transfers in the year from contract assets to trade receivables	(1,303.4)	–	(1,165.8)	–
30 June	204.9	(106.6)	173.4	(104.4)

Revenue allocated to performance obligations that are unsatisfied at 30 June, is expected to be recognised as disclosed in note 4.

The amount of revenue recognised in the year from performance obligations satisfied in previous periods amounts to £4.8m (2022: £3.0m).

18 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	
	2023 £m	2022 £m
Deferred income tax assets	16.6	15.6
Deferred income tax liabilities	(1.1)	(1.6)
Net deferred income tax	15.5	14.0

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

	Group	
	2023 £m	2022 £m
At 1 July	14.0	14.3
Current year's deferred income tax	(0.9)	(0.9)
Adjustment in respect of prior years	(0.1)	0.6
Transfer from current tax assets and change in rates of deferred income tax	2.5	0.3
Acquisition of subsidiaries	–	(0.3)
At 30 June	15.5	14.0

All remaining tax losses have now been recognised and the Group has approximately £53m (2022: £53m) of unrecognised trading losses that arose from a historical contract. The availability of the losses is subject to agreement with HMRC and therefore no deferred tax asset has been recognised.

19 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 £3.4m (2022: £2.3m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £3.3m (2022: £2.1m).

20 Other reserves and retained earnings

Group	Notes	Other reserves £m	Retained earnings £m
At 30 June 2021		118.4	(39.8)
Profit for the year		–	6.3
Dividends paid	8	–	(6.3)
Share-based payments	19	–	2.3
Movement in fair value of PPP and other investments	12	–	(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		13.8	(13.8)
At 30 June 2022		132.2	(55.6)
Profit for the year		–	9.1
Dividends paid	8	–	(9.6)
Share-based payments	19	–	3.4
Movement in fair value of PPP and other investments	12	–	(2.4)
Purchase of own shares		–	(14.0)
Cancellation of shares		3.1	–
At 30 June 2023		135.3	(69.1)

The Group's other reserves relates to a merger reserve amounting to £132.2m (2022: £132.2m) and a capital redemption reserve totalling £3.1m (2022: £nil).

The purchase of own shares represents shares purchased by the Galliford Try Employee Share Trust of £1.9m (2022: £3.4m) and other share related transactions of £1.5m (2022: £nil), in addition to £10.6m (2022: £nil) purchased as part of the share buyback announced in September 2022.

21 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 £165.5m (2022: £127.1m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. 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.

The continuing evolution of Government legislation and guidance, such as the Building Safety Act and its implications for cladding solutions used on historical contracts, also creates ongoing uncertainty that the Group manages.

Where the Group has received such claims, the directors have made provision in the financial statements when they believe it is probable a liability exists and it can be reliably estimated, but no provision has been made where the Group's liability is considered only possible or remote. This is based on the best estimates of future costs to be incurred after assessing all relevant information and taking legal advice where appropriate. The Group's assessment of liability and estimates of future costs could change in the future. Although the Group has appropriate insurance arrangements in place that should mitigate any significant exposure, the recognition thresholds under IAS 37 would mean a liability could be recognised before a corresponding asset.

As Government legislation and guidance changes in the future, the Group will reassess the estimates made accordingly.

22 Business combinations

During the year, the Group acquired (i) 100% of the share capital MCS Control Systems Limited and (ii) certain contracts and assets of Ham Baker Limited (in administration). The Group has also finalised the acquisition accounting of nmcn having previously reported the balances as provisional in accordance IFRS 3.

(i) MCS Control Systems Limited

On 8 July 2022, the Group acquired 100% of the share capital of MCS Control Systems Limited ("MCS"), a leading systems integrator to the industrial and utilities sectors for 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 Limited and will accelerate the growth of Galliford Try Environment's asset optimisation and capital maintenance strategy.

The goodwill of £3.2m arising from the acquisition is significantly attributable to the acquired workforce and their technical expertise and the opportunity to leverage this expertise across the Group to enhance the asset optimisation and capital maintenance strategy.

The following table summarises the consideration paid and the provisional fair value of the assets acquired and liabilities assumed.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property plant and equipment	0.1
Intangible assets	0.2
Right-of-use assets	0.6
Trade and other receivables	3.2
Trade and other payables	(5.9)
Bank and other borrowings	(0.8)
Lease liabilities	(0.6)
Total identifiable net liabilities	(3.2)
Goodwill	3.2
Total	-
Consideration	
Cash	-
Total	-

The acquisition contributed £5.7m of revenue and a loss before tax and amortisation of £0.7m in the year to 30 June 2023, which is similar to the contribution it would have made if acquired at the start of the financial year.

(ii) Ham Baker

On 18 November 2022, the Group acquired certain contracts and assets from Ham Baker Limited (in administration) for £225,000 settled in cash. The Group has acquired the asset inspection, maintenance and screens and distributor operations. The acquired business produces a variety of engineered products for the water industry, which the Group will use as a basis to develop a low carbon engineering offering, enabling products and raw materials to be reused if possible, and reducing waste. The acquisition brings complementary capabilities to the Group's growing Environment business and will give it a further advantage in preparing for the water industry's AMP8 cycle, in particular addressing storm overflow challenges. It also plays into Galliford Try's role in decarbonising the industry for a greener, more sustainable future.

Similar to the MCS Control Systems Limited acquisition, the goodwill of £0.5m arising from the acquisition is significantly attributable to the acquired workforce and their technical expertise and the opportunity to leverage this expertise across the Group to enhance the asset optimisation and capital maintenance strategy.

The following table summarises the consideration paid and the provisional fair value of the assets acquired and liabilities assumed.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	0.1
Trade and other payables	(0.4)
Total identifiable net liabilities	(0.3)
Goodwill	0.5
Total	0.2
Consideration	
Cash	0.2
Total	0.2

The acquisition contributed revenue of £1.5m and a loss before tax and amortisation of £1.6m in the year to 30 June 2023.

The performance of the business preceding the acquisition was impacted by Ham Baker Limited 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.

(iii) nmcn

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.

In accordance with IFRS 3, the Group has assessed the acquisition accounting during the measurement period and has identified the need to reflect a final adjustment to the reported acquisition note in the 30 June 2022 annual report. The change reflects an increase to the onerous contract provisions and net unfavourable contracts acquired by £0.8m with an offsetting increase in goodwill by £0.8m. As this is not material, the adjustment has been recorded in the current year (with £11.0m goodwill recognised in the previous year).

23 Post balance sheet events

There were no material post balance sheet events arising after the reporting date.