13 FEBRUARY 2019

GALLIFORD TRY PLC - HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

STRONG FIRST HALF GROUP PERFORMANCE

	PRE-EXCEPTIONAL[2]			STATUTORY		
Financial	**H1 2019**	H1 2018	Change	**H1 2019**	H1 2018	Change
Revenue £m [1]	**1,418**	1,495	- 5%	**-**	-	
Group revenue £m [1, 9]	**-**	-		**1,344**	1,403	-4%
Profit before tax £m [2, 3]	**84.2**	81.3	+4%	**53.8**	56.3	-4%
Earnings per share [2, 3, 4]	**62.4p**	72.7p	-14%	**39.4p**	50.7p	-22%
Dividend per share	**-**	-		**23p**	28p	-18%
Net debt £m	**-**	-		**40.1**	84.9	+£44.8m
Group RoNA [6, 5]	**23.5%**	24.7%	-1.2%pts	**16.5%**	19.3%	-2.8%pts

Group

- Strong group underlying performance producing record pre-exceptional profit, with continuing progress against our strategic objectives across the Group.
- 3,069 total new homes completed by Linden Homes and Partnerships & Regeneration (H1 2018: 2,878).
- Net debt reduced to £40m (H1 2018: £85m), with average net debt decreasing to £126m (H1 2018: £203m).
- Interim dividend of 23.0p declared (H1 2018: 28.0p), in line with 2.0x cover policy.
- Increased total sales currently reserved, contracted and completed of £1,097m[7] (H1 2018: £1,008m) and a current Group order book of £5.4bn[7] (H1 2018: £5.6bn).

Linden Homes

- Strong performance in more challenging markets, with operating margin continuing to grow.
- Revenue of £392.1m (H1 2018: £436.8m) from 1,505 unit completions, 1,306 net of joint venture partners' share (H1 2018: 1,587 and 1,346 respectively).
- Private average selling price 5% lower at £352k (H1 2018: £370k), reflecting changed mix of sales in line with strategy.
- Further improvement in operating margin to 19.6% (H1 2018: 18.5%).
- 3,607[7] unit sales currently reserved, contracted or completed representing a value of £850m[7] (H1 2018: 3,401 units and £879m respectively).
- First half year sales rate at 0.52 (H1 2018: 0.53) with a sales rate of 1.27[7, 10] from 1 January 2019 (H1 2018: 0.65 from 1 January 2018).
- 11,750[7] plot landbank (H1 2018: 11,540), in line with target of 3.5 years' supply.

Partnerships & Regeneration

- Revenue up 27% to £284.9m (H1 2018: £223.5m), reflecting strong growth in both contracting and mixed-tenure.
- Operating margin improving in line with our strategy to 5.1% (H1 2018: 4.8%).
- Total sales currently reserved, contracted and completed up 91% at £247m[7] of which £153m is for the current financial year to 30 June 2019 (H1 2018: £129m and £96m respectively).
- Contracting order book of £1.2bn[7] (H1 2018: £1.2bn).
- 4,100[7] plot landbank (H1 2018: 2,850).

Construction

- Aberdeen Western Peripheral Route (AWPR) construction completed. First half exceptional costs of £26m from completion delays.
- Constructive dialogue with the client continues regarding significant and recognised claims. Financial statements include an estimate for these recoveries.
- Lower revenues reflect more cautious bidding and project deferrals owing to clients' macro uncertainty.
- Pre-exceptional operating margin maintained at 0.9% (H1 2018: 0.9%) with encouraging performance on current projects.
- Solid, high-quality order book of £3.2bn[7] (H1 2018: £3.5bn).

Peter Truscott, Chief Executive, commented:

"Galliford Try has delivered a strong financial and operational performance in the first half, with further progress against our 2021 strategy. The Group is well capitalised and average net debt is below previous guidance, driven by focused working capital management over the period.

We were delighted to achieve completion of the AWPR with final handover in progress, successfully delivering a vital and major piece of infrastructure to the local community. We continue constructive dialogue with our client regarding important and recognised claims.

Linden Homes delivered a strong performance in the first half, despite the continuing political uncertainty and its impact on confidence. The business continues to pursue its successful strategy of product standardisation and improved process efficiency, resulting in continued margin growth. We are seeing good demand, in particular for smaller and mid-range family houses, supported by Help-to-Buy and a strong mortgage market. We have seen a positive start to the Spring selling season, despite the headwinds to consumer confidence arising from political uncertainty, which is key to the strength of the market over the coming months.

Partnerships & Regeneration is performing very strongly, both at revenue and margin levels. Opportunities for the business continue to grow, underpinned by our strong relationships with providers and funders, our growing geographical footprint and by cross-party political support for affordable housing. The business has been encouraged by the successes it has seen in the first half of the year, with new projects commenced across both contracting and mixed-tenure resulting in strong levels of sales reserved, contracted or completed as well as a solid contracting order book.

Construction's performance continues to be encouraging, particularly on newer contracts, reflecting the business's careful approach to project selection and risk management. We continue to prioritise the quality of each opportunity over volume. We are seeing projects deferred as a result of macro uncertainty, but with 96% of revenue secured for the current financial year and 66% secured for the following year the business has confidence in its prospects.

The Group enters the second half of the year with a solid foundation, underpinned by a strong balance sheet and our focus on high-quality earnings which will drive further margin improvements over time. Our mix of residential development creates a robust proposition in more uncertain markets. We remain cautious of the impact of the current political uncertainty on consumer and business confidence, and the medium-term outlook for the macro economy, but believe our focused strategic objectives, strong order book and disciplined approach will deliver a full year out-turn toward the upper end of the analysts' current range[8]."

This announcement contains inside information for the purposes of article 7 of EU Regulation 596/2014. The person responsible for making this announcement on behalf of Galliford Try is Kevin Corbett, General Counsel and Company Secretary.

For further enquiries:

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Notes to editors:
Galliford Try will hold its half year results presentation for analysts and institutional investors at 09:30 am on Wednesday 13 February 2019 at the London Stock Exchange, 10 Paternoster Row, London, EC4M 7LS. An audio webcast will be available at http://webcast.openbriefing.com/gallifordtry_hyr_13022019/ with a recording available later.

[1] *'Revenue' includes share of joint ventures' revenue of £126.9m (H1 2018: £92.5m) and excludes revenue from part-exchange properties of £52.9m (H1 2018: N/A[9]). 'Group revenue', where stated, excludes share of joint ventures and includes revenue from part-exchange properties.*
[2] *Pre-exceptional measures exclude exceptional costs as described in note 5. All future references to pre-exceptional data or ratios are consistent within this definition.*
[3] *Exceptional costs in H1 2019 were £30.4m, of which £26.0m related to AWPR. Exceptional costs in H1 2018 were £25.0m.*
[4] *2018 restated due to rights issue (note 8).*
[5] *Group return on net assets represents annualised profit before tax, exceptional items, finance costs and amortisation divided by average net assets. Prior year restated due to rights issue.*
[6] *Pre-exceptional Group return on net assets represents pre-exceptional profit before tax, finance costs and amortisation divided by average pre-exceptional net assets. Prior year restated due to rights issue.*
[7] *Current as at 11 February 2019. All future references to this data are for the same period.*
[8] *The range of publicly available analysts' forecasts for profit before tax before taking into account exceptional items for the year ending 30 June 2019 is £158.8m to £192.5m, with a mean of £182.7m based on company compiled consensus as at 12 February 2019.*
[9] *Following the introduction of IFRS15 with effect from 1 July 2018, Group revenue includes sales of part-exchange properties with a total of £52.9m in the six months to 31 December 2018. (£52.2m in Linden Homes and £0.7m in Partnerships & Regeneration.) Previous periods have not been restated (see notes 4 and 21).*
[10] *Includes bulk sales.*

INTERIM DIVIDEND

As previously announced, the Group's policy is for the dividend to be covered 2.0x by earnings. Reflecting this, the directors have declared an interim dividend of 23.0p per share (H1 2018: 28.0p), based on pre-exceptional earnings, which will be paid on 10 April 2019 to shareholders on the register at close of business on 15 March 2019.

STRATEGY TO 2021

All three businesses are making progress towards their strategic objectives to 2021, as adjusted on 12 September 2018[†]. The Board will continue to monitor market conditions for significant changes given the current political uncertainty.

[†] *The Group's strategic targets to 2021 are not forecasts of expected financial performance.*

FINANCIAL REVIEW

Group revenue for the half year to 31 December 2018 was £1,344m (H1 2018: £1,403m), with revenue (including share of joint ventures but excluding revenue from part-exchange) of £1,418m (H1 2018: £1,495m).

The Group's pre-exceptional profit from operations (stated before finance costs, amortisation, tax and share of joint ventures' interest and tax), was in line with the same period last year, at £94.0m (H1 2018: £94.7m). The Group's profit from operations (stated before finance costs, amortisation, tax and share of joint ventures' interest and tax) was £63.6m (H1 2018: £69.7m).

Interest costs of £7.7m were below the comparable charge of £8.9m on lower average borrowings, and interest receivable from joint ventures was higher at £5.3m (H1 2018: £4.7m).

Pre-exceptional profit before tax was £84.2m, up by 4% on the prior half year figure of £81.3m. Pre-exceptional earnings per share for the period was 62.4p (H1 2018 restated: 72.7p), the reduction reflecting the full year effect of the rights issue in April 2018. Profit before tax was £53.8m (H1 2018: £56.3m) and earnings per share for the period was 39.4p (H1 2018 restated: 50.7p).

As discussed below under Construction, the Group has taken a further exceptional cost of £26.0m in respect of AWPR. The profit and loss account also includes an exceptional charge of £4.4m in respect of pension costs, mostly arising from the recent GMP equalisation case; the details of this are set out in note 16 to the attached financial statements.

The final impact of AWPR on the Group's financial results will be determined by the result of the significant claim on this contract, in respect of which the Board continues to pursue constructive discussions with the client.

The Group continues its strong focus on cash management. Net debt at 31 December 2018 has reduced to £40.1m (H1 2018: £84.9m) which represents a gearing of 5%. Average debt over the six months to 31 December 2018 was £126m (H1 2018: £203m).

The Group is well capitalised and benefits from bank facilities of £450m, secured until 2022, together with a 10-year debt private placement of £100m, maturing in 2027. The Group continues to operate comfortably within its banking covenants.

The Group's defined benefit pension obligations show a current balance sheet surplus of £1.7m (H1 2018: deficit of £2.7m).

The pre-exceptional taxation expense of £15.1m reflects an estimated effective rate of 17.9% (H1 2018: 17.9%) for the full financial year to 30 June 2019. We anticipate a similar effective tax rate for the foreseeable future.

BREXIT CONSIDERATIONS

We maintain a continual review of the potential effects on our business of the UK leaving the European Union, under various scenarios. We consider that a controlled departure under the terms of a withdrawal agreement between the UK and the EU will have no significant direct impact, with supply chains and EU and other overseas labour able to adjust over time as detailed future arrangements become clear. If the UK leaves without a deal, the biggest impact we foresee is the effect on our markets, and on Linden Homes market in particular, of a potential severe decline in consumer confidence and economic activity in general. We believe our business planning is as prepared as possible for this uncertainty. We have also considered the effects on our supply chain, and engaged with our suppliers. We have made specific arrangements where we foresee the potential for disruption to the import of critical materials and products, though noting that it is impractical to try to insulate our business entirely. We are alert to the risk of a significant decline in the value of Sterling, and will continue to use normal hedging arrangements for significant purchases of imported products on specific contracts. We continue to keep this complex matter under review.

LINDEN HOMES

	H1 2019	H1 2018	Change
Revenue £m	**392.1**	**436.8**	-10%
Profit from operations £m	**76.8**	**80.9**	-5%
Operating profit margin %	**19.6**	**18.5**	+1.1% pts
Completions	**1,505**	**1,587**	-5%
Sales reserved, exchanged or completed £m	**850**	**879**	-3%

Revenue during the six months to 31 December 2018 was £392.1m (H1 2018: £436.8m). Within this total, affordable sales were £51m (H1 2018: £47m). Unit completions were 1,505, 1,306 net of joint venture partners' share (H1 2018: 1,587 and 1,346 respectively). The total includes 1,059 private and 446 affordable sales (H1 2018: 1,170 and 417 respectively).

The average selling price on private sales was £352,000 (H1 2018: £370,000), reducing in line with our plan to decrease our exposure to London and the South East, and to larger units in general. The average selling price for affordable sales was £130,000 (H1 2018: £133,000) producing a combined average selling price of £286,000 (H1 2018: £309,000). Cancellation levels are around 17% (H1 2018: 19%).

The average number of outlets during the period was 80 (H1 2018: 81). During the six months to 31 December 2018 we achieved a rate of sale of 0.52 unit sales per outlet per week (H1 2018: 0.53). Since 1 January 2019 we have achieved a rate of sale of 1.27 unit sales per outlet per week (including bulk sales) compared to 0.65 in the same period last year.

Profit from operations was £76.8m (H1 2018: £80.9m) with an increased operating margin of 19.6% (H1 2018: 18.5%).

Sales reserved, exchanged or completed are currently at 3,607 units (H1 2018: 3,401 units). In line with the reduced average selling price, this has a sales value of £850m (H1 2018: £879m) of which £671m relates to the current financial year (H1 2018: £740m).

Strategic use of Joint Ventures

Working together with select partners remains a core part of the strategy for Linden Homes. Reflecting this, we include our share of joint ventures in our key reporting metrics, however for clarity, we separate out the gross and net values in the table below:

	HY 19			
	Completions (Units)		**Revenue[3] (Linden Homes only)**	**Average selling price**
	Gross	**Net of JV partner**	**£m**	**£000**
Direct - private	773	773	269	348
Direct - affordable	334	334	41	124
Other income	-	-	17	-
JOs[1] - private	32	16	3	162
JVs[2] - private	254	127	51	403
JVs[2] - affordable	112	56	9	164
Other income	-	-	2	-
TOTAL	**1,505**	**1,306**	**392**	**286**

[1] *Joint Operations (JOs) proportionally consolidated within Linden Homes under IFRS11.*
[2] *JVs equity accounted under IFRS11.*
[3] *Excludes revenue from part-exchange.*

Landbank

Linden Homes' landbank is 11,750 plots (H1 2018: 11,540). Linden Homes has 97% of land secured for the financial year to 30 June 2020 and 70% secured for 2021 (H1 2018: 97% and 68% respectively). After allowing for land that the business has successfully transferred to its short-term landbank in the period, Linden Homes expects to generate around 12,750 plots from its strategic land of 2,675 acres.

PARTNERSHIPS & REGENERATION

	H1 2019	H1 2018	Change
Revenue £m	**284.9**	**223.5**	+27%
Profit from operations £m	**14.5**	**10.8**	+34%
Operating profit margin %	**5.1**	**4.8**	+0.3% pts
Completions	**604**	**331**	+82%
Equivalent contracting units	**960**	**960**	-
Order book £m	**1,158**	**1,162**	-
Sales reserved, exchanged or completed £m	**247**	**129**	+91%

Partnerships & Regeneration's revenue during the six months to 31 December 2018 increased by 27% to £284.9m (H1 2018: £223.5m). Revenue from mixed tenure development increased by 76% to £98.0m (H1 2018: £55.6m) and contracting revenue increased by 11% to £186.9m (H1 2018: £167.9m).

The business continues to deliver significant growth in turnover and profit, maintaining a disciplined approach to project selection, land acquisition and joint venture investments. Partnerships benefits from its established market presence, working with long-term clients to accelerate delivery of the Government's affordable housing programmes and the development of mixed-tenure regeneration solutions. The business has experienced growth in each of its three business streams – contracting, land-led solutions and mixed-tenure development – with strong demand from Registered Providers, local authorities, extra care specialists and increasingly private investors (in particular in the private rented sector).

The new Yorkshire office is now operating, and has been successful in securing initial contracting and land-led schemes on several sites which are progressing through planning and pre-construction, with site starts anticipated in July 2019.

Mixed-tenure sales currently reserved, exchanged or completed improved by 91% to £247m (H1 2018: £129m), and the business increased its current landbank to 4,100 plots (H1 2018: 2,850). The current contracting order book was maintained at £1.2bn (H1 2018: £1.2bn) with a forward pipeline across all three streams of over £1.4bn of further work at preferred bidder or land acquisition stage.

CONSTRUCTION

	H1 2019	H1 2018	Change
Revenue £m	**718.4**	**823.6**	-13%
Pre-exceptional profit from operations £m	**6.3**	**7.2**	-12%
Profit from operations £m	**(19.7)**	**(17.8)**	-11%
Pre-exceptional operations profit margin %	**0.9**	**0.9**	-
Operating profit margin %	**(2.7)**	**(2.2)**	-0.5% pts
Order book £bn	**3.2**	**3.5**	-8%

Construction delivered revenue of £718.4m and a pre-exceptional margin of 0.9% (H1 2018: £823.6m and 0.9% respectively). As previously announced, our estimated final costs to complete the AWPR contract have increased as a result of higher than anticipated direct costs, and further delay to completion. The increase is estimated at £26m and has been recorded in the financial statements as an exceptional item. Constructive dialogue with the client on the significant claims in respect of the contract are continuing. Our provisioning for the loss on this project reflects our current estimate of the final costs, and is reduced by an estimate of our share of significant claims against the client and others, which are yet to be agreed and concluded. This inherent uncertainty will be resolved only when the project is complete and the claims finally settled.

In our infrastructure business, cash continues to be negatively impacted by work in progress in respect of three contracts for a single client, where costs have been significantly impacted by client driven scope changes. The work in progress balance has increased to circa £38m, although our work on all three projects formally ceased in August 2018. Based on two favourable adjudications, we remain confident of the recovery of our entitlement.

The business continues to maintain a high-quality order book of £3.2bn (H1 2018: £3.5bn) comprising 6% in the regulated sector, 77% in the public sector and 17% in the private sector. The business has secured 96% of projected revenue for the current financial year and 66% for the next financial year (H1 2018: 99% and 61% respectively).

Building

Building serves a range of clients across the UK including a substantial operation in Scotland. Profit from operations was £4.8m from a revenue of £431.5m, representing a margin of 1.1% (H1 2018: £3.0m, £504.1m and 0.6% respectively). Margins on newer won projects continue to be robust and more appropriately reflect the protective risk management procedures now in place.

In the first six months of the financial year Building won contracts and positions on frameworks worth over £270m including being appointed contractor for the Winchburgh and Calderwood Education Bundle. Building's order book is currently £2,214m (H1 2018: £2,481m).

Infrastructure

Infrastructure carries out civil engineering projects across the UK with strong positions in the transport sector (including road, rail and airports), defence, the water and wastewater sector as well as flood alleviation. Pre-exceptional profit from operations was £1.5m on revenue of £286.9m, representing a pre-exceptional margin of 0.5% (H1 2018: £4.2m on £319.5m, representing a margin of 1.3%).

During the first six months of the financial year Infrastructure won contracts and positions on frameworks worth over £410m, including the Midlands Highways Alliance and the Highways England Regional Investment Programme Framework. Infrastructure's order book currently stands at £954m (H1 2018: £978m).

PPP INVESTMENTS

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

Revenue was £21.8m (including share of joint ventures) on which the profit from operations was £2.6m (H1 2018: £10.7m and £2.1m respectively).

HEATH, SAFETY AND ENVIRONMENT

Health and safety remains the Group's number one priority and we are committed to achieving industry leading health, safety and environmental standards. We continue to develop ways of improving health and safety performance including our programmes on occupational health and employee wellbeing, occupational health screening, our 'Be Well' wellbeing platform, and the industry-led 'Mates in Mind' mental health programme. Our systems are fully accredited to both BS18001 and ISO 14001 and are subject to regular third party independent audits. Our behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' continues to be developed across the Group and its supply chain, with over 1,800 behavioural coaches.

OPERATING SUSTAINABLY

Sustainability continues to underpin the Group's approach and we are committed to making a positive impact in relation to six fundamental areas – Health & Safety, Environment & Climate Change, Our People, Communities, Customers and Supply Chain.

We are one of the higher performing constituents of the FTSE4Good index series, which rates the performance of companies' environmental, social and governance practices. In August, we were independently assessed to have achieved a score of 3.5 out of five, and increased our ranking to the top third of index members. In particular, we scored well within the governance section due to our approach to anti-corruption and corporate governance, as well as on climate change, environment and social supply chain, and labour standards.

We recognise that we have a key part to play in minimising the industry's environmental impact and carbon footprint and we identify, manage and mitigate these impacts from project to business level through our ISO 14001 certified management system. We continue to take positive steps to reducing waste and carbon emissions.

Our employees are our most valued asset and we take great strides to recruit and retain the very best talent. We continue to promote our award-winning 'Be Well' initiative, as well as encouraging staff to take advantage of our agile working programme. We enjoy, value and promote diversity and we once again sponsored the Women in Property National Student Awards and participated in the Inspire Summit for Women in UK Construction, Engineering and Housebuilding. We were awarded Silver and received the Innovation Award for Inclusion & Diversity.

Delivering high-quality homes, buildings and infrastructure coupled with good customer service is fundamental to how we operate in each of our businesses, achieved through the application of robust management and quality assurance systems.

The Group maintains strong supply chain relationships across all of its three businesses - from our centralised network of national preferred suppliers to our locally selected and managed subcontractor supply chain. We are a Gold member of the Supply Chain Sustainability School, which focuses on building the skills of the supply chain.

We promote strong ethical behaviours through the Group's Code of Conduct (Doing the Right Thing) reinforcing values and expectations that all employees have a role to play in being a sustainable and responsible business.

AUDITOR

After a transparent and thorough tender process led by the Audit Committee BDO LLP (BDO) have been selected as the Group's auditors with effect from 1 July 2019. BDO will stand for appointment by shareholders as Group auditors at the AGM in November 2019. BDO will replace PricewaterhouseCoopers LLP whose appointment will cease having been the Group's auditors for over 20 years.

BOARD

As previously announced, Marisa Cassoni, non-executive director, was appointed Chair of the Remuneration Committee on 13 February 2019 replacing Terry Miller as interim Chair. Terry will continue to be a member of the Audit, Nomination and Remuneration Committees.

Condensed consolidated income statement
for the half year ended 31 December 2018 (unaudited)

	Notes	**Half year to 31 December 2018 Pre-exceptional items**	**Half year to 31 December 2018 Exceptional items (note 5)**	**Half year to 31 December 2018 Total**	Half year to 31 December 2017 Pre-exceptional items	Half year to 31 December 2017 Exceptional items (note 5)	Half year to 31 December 2017 Total	Year to 30 June 2018 (audited) Pre-exceptional items	Year to 30 June 2018 (audited) Exceptional items (note 5)	Year to 30 June 2018 (audited) Total
		£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Group revenue[1]	3	**1,343.5**	**-**	**1,343.5**	1,402.5	-	1,402.5	2,931.6	-	2,931.6
Cost of sales[1]		**(1,196.0)**	**(26.0)**	**(1,222.0)**	(1,250.1)	(25.0)	(1,275.1)	(2,601.4)	(45.0)	(2,646.4)
Gross profit		**147.5**	**(26.0)**	**121.5**	152.4	(25.0)	127.4	330.2	(45.0)	285.2
Administrative expenses		**(70.7)**	**(4.4)**	**(75.1)**	(74.9)	-	(74.9)	(154.6)	-	(154.6)
Share of post tax profits from joint ventures		**10.1**	**-**	**10.1**	8.2	-	8.2	20.6	-	20.6
Profit/(loss) before finance costs		**86.9**	**(30.4)**	**56.5**	85.7	(25.0)	60.7	196.2	(45.0)	151.2
Profit/(loss) from operations	3	**94.0**	**(30.4)**	**63.6**	94.7	(25.0)	69.7	213.1	(45.0)	168.1
Share of joint ventures' interest and tax		**(5.4)**	**-**	**(5.4)**	(7.3)	-	(7.3)	(13.4)	-	(13.4)
Amortisation of intangibles		**(1.7)**	**-**	**(1.7)**	(1.7)	-	(1.7)	(3.5)	-	(3.5)
Profit/(loss) before finance costs		**86.9**	**(30.4)**	**56.5**	85.7	(25.0)	60.7	196.2	(45.0)	151.2
Finance income	6	**5.5**	**-**	**5.5**	4.8	-	4.8	10.2	-	10.2
Finance costs	6	**(8.2)**	**-**	**(8.2)**	(9.2)	-	(9.2)	(17.7)	-	(17.7)
Profit/(loss) before income tax		**84.2**	**(30.4)**	**53.8**	81.3	(25.0)	56.3	188.7	(45.0)	143.7
Income tax expense	7	**(15.1)**	**4.9**	**(10.2)**	(14.6)	4.8	(9.8)	(34.0)	8.6	(25.4)
Profit/(loss) for the period		**69.1**	**(25.5)**	**43.6**	66.7	(20.2)	46.5	154.7	(36.4)	118.3
Earnings per share (half year to 31 December 2017 restated – see note 8)										
- Basic	8	**62.4p**		**39.4p**	72.7p		50.7p	158.4p		121.1p
- Diluted	8	**62.3p**		**39.3p**	72.3p		50.4p	157.8p		120.6p

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21). Consequently, sales from part exchange properties were included in Group revenue with effect from 1 July 2018; this was £52.9m in the period (31 December 2017: £nil; 30 June 2018: £nil; these were recorded in cost of sales in previous periods).

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

Condensed consolidated statement of comprehensive income
for the half year ended 31 December 2018 (unaudited)

	Notes	**Half year to 31 December 2018 £m**	Half year to 31 December 2017 £m	Year to 30 June 2018 (audited) £m
Profit for the period		**43.6**	46.5	118.3
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Actuarial (losses)/gains recognised on retirement benefit obligations	16	**(5.2)**	(3.3)	4.0
Deferred tax on items recognised in equity that will not be reclassified		**0.9**	(0.1)	(1.9)
Current tax through equity		**-**	-	1.2
Total items that will not be reclassified to profit or loss		**(4.3)**	(3.4)	3.3
Items that may be reclassified subsequently to profit or loss				
Movement in fair value of derivative financial instruments:				
- Movement arising during the financial year		**0.8**	0.9	1.9
- Reclassification adjustments for amounts included in profit or loss		**(0.4)**	(0.3)	(0.8)
Deferred tax on items recognised in equity that may be reclassified		**(0.1)**	(0.1)	(0.3)
Total items that may be reclassified subsequently to profit or loss		**0.3**	0.5	0.8
Other comprehensive expense for the period net of tax		**(4.0)**	(2.9)	4.1
Total comprehensive income for the period		**39.6**	43.6	122.4

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

Condensed consolidated balance sheet
at 31 December 2018 (unaudited)

	Notes	**31 December 2018**	31 December 2017	30 June 2018 (audited)
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets		**13.5**	17.1	15.3
Goodwill	10	**159.6**	160.3	159.6
Property, plant and equipment		**17.8**	15.5	16.7
Investments in joint ventures		**59.5**	37.5	49.9
PPP and other investments		**44.7**	26.1	26.8
Trade and other receivables	12	**248.9**	139.9	148.9
Retirement benefit asset	16	**1.7**	-	7.0
Deferred income tax assets		**0.1**	1.6	-
Total non-current assets		**545.8**	398.0	424.2
Current assets				
Inventories		**0.2**	0.4	0.2
Developments	11	**771.7**	797.8	724.9
Trade and other receivables[1]	12	**779.3**	762.0	838.6
Cash and cash equivalents	13	**1,176.4**	1,350.7	912.4
Total current assets		**2,727.6**	2,910.9	2,476.1
Total assets		**3,273.4**	3,308.9	2,900.3
Liabilities				
Current liabilities				
Financial liabilities				
- Borrowings	13	**(1,018.8)**	(1,238.8)	(617.1)
Trade and other payables[1]	14	**(1,218.4)**	(1,142.8)	(1,174.6)
Current income tax liabilities		**(14.8)**	(11.2)	(10.0)
Provisions for other liabilities and charges		**(0.3)**	(0.4)	(0.3)
Total current liabilities		**(2,252.3)**	(2,393.2)	(1,802.0)
Net current assets		**475.3**	517.7	674.1
Non-current liabilities				
Financial liabilities				
- Borrowings	13	**(197.7)**	(196.8)	(197.1)
- Derivatives financial liabilities	17	**(0.5)**	(1.4)	(0.9)
Retirement benefit obligations	16	**-**	(2.7)	-
Deferred income tax liabilities		**-**	-	(0.7)
Other non-current liabilities	15	**(59.9)**	(146.8)	(122.3)
Provisions		**(0.6)**	(1.0)	(0.8)
Total non-current liabilities		**(258.7)**	(348.7)	(321.8)
Total liabilities		**(2,511.0)**	(2,741.9)	(2,123.8)
Net assets		**762.4**	567.0	776.5
Equity				
Ordinary shares		**55.5**	41.4	55.5
Share premium		**197.6**	194.5	197.6
Other reserves		**4.8**	4.8	4.8
Retained earnings		**504.5**	326.3	518.6
Total shareholders' equity		**762.4**	567.0	776.5

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21).

The notes are an integral part of the condensed consolidated half year financial statements

Condensed consolidated statement of changes in equity
for the half year ended 31 December 2018 (unaudited)

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
As at 31 December 2018						
At 30 June 2018		**55.5**	**197.6**	**4.8**	**518.6**	**776.5**
Adjustment as a result of transitioning to IFRS 15 on 1 July 2018[1]		-	-	-	-	-
Adjusted equity at 1 July 2018		**55.5**	**197.6**	**4.8**	**518.6**	**776.5**
Profit for the period		-	-	-	**43.6**	**43.6**
Other comprehensive expense		-	-	-	**(4.0)**	**(4.0)**
Total comprehensive income for the period		-	-	-	**39.6**	**39.6**
Transactions with owners:						
Dividends	9	-	-	-	**(54.4)**	**(54.4)**
Share-based payments		-	-	-	**1.2**	**1.2**
Purchase of own shares		-	-	-	**(0.5)**	**(0.5)**
At 31 December 2018		**55.5**	**197.6**	**4.8**	**504.5**	**762.4**
As at 31 December 2017						
At 1 July 2017		41.4	194.5	4.8	334.8	575.5
Profit for the period		-	-	-	46.5	46.5
Other comprehensive expense		-	-	-	(2.9)	(2.9)
Total comprehensive income for the period		-	-	-	43.6	43.6
Transactions with owners:						
Dividends	9	-	-	-	(52.6)	(52.6)
Share-based payments		-	-	-	1.4	1.4
Purchase of own shares		-	-	-	(0.9)	(0.9)
At 31 December 2017		41.4	194.5	4.8	326.3	567.0
As at 30 June 2018 (audited)						
At 1 July 2017		41.4	194.5	4.8	334.8	575.5
Profit for the period		-	-	-	118.3	118.3
Other comprehensive expense		-	-	-	4.1	4.1
Total comprehensive income for the year		-	-	-	122.4	122.4
Transactions with owners:						
Dividends	9	-	-	-	(75.9)	(75.9)
Share-based payments		-	-	-	2.8	2.8
Purchase of own shares		-	-	-	(1.5)	(1.5)
Issue of shares		14.1	3.1	-	136.0	153.2
At 30 June 2018		55.5	197.6	4.8	518.6	776.5

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21).

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

Condensed consolidated statement of cash flows
for the half year ended 31 December 2018 (unaudited)

	Notes	**Half Year to 31 December 2018 £m**	Half Year to 31 December 2017 £m	Year to 30 June 2018 (audited) £m
Cash flows from operating activities				
Continuing operations				
Pre-exceptional profit before finance costs		**86.9**	85.7	196.2
Exceptional items		**(30.4)**	(25.0)	(45.0)
Profit before finance costs		**56.5**	60.7	151.2
Adjustments for:				
Depreciation and amortisation		**3.6**	3.1	7.1
Profit on sale of subsidiaries		**-**	-	(2.1)
Share-based payments		**1.2**	1.4	2.8
Share of post tax profits from joint ventures		**(10.1)**	(8.2)	(20.6)
Movement on provisions		**(0.2)**	(0.1)	(0.4)
Exceptional charge for GMP equalisation		**3.5**	-	-
Other non-cash movements		**0.3**	0.2	0.6
Net cash generated from operations before pension deficit payments and changes in working capital		**54.8**	57.1	138.6
Deficit funding payments to pension schemes		**(4.4)**	(4.0)	(6.8)
Net cash generated from operations before changes in working capital		**50.4**	53.1	131.8
Decrease in inventories		**-**	0.2	0.4
(Increase)/decrease in developments		**(46.8)**	(75.5)	(2.3)
(Increase)/decrease in trade and other receivables		**(58.9)**	18.3	(65.8)
(Decrease)/increase in trade and other payables		**(16.4)**	(15.2)	(12.1)
Net cash (used in)/generated from operations		**(71.7)**	(19.1)	52.0
Interest received	6	**5.5**	4.8	10.2
Interest paid	6	**(7.7)**	(8.4)	(16.2)
Income tax paid		**(5.3)**	(3.7)	(15.6)
Net cash (used in)/generated from operating activities		**(79.2)**	(26.4)	30.4
Cash flows from investing activities				
Dividends received from joint ventures		**0.5**	2.1	2.1
Business combinations		**(1.1)**	(12.7)	(13.7)
Proceeds from disposal of subsidiary		**-**	-	2.1
Acquisition of property, plant and equipment		**(3.0)**	(1.4)	(4.6)
Proceeds from sale of property, plant and equipment		**-**	0.3	0.5
Net cash used in investing activities		**(3.6)**	(11.7)	(13.6)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**-**	-	153.2
Purchase of own shares		**(0.5)**	(0.9)	(1.5)
Decrease/(increase) in borrowings		**(0.1)**	0.1	(0.9)
Net dividends paid to Company shareholders		**(54.4)**	(52.6)	(75.9)
Net cash used in financing activities		**(55.0)**	(53.4)	74.9
Net (decrease)/increase in cash and cash equivalents		**(137.8)**	(91.5)	91.7
Cash and cash equivalents at beginning of period		**295.4**	203.7	203.7
Cash and cash equivalents at end of period	13	**157.6**	112.2	295.4

1 Basis of preparation

The Company is a public limited company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL. The Company has its primary listing on the London Stock Exchange. This condensed consolidated half year financial information was approved for issue on 13 February 2019.

This condensed consolidated half year financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 30 June 2018 were approved by the board of directors on 12 September 2018 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half year financial information has been reviewed, not audited. The auditors' review opinion is included in this report.

This condensed consolidated half year financial information for the half year ended 31 December 2018 has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated half year financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group's activities, together with the factors likely to affect the future development, performance and position of the business are set out in this half year report. The annual financial statements for the year ended 30 June 2018 included the Group's objectives, policies and processes for managing capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through its bank and other debt facilities. The Group's forecasts, taking into account the board's future expectations of the Group's performance, indicate that there is substantial headroom within the bank facilities and the Group will continue to operate within the covenants of those facilities.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half year financial information.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2018 (albeit the Group also considered the potential impact of the UK's departure from the European Union – see 'principal risks and uncertainties').

2 Accounting policies

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

Adoption of new and revised standards by the Group

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2018.

(i) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 using the modified retrospective method from 1 July 2018. There was no material impact on adoption of this new standard. This is because the financial assets are held with a business model whose objective at Group level is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meet the, "solely payment of principal and interest on the principal outstanding" criterion. This is because the financial assets are held with a 'hold to collect and sell' business model. There is no material impact of adopting the expected credit loss model for impairment of financial assets.

(ii) IFRS 15 Revenue from Contracts with Customers

The Directors have completed their comprehensive assessment of the impact of IFRS 15 Revenue from Contracts with Customers. Whilst the assessment was comprehensive, including workshops and reviews with representatives from both financial and commercial functions across all of the Group's divisions, the resolution of a detailed log (considering all possible project scenarios and associated potential issues) and the production of accounting assessment papers for each contract type utilised with the group, the outcome of the assessment is that the impact on the Group's financial statements is limited (as detailed in note 21).

The Group has adopted the standard from 1 July 2018. The Group has adopted IFRS 15 using the cumulative effect approach. As a result, the Group has reviewed its opening equity position as at 1 July 2018 but concluded that the only material adjustment to its financial statements is in respect of revenue associated with the sale of part exchange properties, which will result in an equivalent increase in both revenue and cost of sales and therefore no overall change to equity. Further detail and analysis on the Group's various revenue streams can be found in note 4 and on the Group's adoption of IFRS 15, in note 21.

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18. To aid comparability, as required by IFRS 15, the Group has also stated any differences in its results for the half year to 31 December 2018 under IAS 11 and IAS 18 (in note 21).

2 Accounting policies (continued)

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers (based on the satisfaction of identified individual performance obligations) and replaces the separate models for goods, services and construction contracts. The five steps are:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

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

Accounting policy applied from 1 July 2018
Revenue is recognised when the Group transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the Group estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods.

Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under jointly controlled operations and the disposal of equity investments by our PPP Investments division.

Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue is recognised as follows:
(i) Linden Homes
The Group sells private housing units and associated land, inclusive of customer options, incentives and warranties. In most instances, the contract with the customer is assessed to only contain one performance obligation. Revenue from the sale of individual private housing units, net of incentives, is recognised at the point of legal completion. Contract consideration for private house sales may include part exchange properties at fair value. The onwards sale of part exchange properties is recognised as revenue, on legal completion.

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation.
Revenue from land sales is recognised at a point in time, being the unconditional exchange of contracts or at 'golden brick,' provided that the Group does not retain legal title to the land or have a right of repurchase.

Revenue from affordable housing development is recognised over time.

(ii) Partnerships & Regeneration
Development of multiple units on the same site (inclusive of design and construction activities contracted for at the same time, and mobilisation activities) is considered to be a single performance obligation. Where a contract comprises units across multiple sites, typically each site will represent a distinct performance obligation. Revenue is accounted for on an over time basis. The amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete.

Private housing unit sales are accounted for in the same way as within Linden Homes, as stated above.

(iii) Construction services
Revenue comprises the value of construction services transferred to a customer during the period. The results for the period include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

Fixed price contracts – the amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete. 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.

Framework agreements - each work order under a framework agreement is considered a performance obligation. Revenue is recognised over time as the services are delivered.

Facilities management - management services and facilities management contracts typically represent a single series performance obligation. Revenue is recognised over time as control passes to the customer and is typically measured on a straight line basis.

Accounting standards not yet adopted by the Group

IFRS 16 Leases has been issued by the IASB but it is not effective at 31 December 2018. The Directors continue to assess the impact of IFRS 16 although it is expected its implementation will increase both the assets and the liabilities of the Group, but will not have a material impact on the Group's income statement or net assets.

3 Segmental reporting

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

The chief operating decision-makers ("CODM") have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes; Galliford Try Partnerships and Regeneration; Construction, including Building and Infrastructure; and PPP Investments.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are included in the result for each operating segment that is reviewed by the CODM. Other information provided to them is measured in a manner consistent with that in the financial statements.

Primary reporting format - business segments

Half year ended 31 December 2018

			Construction					
	Linden Homes £m	Partnerships & Regeneration £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Central £m	Total £m
Group revenue[1]	**374.6**	**240.9**	**431.5**	**286.9**	**718.4**	**9.3**	**0.3**	**1,343.5**
Share of joint ventures' revenue	**69.7**	**44.7**	**-**	**-**	**-**	**12.5**	**-**	**126.9**
Part exchange revenue[1]	**(52.2)**	**(0.7)**	**-**	**-**	**-**	**-**	**-**	**(52.9)**
Group revenue and share of joint ventures' revenue excluding part exchange revenue[1]	**392.1**	**284.9**	**431.5**	**286.9**	**718.4**	**21.8**	**0.3**	**1,417.5**
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	**66.2**	**9.9**	**4.8**	**1.5**	**6.3**	**2.3**	**(6.2)**	**78.5**
Share of joint ventures' profit	**10.6**	**4.6**	**-**	**-**	**-**	**0.3**	**-**	**15.5**
Pre-exceptional profit/(loss) from operations *	**76.8**	**14.5**	**4.8**	**1.5**	**6.3**	**2.6**	**(6.2)**	**94.0**
Exceptional items (note 5)	**-**	**-**	**-**	**(26.0)**	**(26.0)**	**-**	**(4.4)**	**(30.4)**
Share of joint ventures' interest and tax	**(3.4)**	**(1.8)**	**-**	**-**	**-**	**(0.2)**	**-**	**(5.4)**
Profit/(loss) before finance costs, amortisation and taxation	**73.4**	**12.7**	**4.8**	**(24.5)**	**(19.7)**	**2.4**	**(10.6)**	**58.2**
Finance income	**3.2**	**1.1**	**-**	**-**	**-**	**1.0**	**0.2**	**5.5**
Finance costs	**(20.7)**	**(1.9)**	**(0.3)**	**(2.4)**	**(2.7)**	**(0.5)**	**17.6**	**(8.2)**
Profit/(loss) before amortisation and taxation	**55.9**	**11.9**	**4.5**	**(26.9)**	**(22.4)**	**2.9**	**7.2**	**55.5**
Amortisation of intangibles	**-**	**(0.7)**	**(0.5)**	**-**	**(0.5)**	**-**	**(0.5)**	**(1.7)**
Profit before taxation	**55.9**	**11.2**	**4.0**	**(26.9)**	**(22.9)**	**2.9**	**6.7**	**53.8**
Income tax expense								**(10.2)**
Profit for the period								**43.6**

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21). Consequently, sales from part exchange properties were included in Group revenue with effect from 1 July 2018; this was £52.9m in the period (31 December 2017: £nil; 30 June 2018: £nil; these were recorded in cost of sales in previous periods).

3 Segmental reporting (continued)

Half year ended 31 December 2017

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Group revenue	355.9	215.9	504.1	319.5	823.6	6.7	0.4	1,402.5
Share of joint ventures' revenue	80.9	7.6	-	-	-	4.0	-	92.5
Group revenue and share of joint ventures' revenue excluding part exchange revenue	436.8	223.5	504.1	319.5	823.6	10.7	0.4	1,495.0
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	66.1	10.2	3.0	4.2	7.2	2.0	(6.3)	79.2
Share of joint ventures' profit	14.8	0.6	-	-	-	0.1	-	15.5
Pre-exceptional profit/(loss) from operations *	80.9	10.8	3.0	4.2	7.2	2.1	(6.3)	94.7
Exceptional items (note 5)	-	-	-	(25.0)	(25.0)	-	-	(25.0)
Share of joint ventures' interest and tax	(7.0)	(0.2)	-	-	-	(0.1)	-	(7.3)
Profit/(loss) before finance costs, amortisation and taxation	73.9	10.6	3.0	(20.8)	(17.8)	2.0	(6.3)	62.4
Finance income	4.2	0.6	-	-	-	-	-	4.8
Finance costs	(20.6)	(2.7)	-	(1.6)	(1.6)	(0.5)	16.2	(9.2)
Profit/(loss) before amortisation and taxation	57.5	8.5	3.0	(22.4)	(19.4)	1.5	9.9	58.0
Amortisation of intangibles	-	(0.7)	(0.5)	-	(0.5)	-	(0.5)	(1.7)
Profit before taxation	57.5	7.8	2.5	(22.4)	(19.9)	1.5	9.4	56.3
Income tax expense								(9.8)
Profit for the period								46.5

Year ended 30 June 2018 (audited)

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central £m	Total £m
Group revenue	769.3	459.7	1,036.9	649.4	1,686.3	15.6	0.7	2,931.6
Share of joint ventures' revenue	178.0	15.5	1.1	-	1.1	6.1	-	200.7
Group revenue and share of joint ventures' revenue excluding part exchange revenue	947.3	475.2	1,038.0	649.4	1,687.4	21.7	0.7	3,132.3
Segment result:								
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	152.1	22.3	11.4	4.3	15.7	6.6	(17.6)	179.1
Share of joint ventures' profit	32.3	1.3	0.2	-	0.2	0.2	-	34.0
Pre-exceptional profit/(loss) from operations *	184.4	23.6	11.6	4.3	15.9	6.8	(17.6)	213.1
Exceptional items (note 5)	-	-	-	(45.0)	(45.0)	-	-	(45.0)
Share of joint ventures' interest and tax	(13.1)	(0.1)	-	-	-	(0.2)	-	(13.4)
Profit/(loss) before finance costs, amortisation and taxation	171.3	23.5	11.6	(40.7)	(29.1)	6.6	(17.6)	154.7
Finance income	7.4	1.8	-	-	-	2.1	(1.1)	10.2
Finance costs	(41.6)	(5.5)	-	(5.4)	(5.4)	(1.6)	36.4	(17.7)
Profit/(loss) before amortisation and taxation	137.1	19.8	11.6	(46.1)	(34.5)	7.1	17.7	147.2
Amortisation of intangibles	-	(1.4)	(1.0)	-	(1.0)	-	(1.1)	(3.5)
Profit before taxation	137.1	18.4	10.6	(46.1)	(35.5)	7.1	16.6	143.7
Income tax expense								(25.4)
Profit for the year								118.3

* Pre-exceptional profit from operations is stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax and taxation.

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from Group revenue above. In the half year to 31 December 2018 this amounted to £44.7m (31 December 2017: £38.6m; 30 June 2018: £93.6m) of which £12.6m (31 December 2017: £9.6m; 30 June 2018: £17.8m) was in Building, £16.2m (31 December 2017: £17.9m; 30 June 2018: £35.5m) was in Infrastructure, £6.7m (31 December 2017: £nil; 30 June 2018: £17.9m) was in Partnerships & Regeneration and £9.2m (31 December 2017: £11.1m; 30 June 2018: £22.3m) was in central costs.

3 Segmental reporting (continued)

Half year ended 31 December 2018

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and intangible assets	**52.5**	**33.0**	**45.1**	**37.2**	**82.3**	**-**	**5.3**	**173.1**
Working capital employed	**724.1**	**45.5**	**(56.3)**	**39.7**	**(16.6)**	**51.9**	**(175.5)**	**629.4**
Net (debt)/cash	**(582.1)**	**(12.8)**	**78.8**	**(69.7)**	**9.1**	**(34.7)**	**580.4**	**(40.1)**
Net assets	**194.5**	**65.7**	**67.6**	**7.2**	**74.8**	**17.2**	**410.2**	**762.4**
Total Group liabilities								**(2,511.0)**
Total Group assets								**3,273.4**

Half year ended 31 December 2017

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and intangible assets	52.5	35.1	46.1	37.2	83.3	-	6.5	177.4
Working capital employed	660.2	70.0	(98.7)	32.5	(66.2)	23.7	(213.2)	474.5
Net (debt)/cash	(560.6)	(57.2)	110.2	(65.7)	44.5	(13.7)	502.1	(84.9)
Net assets	152.1	47.9	57.6	4.0	61.6	10.0	295.4	567.0
Total Group liabilities								(2,741.9)
Total Group assets								3,308.9

Year ended 30 June 2018 (audited)

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Balance Sheet								
Goodwill and intangible assets	52.5	33.7	45.6	37.2	82.8	-	5.9	174.9
Working capital employed	623.1	64.7	(82.3)	119.0	36.7	26.0	(247.1)	503.4
Net cash/(debt)	(463.1)	(41.8)	101.0	(127.0)	(26.0)	(11.2)	640.3	98.2
Net assets	212.5	56.6	64.3	29.2	93.5	14.8	399.1	776.5
Total Group liabilities								(2,123.8)
Total Group assets								2,900.3

4. Revenue

Nature of revenue streams

The following should be read in conjunction with the Group's new accounting policy applied from 1 July 2018 as detailed in note 2.

(i) Linden Homes and Partnerships & Regeneration segments
The Group develops high-quality homes over a national footprint, for sale under the Linden Homes brand. The Partnerships & Regeneration segment is a specialist regeneration business which carries out contracting, land-led solutions and development for local authorities and Registered Providers as well as selling private housing units.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Private development	Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid. Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time.	Under IAS 18 revenue was recognised when the risks and rewards were transferred to the customer which was assessed to be at legal completion. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligation is deemed to be satisfied at the point when legal title is transferred to the purchaser.
	Contracts for onward sale of part exchange properties are entered into with a different customer and therefore represent separate revenue contracts.	Under IAS18, part exchanged properties are recognised at fair value as revenue and in inventory and subsequent sale proceeds on disposal of the part exchange property are presented net, against cost of sales. Under IFRS15, these unit sales represent separate revenue contracts and are therefore recognised separately within revenue, at the point of legal completion.
Unit sales to Registered Providers/Investors in the Private Rented Sector (PRS)	This represents sales of (affordable) housing units to Housing Associations and other Registered Providers/PRS, treated as a single performance obligation. The Group receives payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist in respect of HA contracts.	These contracts were previously accounted for under IAS 11 and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised over time.
Land sales	The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts. Revenue is therefore recognised at a point in time (unconditional exchange of contracts).	These contracts were previously accounted for under IAS 18 and as such were recognised at unconditional exchange. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised at a point in time.
Contracting to Registered Providers/PRS	This represents the building of a number of (affordable) units on the customer's land with any design phase treated alongside the construction phase as a single performance obligation. This is because the two stages are not distinct in the context of the contract, given that each is highly interdependent on the other (and are typically contracted together within a single contract). Payment terms are based on based on a schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets.	Under IAS 11, revenue was accounted for under a contract accounting model based on percentage of completion, using cost as a measure of progress (cost incurred to date compared to the contract's total expected cost) – this is the input method. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the contract dictate that the revenue should continue to be recognised over time.

4. Revenue (continued)

Nature of revenue streams (continued)

(ii) Building & 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, rail, airports, water and flood alleviation 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	Nature of change in accounting policy
Fixed price	A number of projects within these segments are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. The Group typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.
Cost-reimbursable	A number of projects within these segments 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 Group typically receives payments from the customer based on actual costs incurred. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.
Framework	Projects within the Infrastructure segment 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).	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided (for each individual work order issued under the arrangement. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.

4. Revenue (continued)

Nature of revenue streams (continued)

(iii) Investments segment

Through public private partnerships, the business leads bid consortia and arranges finance, makes equity investments (which are recycled, typically once the underlying construction phase is completed) and manages construction through to operations.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
PPP Investments	The Group has investments in a number of PPP SPVs, delivering major building and infrastructure projects. The business additionally provides management services to the SPVs under Management Service Agreements (MSA). Revenue for these services is typically recognised over time as and when the service is delivered to the customer. Revenue for reaching project financial close (such as success fees) are recognised at a point in time, at financial close (when control is deemed to pass to the customer).	The underlying construction work is accounted for within the Building and Infrastructure segments whilst the equity investments are accounted for under IAS 28. Under IFRS 15, where a range of management services are provided under an MSA, these are taken to represent a single performance obligation as they represent a single bundle of services being sought by the customer.

Disaggregation of revenue

As part of the implementation of IFRS 15 on 1 July 2018, the Group has assessed the appropriate presentation of the disaggregation of its revenue streams (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The material differences in risk between the different revenue streams have been captured by the Group's operating segments (as noted and explained above) as this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. Therefore, the Group has presented this disaggregation in line with the segmental analysis as shown in note 3.

However, it should be noted that revenue within the Linden Homes segment is predominantly recognised at a point in time (c 90%) whilst the vast majority of revenue within the Construction segments is recognised over time. Revenue within the Partnerships & Regeneration segment is recognised using both 'point in time' (private house sales and land sales) and 'over time' (unit sales and contracting work to Registered Providers and PRS) with the mix being approximately 18% and 82% respectively for the six months to 31 December 2018.

5 Exceptional items

Group	**Half year to 31 December 2018 £m**	Half year to 31 December 2017 £m	Year to 30 June 2018 (audited) £m
Cost of sales – charge on AWPR legacy contract	**(26.0)**	(25.0)	(45.0)
Administrative expenses – pension costs (note 16)	**(4.4)**	-	-
Loss from operations	**(30.4)**	(25.0)	(45.0)

As result of higher than anticipated direct costs, and further delay to the completion of the AWPR project, our share of forecast final costs to complete the contract have increased by £26m. Constructive dialogue with the client on the significant claims in respect of the contract is continuing.

During the period, the High Court issued its judgement in the Guaranteed Minimum Pension (GMP) equalisation case with Lloyds Bank Plc. This resulted in an increased obligation in two of the Group's defined benefit pension schemes via an amendment to the scheme benefits which has been treated as a plan amendment and therefore a past service cost, resulting in a charge of £3.5m which has been expensed in the income statement. Additionally, in July 2018, the Galliford Group Special Scheme completed a £7m insurance bulk annuity buyout transaction, securing the pensioner liabilities of the scheme. The premium paid was £0.9m higher than the IAS 19 liabilities discharged and therefore, a settlement charge of £0.9m was expensed to the income statement. Further detail on these two items is included in note 16.

During the previous year, in respect of AWPR, we reported a further exceptional charge of £45.0m in the year to 30 June 2018 (of which £25.0m was recorded in the half year to 31 December 2017) and, which reflected the additional share of costs taken on following the insolvency of Carillion, one of our two joint venture partners on this project, and further cost rises in the second half of the financial year, driven mainly by poor weather conditions. The charge increased both cash outflows in the year and the net debt balance in Construction at the period ends.

	Half year to 31 December 2018 £m
Profit before income tax	**53.8**
Charge on AWPR legacy contract	**26.0**
Pension costs	**4.4**
Pre-exceptional profit before income tax	**84.2**

6 Net finance costs

Group	**Half year to 31 December 2018 £m**	Half year to 31 December 2017 £m	Year to 30 June 2018 (audited) £m
Interest receivable on bank deposits	**0.1**	**-**	-
Interest receivable from joint ventures	**5.3**	4.7	10.1
Other	**0.1**	0.1	0.1
Finance income	**5.5**	4.8	10.2
Interest payable on borrowings	**(7.7)**	(8.9)	(17.3)
Unwind of discounted payables	**(0.1)**	(0.3)	(0.4)
Other	**(0.4)**	-	-
Finance costs	**(8.2)**	(9.2)	(17.7)
Net finance costs	**(2.7)**	(4.4)	(7.5)

7 Income tax expenses

The taxation expense on pre-exceptional profit for the period of 17.9% (31 December 2017: 17.9%) reflects the estimated effective tax rate for the full financial year to 30 June 2019.

8 Earnings per share

Basic and diluted earnings per share
Basic earnings per share 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 Employee Share Trust, which are treated as cancelled.

The weighted average number of shares used for the half year to 31 December 2017 in the calculation of earnings per share information shown in the table below has been restated by adjusting those previously reported by an adjusting factor of 0.11147 to reflect the bonus element in the shares issued under the rights issue which completed on 16 April 2018.

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 period. The dilutive effects 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.

	Half year to 31 December 2018			Half year to 31 December 2017 (restated)			Year to 30 June 2018 (audited)		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS – pre-exceptional Pre-exceptional earnings attributable to ordinary shareholders	**69.1**	**110,675,158**	**62.4**	66.7	91,739,051	72.7	154.7	97,695,511	158.4
Basic EPS Earnings attributable to ordinary shareholders post exceptional items	**43.6**	**110,675,158**	**39.4**	46.5	91,739,051	50.7	118.3	97,695,511	121.1
Effect of dilutive securities:									
Options		**307,838**			528,264			378,183	
Diluted EPS – pre-exceptional	**69.1**	**110,982,996**	**62.3**	66.7	92,267,315	72.3	154.7	98,073,674	157.8
Diluted EPS	**43.6**	**110,982,996**	**39.3**	46.5	92,267,315	50.4	118.3	98,073,674	120.6

9 Dividends

The following dividends were paid and recognised by the Company in each accounting period presented:

	Half year to 31 December 2018		Half year to 31 December 2017		Year to 30 June 2018 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Previous year net final	**54.4**	**49.0**	52.6	64.0	52.6	64.0
Current period interim	**-**	**-**	-	-	23.3	28.0
Dividend recognised in the year	**54.4**	**49.0**	52.6	64.0	75.9	92.0

The dividends paid in the period consists of the previous years' final dividends of £54.4m.

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

	Half year to 31 December 2018		Half year to 31 December 2017		Year to 30 June 2018 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Interim	**25.5**	**23.0**	23.3	28.0	23.3	28.0
Final	**-**	**-**	-	-	54.4	49.0
Dividend relating to the year	**25.5**	**23.0**	23.3	28.0	77.7	77.0

The interim dividend for 2019 of 23.0p per share was approved by the board on 13 February 2019 and has not been included as a liability as at 31 December 2018. This interim dividend will be paid on 10 April 2019 to shareholders who are on the register at the close of business on 15 March 2019.

10 Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

The goodwill is attributable to the following business segments:

	31 December 2018	31 December 2017	30 June 2018(audited)
	£m	£m	£m
Linden Homes	**52.5**	52.5	52.5
Partnerships & Regeneration	**29.9**	30.6	29.9
Building	**40.0**	40.0	40.0
Infrastructure	**37.2**	37.2	37.2
	159.6	160.3	159.6

As stated in the annual financial statements for the year ended 30 June 2018, detailed impairment reviews were carried out for all business segments. Consideration has been given as to whether any events have occurred since the year ended 30 June 2018 which would give rise to an impairment and none have been identified.

11 Developments

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Land	**496.6**	510.6	465.8
Work in progress	**275.1**	287.2	259.1
	771.7	797.8	724.9

12 Trade and other receivables

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Amounts falling due within one year:			
Trade receivables	**138.8**	159.4	198.7
Less: Provision for impairment of receivables	**(0.1)**	(0.2)	(0.1)
Trade receivables - net	**138.7**	159.2	198.6
Amounts recoverable on construction contracts[1]	**-**	304.1	349.7
Contract assets[1]	**402.3**	-	-
Amounts due from joint venture undertakings	**61.7**	138.9	166.3
Other receivables	**19.4**	11.3	13.7
Prepayments and accrued income [1]	**157.2**	148.5	110.3
	779.3	762.0	838.6
Amounts falling due after more than one year:			
Amounts due from joint venture undertakings	**241.7**	120.0	144.9
Other receivables	**7.2**	19.9	4.0
	248.9	139.9	148.9

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the retrospective modified with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21).

13 Cash and cash equivalents

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Cash and cash equivalents excluding bank overdrafts	**1,176.4**	1,350.7	912.4
Current borrowings – bank overdrafts	**(1,018.8)**	(1,238.5)	(617.0)
Cash and cash equivalents per the statements of cash flows	**157.6**	112.2	295.4
Current borrowings – obligations under finance leases and hire purchase contracts	**-**	(0.3)	(0.1)
Non-current borrowings	**(197.7)**	(196.8)	(197.1)
Net (debt)/cash	**(40.1)**	(84.9)	98.2

In February 2014 the Group agreed a five-year £400m unsecured revolving credit facility with HSBC Bank plc, Barclays Bank plc, National Westminster Bank plc and Santander UK plc. In February 2015, the Group agreed a one-year extension on the facility, to 2020. In March 2016 the Group agreed an increase in the facility to £450m and in December 2016, the Group agreed a further two-year extension to February 2022. The facility provides long-term finance and bonding facilities and is subject to covenants over interest cover, gearing (adjusted to take account of development land payables) and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs.

In February 2017, the Group issued £100m ten year unsecured notes purchased at a fixed rate of interest of 4.03% to investors advised by Pricoa Capital Group, expiring in February 2027. The agreement provides long-term finance at a fixed rate of interest and is subject to the same covenants as the revolving credit facility above.

14 Trade and other payables

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Payments received on account on construction contracts[1]	**-**	111.8	83.6
Trade payables	**416.4**	367.7	433.8
Development land payables	**125.6**	89.0	65.6
Contract liabilities[1]	**136.7**	-	-
Amounts due to joint venture undertakings	**19.8**	13.1	18.0
Other taxation and social security payable	**18.5**	15.1	13.9
Other payables	**22.5**	19.0	25.4
Accruals and deferred income [1]	**478.9**	527.1	534.3
	1,218.4	1,142.8	1,174.6

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21).

15 Other non-current liabilities

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Development land payables	**20.7**	99.8	78.8
Contract liabilities[1]	**28.2**	-	-
Accruals and deferred income[1]	**11.0**	47.0	43.5
	59.9	146.8	122.3

[1] The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 21).

16 Retirement benefit obligations

The amounts recognised in the balance sheet are as follows:

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Fair value of plan assets	**223.3**	248.0	235.6
Present value of defined benefit obligations	**(221.6)**	(250.7)	(228.6)
Surplus/(deficit) in scheme recognised as non-current asset/(liability)	**1.7**	(2.7)	7.0

The principal actuarial assumptions used to calculate the liabilities as at 31 December 2018 have been set in a consistent manner to those adopted at 30 June 2018. These assumptions will change as market conditions change over time.

An actuarial loss of £5.2m (31 December 2017: £3.3m; 30 June 2018: gain £4.0m) has been taken to the condensed consolidated statement of comprehensive income.

The formal triennial valuation of the Galliford Try Final Salary Pension Scheme as at 30 June 2018 was prepared during the period by LCP, the scheme actuary and was agreed by the Trustees and the Company in February 2019. Consequently, the results of this valuation will be incorporated into the IAS 19 valuation in the financial statements during the second half of the financial year.

On 26 October 2018, the High Court issued its judgement in the Guaranteed Minimum Pension (GMP) equalisation case with Lloyds Bank Plc. The key implication of this case is the need for pension schemes to equalise benefits for the effect of unequal GMPs accrued between May 1990 and April 1997; this applies to UK pension schemes who were contracted out of the State Earnings Related Pension Scheme (SERPS) during this period and who provide GMPs and therefore includes the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Pension & Assurance Scheme, resulting in an increase to the IAS 19 defined benefit obligations for both. The wording in the Court ruling implies that trustees should effect this increased obligation by an amendment to the scheme benefits which would be treated as a plan amendment and therefore a past service costs expensed in the income statement, recognised at the date that they occurred (being the date of the Lloyds GMP judgement, 26 October 2018). This has been estimated at 31 December 2018 to be equivalent to c 1.6% of the schemes liabilities, resulting in an expense in the income statement and an increase in liabilities of £3.5m. This has been treated as an exceptional item (note 5).

In July 2018, the Galliford Group Special Scheme completed a £7m insurance bulk annuity buyout transaction, securing the pensioner liabilities of the scheme. The premium paid was £0.9m higher than the IAS 19 liabilities discharged and therefore, a settlement charge of £0.9m was expensed to the income statement; this was treated as an exceptional item (note 5).

17 Financial instruments

The Group's activities expose it to a variety of financial risks. The condensed consolidated half year financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements for the year ended 30 June 2018.

There have been no significant changes in the risk management policies since the year end.

Financial liabilities - derivative financial liabilities

The fair value of interest rate swaps is detailed below:

	31 December 2018	31 December 2017	30 June 2018 (audited)
	£m	£m	£m
Non-current liabilities	**0.5**	1.4	(0.9)

Fair value estimation

Specific valuation techniques used to value financial instruments are defined as:

i. Level 1 - Quoted market prices or dealer quotes in active markets for similar instruments.
ii. Level 2 - The fair value of equity securities and interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
iii. Level 3 - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value:

	31 December 2018			31 December 2017			30 June 2018 (audited)		
	Level 2	**Level 3**	**Total**	Level 2	Level 3	Total	Level 2	Level 3	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Assets									
Other investments									
- Shared equity receivables	**-**	**0.4**	**0.4**	-	0.7	0.7	-	0.7	0.7
Total	**-**	**0.4**	**0.4**	-	0.7	0.7	-	0.7	0.7
Liabilities									
Derivatives used for hedging	**(0.5)**	**-**	**(0.5)**	(1.4)	-	(1.4)	(0.9)	**-**	(0.9)
Total	**(0.5)**	**-**	**(0.5)**	(1.4)	-	(1.4)	(0.9)	-	(0.9)

There were no transfers between levels during the period. The valuation techniques used to derive Level 2 fair values are consistent with those set out in the 30 June 2018 financial statements. Level 3 fair values are determined using valuation techniques that include inputs not based on observable market data.

For all other financial instruments, the fair value is the same as the carrying value.

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2018 (£m)	31 December 2017 (£m)	30 June 2018 (audited) (£m)
Opening balance	**0.7**	0.7	0.7
Disposals/reclassifications	**(0.3)**	-	-
Closing balance	**0.4**	0.7	0.7

The valuation process for Level 3 is consistent with that disclosed in the 30 June 2018 audited report.

The key assumptions used in Level 3 valuations include future house price movements, the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10-15 years and the timing of receipts is based on historical data. The discount rate of 5.5% and future house price movements used to compute the fair value (typically 2.5%) are based on local market conditions. If receipts were to occur earlier than expected, the fair value would increase.

The total impact in the period of Level 3, taken to the income statement, is £nil (31 December 2017: £nil; 30 June 2018: £nil) in cost of sales and £nil (31 December 2017: £nil; 30 June 2018: £nil) in finance income.

18 Guarantees and contingent liabilities

Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements and joint ventures, amounting to £309.0m (31 December 2017: £361.8m; 30 June 2018 £381.3m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the financial statements when they believe a liability exists. While the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

19 Related party transactions

Transactions between the Group and its joint ventures and jointly controlled operations are disclosed as follows:

Group

	Sales to related parties[1]			Purchases from related parties			Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2018 £m	31 Dec 2017 £m	30 Jun 2018 (audited) £m	**31 Dec 2018 £m**	31 Dec 2017 £m	30 Jun 2018 (audited) £m	**31 Dec 2018 £m**	31 Dec 2017 £m	30 Jun 2018 (audited) £m	**31 Dec 2018 £m**	31 Dec 2017 £m	30 Jun 2018 (audited) £m
Trading transactions												
Joint ventures	**24.7**	5.4	48.5	**-**	-	-	**28.1**	24.1	39.9	**19.8**	13.1	18.0
Jointly controlled operations	**14.8**	20.9	37.3	**0.6**	-	0.1	**12.9**	7.9	7.5	**18.0**	19.2	24.4

	Interest and dividend income from related parties			Loans to related parties		
	31 Dec 2018 £m	31 Dec 2017 £m	30 Jun 2018 (audited) £m	**31 Dec 2018 £m**	31 Dec 2017 £m	30 Jun 2018 (audited) £m
Non-trading transactions						
Joint ventures	**4.8**	6.8	12.2	**275.3**	234.8	271.3

[1] 'Sales to related parties' includes management fees recharges and shown net within administrative expenses.

20 Alternative performance measures

Throughout the Interim statement, the Group has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as they provide relevant information on the Group's performance. They are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures, appropriate reconciliations to its statutory measures and clarifications of any changes in the calculations resulting from the adoption of IFRS 15 are provided below.

Measuring the Group's performance
The following measures are referred to in this report:

Statutory measures
Statutory measures are derived from the Group's reported financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as issued by the International Accounting Standards Board (IASB) and in line with the Group's accounting policies.

The Group's statutory measures take into account all of the factors, including exceptional items which do not reflect the ongoing underlying performance of the Group.

Alternative performance measures
In assessing its performance, the Group has adopted certain non-statutory measures that more appropriately reflect the underlying performance of the Group. These typically cannot be directly extracted from its financial statements but are reconciled to statutory measures below:

a) Pre-exceptional performance
The Group adjusts for certain material one-off (exceptional) items which the Board believes assist in understanding the performance achieved by the Group.

b) Revenue (including the share of joint ventures' revenue)
The Group uses a revenue measure which includes its share of revenue generated from its joint ventures to ensure it reflects the total level of activity performed by the Group during the year, regardless of the form of legal entity that undertakes that activity. It excludes revenue from the sale of part exchange properties (now included within revenue following the adoption of IFRS 15). This measure better reflects the size of the business and the volume of work carried out and more appropriately compares to profit from operations. Additionally, this measure is comparable to prior periods with no change resulting from the adoption of IFRS 15. This differs from the statutory measure of revenue which presents Group revenue from its subsidiaries only and includes sales of part exchange properties.

20 Alternative performance measures (continued)

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Half year ended 31 December 2018								
Statutory Group revenue	**374.6**	**240.9**	**431.5**	**286.9**	**718.4**	**9.3**	**0.3**	**1,343.5**
add: share of joint ventures' revenue (note 3)	**69.7**	**44.7**	**-**	**-**	**-**	**12.5**	**-**	**126.9**
less: revenue from part exchange properties	**(52.2)**	**(0.7)**	**-**	**-**	**-**	**-**	**-**	**(52.9)**
Pre-exceptional revenue	**392.1**	**284.9**	**431.5**	**286.9**	**718.4**	**21.8**	**0.3**	**1,417.5**
Half year ended 31 December 2017								
Statutory Group revenue	355.9	215.9	504.1	319.5	823.6	6.7	0.4	1,402.5
add: share of joint ventures' revenue (note 3)	80.9	7.6	–	–	–	4.0	–	92.5
Pre-exceptional revenue	436.8	223.5	504.1	319.5	823.6	10.7	0.4	1,495.0
Year ended 30 June 2018 (audited)								
Statutory Group revenue	769.3	459.7	1,036.9	649.4	1,686.3	15.6	0.7	2,931.6
add: share of joint ventures' revenue (note 3)	178.0	15.5	1.1	–	1.1	6.1	–	200.7
Pre-exceptional revenue	947.3	475.2	1,038.0	649.4	1,687.4	21.7	0.7	3,132.3

c) Profit from operations and operating margin

The Group uses an operating profit measure which is inclusive of its share of operating profit generated from its joint ventures as this is equivalent to the operating profit generated by its subsidiaries and reflects the profitability of the total activity performed by the Group during the year. Additionally, this APM excludes exceptional items, the share of joint ventures' interest and tax and amortisation of intangible assets. Operating margin reflects the ratio of profit from operations and (pre-exceptional) revenue excluding part exchange. This differs from the statutory measure of profit before finance costs which includes the share of joint ventures' interest and tax and amortisation of intangible assets.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Half year ended 31 December 2018								
Statutory profit before finance costs	**73.4**	**12.0**	**4.3**	**(24.5)**	**(20.2)**	**2.4**	**(11.1)**	**56.5**
add: amortisation of intangibles	**–**	**0.7**	**0.5**	**–**	**0.5**	**–**	**0.5**	**1.7**
add: share of joint ventures' interest and tax	**3.4**	**1.8**	**–**	**–**	**–**	**0.2**	**–**	**5.4**
add: exceptional items (note 5)	**–**	**–**	**–**	**26.0**	**26.0**	**–**	**4.4**	**30.4**
Pre-exceptional profit from operations	**76.8**	**14.5**	**4.8**	**1.5**	**6.3**	**2.6**	**(6.2)**	**94.0**
Operating margin	**19.6%**	**5.1%**	**1.1%**	**0.5%**	**0.9%**	**n/a**	**n/a**	**6.6%**
Half year ended 31 December 2017								
Statutory profit before finance costs	73.9	9.9	2.5	(20.8)	(18.3)	2.0	(6.8)	60.7
add: amortisation of intangibles	–	0.7	0.5	–	0.5	–	0.5	1.7
add: share of joint ventures' interest and tax	7.0	0.2	–	–	–	0.1	–	7.3
add: exceptional items (note 5)	–	–	–	25.0	25.0	–	–	25.0
Pre-exceptional profit from operations	80.9	10.8	3.0	4.2	7.2	2.1	(6.3)	94.7
Operating margin	18.5%	4.8%	0.6%	1.3%	0.9%	n/a	n/a	6.3%

20 Alternative performance measures (continued)

	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018 (audited)								
Statutory profit before finance costs	171.3	22.1	10.6	(40.7)	(30.1)	6.6	(18.7)	151.2
add: amortisation of intangibles	–	1.4	1.0	–	1.0	–	1.1	3.5
add: share of joint ventures' interest and tax	13.1	0.1	–	–	–	0.2	–	13.4
add: exceptional items (note 5)	–	–	–	45.0	45.0	–	–	45.0
Pre-exceptional profit from operations	184.4	23.6	11.6	4.3	15.9	6.8	(17.6)	213.1
Operating margin	19.5%	5.0%	1.1%	0.7%	0.9%	n/a	n/a	6.8%

d) Pre-exceptional profit before tax

The Group uses a profit before tax measure which excludes exceptional items as noted above. This differs from the statutory measure of profit before income tax which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Half year to 31 December 2018 £m	Half year to 31 December 2017 £m	Year to 30 June 2018 (audited) £m
Statutory profit before tax	**53.8**	56.3	143.7
Exceptional items (note 5)	**30.4**	25.0	45.0
Pre-exceptional profit before tax	**84.2**	81.3	188.7

e) Pre-exceptional earnings per share

In line with the Group's measurement of pre-exceptional performance, the Group also presents its earnings per share on a pre-exceptional basis. This differs from the statutory measure of earnings per share which includes exceptional items.

A reconciliation of the statutory measure to the Group's performance measure is shown below:

	Half year to 31 December 2018		
	Earnings £m	Ave number of shares	EPS pence
Statutory results	**43.6**	**110,675,158**	**39.4**
add: exceptional earnings (note 5)	**25.5**	**n/a**	**n/a**
Pre-exceptional earnings per share	**69.1**	**110,675,158**	**62.4**

	Half year to 31 December 2017		
	Earnings £m	Ave number of shares	EPS pence
Statutory results	46.5	91,739,051	50.7
add: exceptional earnings (note 5)	20.2	n/a	n/a
Pre-exceptional earnings per share	66.7	91,739,051	72.7

	Year ended 30 June 2018 (audited)		
	Earnings £m	Ave number of shares	EPS pence
Statutory results	118.3	97,695,511	121.1
add: exceptional earnings (note 5)	36.4	n/a	n/a
Pre-exceptional earnings per share	154.7	97,695,511	158.4

20 Alternative performance measures (continued)

f) Pre-exceptional Group return on net assets

In line with the Group's measurement of pre-exceptional performance, the Group also presents its return on net assets (RoNA) ratio on a pre-exceptional basis. RoNA is calculated as pre-exceptional earnings before interest, tax and amortisation of intangible assets (EBITA) divided by the average pre-exceptional net assets (including goodwill). Linden Homes' segmental RoNA is calculated as Linden Homes EBITA divided by the average of Linden Homes and Central net assets.

A reconciliation of the Group's performance measure is shown below:

	Half year ended 31 December 2018			
	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total Group £m
Statutory net assets (note 3)	**194.5**	**65.7**	**410.2**	**762.4**
add: exceptional loss for the year	**-**	**-**	**4.4**	**25.5**
reallocate: Central to Linden Homes (to calculate Linden Homes RoNA)	**414.6**	**n/a**	**(414.6)**	**n/a**
Pre-exceptional net assets	**609.1**	**65.7**	–	**787.9**
Average pre-exceptional net assets	**610.3**	**61.2**	**n/a**	**800.4**
Pre-exceptional profit from operations	**76.8**	**14.5**	**n/a**	**94.0**
Pre-exceptional RoNA	**25.2%**	**47.4%**	**n/a**	**23.5%**

	Half year ended 31 December 2017			
	Linden Homes £m	Partnerships & Regeneration £m	Central[1] £m	Total Group[1] £m
Statutory net assets (note 3)	152.1	47.9	445.4	717.0
add: exceptional loss for the year	–	–	–	20.2
reallocate: Central to Linden Homes (to calculate Linden Homes RoNA)	445.4	n/a	(445.4)	n/a
Pre-exceptional net assets	597.5	47.9	–	737.2
Average pre-exceptional net assets	598.4	44.7	n/a	767.1
Pre-exceptional profit from operations	80.9	10.8	n/a	94.7
Pre-exceptional RoNA	27.1%	48.4%	n/a	24.7%

1 Net assets restated due to rights issue.

	Year ended 30 June 2018 (audited)			
	Linden Homes £m	Partnerships & Regeneration £m	Central £m	Total Group £m
Statutory net assets (note 3)	212.5	56.6	399.1	776.5
add: exceptional loss for the year	–	–	–	36.4
reallocate: Central to Linden Homes (to calculate Linden Homes RoNA)	399.1	n/a	(399.1)	n/a
Pre-exceptional net assets	611.6	56.6	–	812.9
Average pre-exceptional net assets	605.4	49.0	n/a	805.0
Pre-exceptional profit from operations	184.4	23.6	n/a	213.1
Pre-exceptional RoNA	30.5%	48.2%	n/a	26.5%

21. Impact of the adoption of IFRS 15 Revenue from Contacts with Customers

The Group has adopted IFRS 15 from 1 July 2018 and as a result, has changed its accounting policy for revenue recognition as detailed in note 1. The Group has applied IFRS 15 using the cumulative effect method of initially applying the new standard as an adjustment to the opening balance of equity as at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The details of any changes are set out below.

(i) Part exchange properties – historically, under IAS 18, the purchase and sale of part exchange properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a part exchange property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house (see updated accounting policy, note 2). Accordingly, these sales are now recorded in revenue rather than as a reduction to cost of sales. However, this accounting change results in equivalent but offsetting increases in revenue and cost of sales and therefore no change in operating profit or net assets.

(ii) The Group's notes to the accounts (specifically 'trade and other receivables', 'trade and other payables' and 'other non-current liabilities') are impacted as a result of moving away from IAS 11 balance sheet captions to those prescribed by IFRS 15. The main reclassification adjustment is in relation to reclassifying 'Amounts recoverable on construction contracts' and 'Payments received on account on construction contracts' to 'Contract Assets' or 'Contract Liabilities'. Additionally, the relevant accrued income balances which were previously presented within 'Prepayments and accrued income' and deferred income balances which were previously presented within 'Accruals and deferred income' for contracts that were ongoing at that time in line with the requirements of IAS 11, have now been presented within 'Contract assets' or 'Contract liabilities' as appropriate.

Impact on the financial statements on transition at 1 July 2018
As noted above, the only adjustment to the income statement and balance sheet on the adoption of IFRS 15 was to revenue and cost of sales in respect of accounting for part exchange properties. Consequently, the cumulative effect on the changes made to the Group's consolidated income statement for the year 30 June 2018 is to increase revenue by £83.5m with an equal increase in cost of sales (see adjustment (i) above). However, this resulted in no change to the operating profit for the year to 30 June 2018, nor the net assets and the consolidated balance sheet as at 30 June 2018.

Impact of adopting IFRS 15 on the Group's 2019 first-half results

Impact on Group's consolidated income statement for the six months to 31 December 2018
The Group's consolidated income statement for the six months ending 31 December 2018 is only impacted by the change in accounting for part exchange properties with sales now recorded in revenue rather than as a reduction in cost of sales. The Group would have recognised £52.9m less revenue (and an equivalent reduction in cost of sales) in this six month period if it were to continue to apply previous accounting standards. There was no other impact on the Group's consolidated income statement.

Impact on Group's consolidated balance sheet at 31 December 2018
There was no impact on the Group's net assets and consolidated balance sheet as at 31 December 2018 resulting from the adoption of IFRS 15.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which may have a material impact on the Group's performance in the second half of the financial year remain primarily the same as those outlined on pages 20 and 21 of the Group's annual report and financial statements for the year ended 30 June 2018. These can be summarised as health, safety, environmental and community; people; supply chain; macro environment; markets; and corporate.

However, we maintain a continual review of the potential effects on our business of the UK leaving the European Union, under various scenarios. We consider that a controlled departure under the terms of a withdrawal agreement between the UK and the EU will have no significant direct impact, with supply chains and EU and other overseas labour able to adjust over time as detailed future arrangements become clear. If the UK leaves without a deal, the biggest impact we foresee is the effect on our markets, and on Linden Homes market in particular, of a potential severe decline in consumer confidence and economic activity in general. We believe our business planning is as prepared as possible for this uncertainty. We have also considered the effects on our supply chain, and engaged with our suppliers. We have made specific arrangements where we foresee the potential for disruption to the import of critical materials and products, though noting that it is impractical to try to insulate our business entirely. We are alert to the risk of a significant decline in the value of Sterling, and will continue to use normal hedging arrangements for significant purchases of imported products on specific contracts. We continue to keep this complex matter under review.

Forward looking statements

Certain statements in this half year report are forward looking. Such statements should be treated with caution as they are based on current information and expectations and are subject to a number of risks and uncertainties that could cause actual events of outcomes to differ materially from expectations.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

The directors confirm that these condensed consolidated half year financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and that the interim management report herein gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4 and includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Galliford Try plc are:

Peter Ventress	Non-executive Chairman
Peter Truscott	Chief Executive
Graham Prothero	Finance Director
Terry Miller	Senior Independent Director
Gavin Slark	Non-executive Director
Jeremy Townsend	Non-executive Director
Marisa Cassoni	Non-executive Director

Signed on behalf of the Board

Peter Truscott
Chief Executive

Graham Prothero
Finance Director

13 February 2019

Independent review report to Galliford Try plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Galliford Try plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Galliford Try Plc for the 6 month period ended 31 December 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 December 2018;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

13 February 2019