Linden South West Limited

Annual report and Financial statements

For the year ended 30 June 2012

Registered number 02714200

Linden South West Limited

Contents

Linden South West Limited

Directors and advisers

Directors

I Baker
WE Cawse
BS Deacon
TJ Douglas
MR Farnham
RJ Hayman
G Hutton
J Knight
GH Locke
NJ Palmer
NG Peters

Company secretary

Galliford Try Secretariat Services Limited

Registered office

Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Linden South West Limited

Directors' report for the year ended 30 June 2012

The directors present their annual report and the audited financial statements of Linden South West Limited, registered number 02714200 ("the Company") for the year ended 30 June 2012

Principal activities

The principal activity of the Company is residential property development, social housing and urban regeneration, primarily in Devon, Cornwall and Somerset

Review of business and future developments

The company is a wholly owned subsidiary of an ultimate parent undertaking, Galliford Try plc, based in the United Kingdom for which group financial statements are prepared The Company's principal operating and financial risks and key performance indicators are integrated with those of the group These are set out in the Business Review of the Annual Report of Galliford Try plc

Despite challenging conditions, we have achieved an improved revenue position from the prior year, with an increase of 27% with a loss after tax of £1,826,231 compared to a profit after tax of £7,000 in 2011 Revenue for the current financial year was £60,378,514 (2011 £47,366,000) Social housing represents 10 3% (2011 26 1%) of the total revenue

The Company's role in the successful culmination of Galliford Try's three year expansion plan led to a significant increase in the Company's revenue, operating profit and interest costs Over the next few years our strategy will be to deliver disciplined revenue growth and an increase in margins

Our land bank at year end dropped by 8% to 1,892 units (2011 2,056 units), 354 of which were for affordable housing requirements

The directors anticipate that the future and present market will be more stable compared to the last two years, although conditions will remain challenging

Linden South West Limited

Directors' report for the year ended 30 June 2012 (continued)

Results and dividends

The Company's loss after taxation for the financial year was £1,826,231 (2011 profit after tax of £7,000), which will be deducted from reserves

The directors do not recommend the payment of a dividend (2011 £nil)

Directors

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

NJ Palmer was appointed as a director of the Company on 3 July 2012 and AGS Addison resigned as a director of the Company on 3 March 2012

Following shareholder approval, the Company has provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 This indemnity was in force throughout the year and up to the date of signing these financial statements

Financial risk management

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

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

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

Principal risks, uncertainties and key performance indicators

From the perspective of the Company, the principal risks and uncertainties are integrated with that of Galliford Try plc and are not managed separately These are discussed within the group's annual report

The directors of Galliford Try plc manage the group's operations on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business The development, performance and position of Galliford Try plc, which includes the company, is discussed in the group's annual report, which does not form part of this report

Linden South West Limited

Directors' report for the year ended 30 June 2012 (continued)

Employees

The Company is an equal opportunities employer

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

The establishment and maintenance of safe working practices are of the greatest importance to the Company and special training in health and safety is provided for employees

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Linden South West Limited

Directors' report for the year ended 30 June 2012 (continued)

Disclosure of information to auditors

Each of the persons who is a director at the date of the approval of this report confirms that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

The report of the directors was approved by the board of directors on 14th December 2012 and signed by its order by

For and on behalf of

A. S. White

Galliford Try Secretariat Services Limited

Galliford Try Secretariat Services Limited
Company secretary

Independent auditors' report to the members of Linden South West Limited

We have audited the financial statements of Linden South West Limited for the year ended 30 June 2012 which comprise the Income statement, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Pauline Campbell

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

14 December 2012

Linden South West Limited

Income statement for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Revenue		60,379	47,366
Cost of sales		(52,789)	(40,858)
Gross profit		7,590	6,508
Administrative expenses		(5,251)	(4,862)
		2,339	1,646
Profit on ordinary activities before finance charges and interest			
Finance income	3	17	123
Finance costs	3	(4,842)	(1,820)
Loss before income tax	4	(2,486)	(51)
Income tax credit	5	660	58
(Loss)/profit for the year		(1,826)	7

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

There is no material difference between the results shown in the income statement above and their historical cost equivalents for the financial year stated above

Linden South West Limited

Balance sheet as at 30 June 2012

	Note	2012 £'000	2011 £'000
Assets			
Non current assets			
Property, plant and equipment	6	**45**	15
Investments in subsidiaries	7	**1,192**	1,192
Financial assets			
- Available for sale financial assets	8	**-**	2,093
Deferred income tax assets	16	**33**	41
Total non current assets		**1,270**	3,341
Current assets			
Developments	9	**70,751**	70,426
Trade and other receivables	11	**26,636**	23,171
Current income tax assets	12	**910**	221
Cash and cash equivalents	13	**6,136**	2,883
Total current assets		**104,433**	96,701
Total assets		**105,703**	100,042
Liabilities			
Current liabilities			
Financial liabilities - borrowings	15	**(76,046)**	(67,932)
Trade and other payables	14	**(24,185)**	(24,812)
Total current liabilities		**(100,231)**	(92,744)
Net current assets		**4,202**	3,957
Total liabilities		**(100,231)**	(92,744)
Net assets		**5,472**	7,298
Equity			
Ordinary shares	18	**15,000**	15,000
Accumulated losses		**(9,528)**	(7,702)
Total equity attributable to owners of the company		**5,472**	7,298

The notes on pages 11 to 34 are an integral part of these financial statements

The financial statements on pages 7 to 34 were approved by the Board of directors on 14th December 2012 and signed on its behalf by

RJ Hayman
Director
Registered number 02714200

Linden South West Limited

Statement of changes in equity for the year ended 30 June 2012

	Note	Ordinary shares £'000	Accumulated losses £'000	Total equity £'000
At 01 July 2010		15,000	(7,709)	7,291
Profit for the year		-	7	7
At 01 July 2011		15,000	(7,702)	7,298
Loss for the year		-	(1,826)	(1,826)
At 30 June 2012		**15,000**	**(9,528)**	**5,472**

Linden South West Limited

Statement of cash flows for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit before finance costs		2,339	1,646
Adjustments for			
Depreciation		7	9
Net cash generated from operations before changes in working capital		2,346	1,655
(Increase) in developments		(325)	(12,372)
(Increase)/decrease in trade and other receivables		(3,465)	5,348
(Decrease) in payables		(627)	(1,352)
Net cash used in operations		(2,071)	(6,721)
Interest received		17	123
Interest paid		(4,842)	(1,820)
Income tax (paid)/received		(22)	435
Net cash (used in) operating activities		(6,918)	(7,983)
Cash flows from investing activities			
Disposal of available for sale financial assets	8	2,093	(735)
Acquisition of property, plant and equipment	6	(36)	(13)
Net cash generated by/(used in) investing activities		2,057	(748)
Net (decrease) in cash and cash equivalents		(4,861)	(8,731)
Cash and cash equivalents at 1 July	13	(65,049)	(56,318)
Cash and cash equivalents at 30 June	13	(69,910)	(65,049)

For the purpose of the cash flow statements, cash and cash equivalents are reported net of bank overdrafts Bank overdrafts are excluded from the definition of cash and cash equivalents in the balance sheet

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012

1 Accounting policies

General Information
Linden South West Limited ('the Company') is a limited company incorporated, listed and domiciled in England and Wales (Registered number 02714200) The address of the registered office is Linden South West Limited, Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL

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

Basis of accounting
These financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss The Company has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the EU, relevant to its operations and effective on 30 June 2011 These policies have been applied consistently, other than where new policies have been adopted

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2011 were as follows The new amendments had no significant impact on the Company's results
- IAS 24 (revised), 'Related party disclosures'
- Amendment to IFRS 7, Financial instruments Disclosures
- Amendment to IFRS 1 on hyperinflation and fixed dates
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement'

New standards, amendments and interpretations issued but not effective and yet to be endorsed by the EU are as follows
- Amendment to IAS 1,'Presentation of financial statements' on OCI
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 19 (revised 2011) 'Employee benefits'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IAS 12,'Income taxes' on deferred tax
- Amendment to IFRS 1 on government grants
- Amendment to IFRS 7, Financial instruments asset and liability offsetting
- Amendment to IAS 32, Financial instruments asset and liability offsetting
- IFRIC 20 'Stripping costs in the production phase of a surface mine'

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1. Accounting policies (continued)

Basis of accounting (continued)
IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets The Company is yet to assess IFRS 9s full impact However, initial indications are that it may affect the Company's accounting for its debt available for sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss

IAS 19 (revised 2011) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits The changes will affect the Company and may also increase the volume of disclosures

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

The Company has not early adopted any of these standards

Critical accounting estimates and judgments
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are readily apparent from other sources Actual results may differ from these estimates The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods

Material estimates and assumptions are made in particular with regards to establishing the following policies

(i) Estimation of costs to complete
In order to determine the profit and loss that the Company is able to recognise on its developments and construction contracts in a specific period, the Company has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period The assessment of the total costs to be incurred requires a degree of estimation However, Company management has established internal controls to review and ensure the appropriateness of estimates made

(ii) Retirement benefit obligation valuations
In determining the valuation of defined benefit schemes assets and liabilities, a number of key assumptions have been made The key assumptions, which are given below, are largely dependent on factors outside the control of the Company

- expected return on scheme assets
- inflation rate
- mortality
- discount rate
- salary and pension increases

Details of the assumptions used are included in note 21

1. Accounting policies (continued)

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

Revenue and profit
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax Sales within the Company are eliminated Revenue also includes the Company's proportion of work carried out under jointly controlled operations

Revenue and profit are recognised as follows
(i) Housebuilding and land sales
Revenue from private housing sales is recognised at legal completion, net of incentives Revenue from land sales is recognised on the unconditional exchange of contracts Profit is recognised on a site by site basis by reference to the expected result of each site Contracting development sales for affordable housing are accounted for as construction contracts

(ii) Facilities management contracts
Revenue is recognised on an accruals basis once the service has been performed with reference to value provided to the customer Profit is recognised by reference to the specific costs incurred relating to the service provided

(iii) Construction contracts
Revenue comprises the value of construction executed during the year and contracting development sales for affordable housing The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years

(a) Fixed price contracts - Revenue is recognised based upon an internal assessment of the value of works carried out This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete Revenue and profit are not recognised in the income statement until the outcome of the contract is reasonably certain Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract Provision for claims against the Company is made as soon as it is believed that a liability will arise, but claims and variations made by the Company are not recognised in the income statement until the outcome is virtually certain Provision will be made against any potential loss as soon as it is identified

(b) Cost plus 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 the outcome is virtually certain Profit is recognised on a constant margin throughout the life of the contract Provision will be made against any potential loss as soon as it is identified

Amounts recoverable on contracts and payments on account are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1. Accounting policies (continued)

Bid costs for PFI/PPP contracts
Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Company has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain

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

Income tax
Current income tax is based on the taxable profit for the year Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies The party accepting such surrender pays the company an amount equal to the amount of tax such accepting party would have paid but for such surrender

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred income tax is accounted for on an undiscounted basis A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted

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

Property, plant and equipment
Land and buildings comprise mainly offices and are stated at cost less impairment All other property, plant and equipment is stated at cost less accumulated depreciation and impairment Cost includes expenditure that is directly attributable to the acquisition of the items

Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life Freehold land and buildings are not depreciated The annual rates of depreciation are as follows

On cost or reducing balance
Plant and machinery
15% to 33%

Fixtures and fittings
10% to 33%

1. Accounting policies (continued)

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

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

Investments in subsidiaries
Investments are stated at cost plus incidental expenses less any provision for impairment

Available for sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date On initial recognition the asset is recognised at fair value plus transaction costs Available for sale financial assets are measured at subsequent reporting dates at fair value Gains and losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Rentals under operating leases are charged to the income statement on a straight line basis over the lease term

Developments

Where a development is in progress net realisable value is assessed by considering the expected future revenues and the total costs to complete the development including direct costs and directly attributable overheads To the extent that the Company anticipates selling a development in its current state then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement Short term trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1. Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at nominal value For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less Bank overdrafts are also included as they are an integral part of the Company's cash management

Bank deposits with an original term of more than three months are classified as short term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant

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

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

Trade payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate

Provisions for liabilities and charges
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to the passage of time is recognised as an interest expense

Retirement benefit obligations
The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge disclosed in note 21 represents contributions payable by the company to the fund Contributions to the groups defined contribution scheme are determined as a percentage of employees' earnings and are charged to the income statement on an accruals basis

The Company participates in a group operated defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the Company in independently administered funds As the Company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

2. Employees and directors

Employee benefit expense for the Company for the year is

	Note	2012 £'000	2011 £'000
Wages and salaries		5,145	4,489
Redundancy and termination costs		30	2
Social security costs		543	497
Retirement benefit costs		810	1,344
		6,528	6,332

The disclosure above includes some employees who are employed by Galliford Try Employment Limited, a fellow subsidiary company, who are seconded to Linden South West Limited and their costs are recharged to the Company accordingly

The average monthly number of people including executive directors employed is

	2012 Number	2011 Number
By activity		
Production and sales	118	80
Administration	41	60
Management	8	6
	167	146

Remuneration of key management personnel

The key management personnel comprise the directors of the Company The remuneration of the key management personnel of the Company is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures

	2012 £'000	2011 £'000
Salaries	898	593
Retirement benefit costs	117	96
	1,015	689

The emoluments of G Locke, M Farnham and I Baker are paid by other subsidiaries within the group These directors are also directors of fellow subsidiaries of Galliford Try plc and it is not possible to make an accurate apportionment in respect of their emoluments to this subsidiary Accordingly, the above details include no emoluments in respect of these directors Their emoluments are disclosed where appropriate in the financial statements of the companies where significant costs are relevant

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

2 Employees and directors (continued)

Remuneration of key management personnel (continued)

	2012	2011
Number of directors to whom retirement benefits are accruing under pension schemes		
Defined contributions scheme	8	8

Highest paid director

	2012 £'000	2011 £'000
Aggregate emoluments	246	165
Company pension contributions to money purchase schemes	31	28
	247	193

3. Net finance costs

	2012 £'000	2011 £'000
Interest receivable		
- on Bank deposits	-	13
- from group companies	17	-
Unwind of discount on shared equity receivables	-	110
Finance income	17	123
Interest payable		
- to group companies	(4,840)	(1,757)
Other interest payable	(2)	(63)
Finance costs	(4,842)	(1,820)
Net finance costs	(4,825)	(1,697)

4 Loss before income tax

The following items have been included in arriving at the loss before income tax

	Note	2012 £'000	2011 £'000
Employee benefit expense		6,528	6,332
Depreciation of property, plant and equipment			
- Owned assets		7	9
Other operating lease rentals payable			
- Property		182	180
Developments recognised as an expense		51,963	40,762
Repairs and maintenance expenditure on property, plant and equipment		69	39

Services provided by the Company's auditors

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

	Note	2012 £'000	2011 £'000
Fees payable to the Company's auditors for the audit of the financial statements		22	16

5. Income tax

	Note	2012 £'000	2011 £'000
Analysis of credit/(expense) in year			
Current tax		639	18
Deferred tax		(7)	(12)
Adjustments in respect of prior years			
Current tax		28	52
Income tax credit		660	58

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

5. Income tax (continued)

The total income tax credit for the year of £(659,636) (2011 £58,000) is higher (2011 higher) than the year end standard rate of corporation tax in the UK of 24% (2011 26%) The differences are explained below

	Note	2012 £'000	2011 £'000
Loss before income tax		**(2,486)**	(51)
Loss before income tax multiplied by the year end standard rate in the UK of 24% (2011 26%)		**597**	13
Effects of			
Expenses not deductible for tax purposes		**(3)**	(7)
Change in rate of current income tax		**38**	-
Adjustments in respect of prior years		**28**	52
Income tax credit		**660**	58

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 25 5% and will be taxed at 24% in the future

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 None of these further rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effect of the changes enacted in the Finance Act 2012 would be to reduce the deferred tax asset provided at the balance sheet date by £1,375 This £1,375 decrease in the deferred tax liability would decrease profit by £1,375 with no change to other comprehensive income This decrease in the deferred tax liability is due to the reduction in the corporation tax rate from 24% to 23% with effect from 1 April 2013

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year The overall effect of the further changes from 24% to 22%, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by £2,750 (being £1,375 recognised in 2013 and £ 1,375 recognised in 2014)

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Notes to the financial statements for the year ended 30 June 2012 (continued)

6. Property, plant and equipment

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 01 July 2010	303	951	1,254
Additions	-	13	13
At 01 July 2011	303	964	1,267
Additions	26	11	37
At 30 June 2012	**329**	**975**	**1,304**
Accumulated depreciation			
At 01 July 2010	303	940	1,243
Charge for the year	-	9	9
At 01 July 2011	303	949	1,252
Charge for the year	-	7	7
At 30 June 2012	**303**	**956**	**1,259**
Net book amount			
At 30 June 2012	**26**	**19**	**45**
At 30 June 2011	-	15	15

There are no assets held under finance lease (2011 £Nil)

The cost of land and building primarily relates to freehold properties

There has been no impairment of property, plant and equipment during the year (2011 £Nil)

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

7. Investment in subsidiaries

	£'000
Cost	
At 01 July 2010	5,412
Additions	-
At 01 July 2011	5,412
Additions	-
At 30 June 2012	**5,412**
Aggregate impairment	
At 01 July 2010	4,220
At 01 July 2011	4,220
At 30 June 2012	**-**
Net book value	
At 30 June 2012	**1,192**
At 30 June 2011	1,192

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

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

The subsidiary undertakings that affect profits and net assets of the Company are

Linden Devon Limited*
Rosemullion Homes Limited*
Linden Cornwall Limited
Knapp Group Limited*
Charles Scott Homes (South West) Limited*
Metrobrook (Newquay) Limited*

*Shares of these subsidiary companies are owned directly by the Company

8. Available for sale financial assets

	£'000
At 01 July 2010	1,295
Additions	735
Unwind of discount on shared equity receivables	111
Impairment	(48)
At 01 July 2011	2,093
Disposals	(2,093)
At 30 June 2012	-

The available for sale assets comprise of shared equity receivables The shared equity receivables are largely with repayment dates that can vary and variable repayment amounts, provided as part of the sales transaction and are secured by a second legal charge on the related property The assets are recorded at fair value, being the estimated future receivable by the Company, discounted back to present values The fair value of the future anticipated receipts takes into account the directors' view of future house price movements, the expected timing of receipts and credit risk These assumptions are reviewed at the end of each financial reporting period The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date Credit risk, which is largely mitigated by holding a second charge over the property is accounted for in determining the fair values and appropraite discount rates are applied The directors' review the financial assets for impairment at each balance sheet date

An impairment of £nil (2011 £48,000) arose in the year due to variances between the valuation assumptions used for future house prices compared to the actual outturn This amount has been charged to the income statement

During the year the Company's investment in shared equity receivables increased by £nil (2011 £846,000) £nil (2011 £735,000) related to new shared equity receivables and £nil (2011 £111,000) arose on the unwind of the discount applied on initial recognition of the receivables at fair value which has been shown as finance income in the income statement The shared equity receivables are secured by a charge over the related property

On 1 July 2011, the Company sold its entire portfolio of shared equity receivables to a fellow subsidiary of Galliford Try plc at net book value of £2,093,000 No profit or loss arose

9. Developments

	Note	2012 £'000	2011 £'000
Land		**34,534**	39,040
Work in progress		**36,217**	31,386
		70,751	70,426

10. Construction contracts

	Note	2012 £'000	2011 £'000
Contracts in progress at balance sheet date			
Amounts recoverable on construction contracts included in trade and other receivables		**2,156**	2,353
		2,156	2,353

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £4,895,218 (2011 £620,000)

Retentions held by customers for contract work amounted to £ 703,178 (2011 £910,000)

11. Trade and other receivables

	Note	2012 £'000	2011 £'000
Amounts falling due within one year			
Trade receivables		**840**	406
Less provision for impairment of receivables		**-**	-
Trade receivables - net		**840**	406
Amounts recoverable on construction contracts		**2,156**	2,353
Amounts owed by group undertakings		**18,479**	15,162
Other receivables		**5,094**	5,191
Prepayments and accrued income		**67**	59
		26,636	23,171
		-	-

Amounts owed by group undertakings have no interest chargeable or repayment date

Trade and other receivables do not contain any assets that are past due or impaired (2011 £nil)

12. Current income tax asset

	Note	2012 £'000	2011 £'000
Current income tax asset		910	221

13. Cash and cash equivalents

	Note	2012 £'000	2011 £'000
Cash at bank and in hand		6,136	2,883
Cash and cash equivalents excluding bank overdrafts		6,136	2,883
Bank overdrafts		(76,046)	(67,932)
Cash and cash equivalents for cash flow purposes		(69,910)	(65,049)

The effective interest rate received on cash balances is 0 5% (2011 1 5%)

14. Trade and other payables

	Note	2012 £'000	2011 £'000
Development land payables		3,289	7,712
Trade payables		4,888	5,876
Amounts due to group undertakings		8,284	8,125
Other taxation and social security payable		21	18
Other payables		1,760	408
Accruals and deferred income		5,943	2,673
		24,185	24,812

Loans owed to fellow group undertakings are non-interest bearing unsecured loans repayable on demand

15. Financial liabilities - borrowings

	Note	2012 £'000	2011 £'000
Current			
Bank overdraft - secured		76,046	67,932

The bank overdrafts are secured by a fixed charge over certain of the Company's and group's developments They currently incur interest at 2 25-2 6% (2011 1 75%) over LIBOR, which is paid by a fellow group undertaking

Linden South West Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

16. Deferred income tax asset

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2011 26%)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities The net deferred tax position at 30 June was

	Note	2012 £'000	2011 £'000
Deferred income tax asset		33	41

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

	Note	2012 £'000	2011 £'000
At 1 July		41	53
Income statement			
Current year's deferred income tax		(8)	(12)
At 30 June		33	41

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

17. Financial instruments

The Companys activities expose it to a variety of financial risks market risk (including currency risk and interest rate risk), credit risk and liquidity risk The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

The Company operates within financial risk policies and procedures approved by Galliford Try plc's Board (the Board) It is, and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity The Company's financial instruments principally comprise cash and liquid resources, receivables and payables that arise directly from its operations and its acquisitions

17. Financial instruments (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Company take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency The Company has no material currency exposure at 30 June 2012 (2011 Nil)

(ii) Price risk

The Company is not exposed to equity securities price risk because investments held by the Company are classified on the balance sheet either as available for sale or at fair value through profit or loss The Company is not exposed to commodity price risk

(iii) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates The company interest rate risk arises from movement in cash and cash equivalents and long-term borrowings Borrowings issued at variable rates expose the company to cash flow interest rate risk The Company policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges

(b) Credit risk

Credit risk arises from cash and cash equivalents, borrowings with banks and financial institutions, as well as credit exposures to receivables and committed transactions The Company has a credit risk exposure to the providers of its banking facilities These are primarily provided by HSBC Bank plc, The Royal Bank of Scotland plc and Barclays Bank PLC, being three of the UK's leading financial institutions

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities Due to the dynamic nature of the Galliford Try plc's (Group) underlying businesses, the group treasury maintains flexibility in funding by maintaining availability under committed credit lines

The Company finances its operations through a mixture of retained profits and bank borrowings Group management monitors rolling forecasts of the Company's liquidity reserve (which comprises undrawn borrowing facilities (see below) and cash and cash equivalents on the basis of expected cash flow On a daily basis throughout the year, the bank balances or borrowings in all the Company's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate

17. Financial instruments (continued)

In accordance with IAS 39, Financial instruments recognition and measurement, the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard No such embedded derivatives have been identified

Fair values of non-derivative financial assets and financial liabilities

Primary financial instruments held or issued to finance the Company's operations

	Note	2012 Book value £'000	2012 Fair value £'000	2011 Book value £'000	2011 Fair value £'000
Short term borrowings		(76,046)	(76,046)	(67,932)	(67,932)
Trade and other payables		(24,164)	(24,164)	(24,794)	(24,794)
Trade and other receivables		26,569	26,569	23,112	23,112
Cash and cash equivalents		6,136	6,136	2,883	2,883

Prepayments and accrued income are excluded from the trade and other receivables balances and statutory liabilities and payments received on account on construction contracts are excluded from trade and other payables balances, as this analysis is required only for financial instruments

Borrowing facilities

The Company utilises Galliford Try plc's bank facilities which had the following undrawn committed borrowing facilities available at 30 June which are restricted by the value of developments available to be secured under the terms of the facility

	2012 Floating rate £'000	2011 Floating rate £'000
Expiring		
In more than two years	237,700	302,400

The Galliford Try Group has a £325 million revolving credit facility with HSBC Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc The facility provides long term finance and bonding facilities providing working capital with a comfortable margin for the group's projected requirements until 2015 The facility is subject to covenants over interest cover, gearing, adjusted gearing taking account of land creditor debt and minimum consolidated tangible assets as well as security against the group's house building development sites Interest is calculated by aggregating margin, LIBOR and relevant costs

18. Ordinary shares

Allotted and fully paid ordinary shares of £1	Number of shares	Ordinary shares £'000
At 01 July 2011	15,000,000	15,000
Shares issued	-	-
At 30 June 2012	**15,000,000**	**15,000**

19. Financial commitments

The Company has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery The leases have various terms, escalation clauses and renewal rights The maximum commitments for payments under these contracts are as follows

	2012	2011
	Property £'000	Property £'000
Amounts due		
Within one year	**46**	32
Later than one year and less than five years	**128**	128
After five years	**96**	128
	270	288

Galliford Try plc, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, and Barclays Bank PLC to guarantee the borrowings of Group companies Fixed charges have been given to these banks over certain of the Group's developments

20. Guarantees and contingent liabilities

The parent company Galliford Try plc and group subsidiary companies have entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of group undertakings, including joint arrangements and joint ventures, in the normal course of business amounting to £135 3 million (2011 £125 5 million)

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

21. Retirement benefit obligations

The Company's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to all future service accrual on 31 March 2007 The Company is unable to identify its share of the assets and liabilities of the group defined benefit scheme This is because of historical changes within the group and the pension scheme, which means that it is not possible to accurately identify the original employer of all active and deferred pensioners Hence, the Company accounts for contributions as if they were to a defined contribution pension scheme The Company operates a pension salary sacrifice scheme which means that all employee pension contributions are now paid as employer contributions on their behalf All staff employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a Company contribution based on a scale dependent on the employees age and the amount they choose to contribute

Pension costs for the schemes were as follows

	Note	2012 £'000	2011 £'000
Defined benefit schemes - Expense recognised in the income statement		**433**	1,011
Defined contribution schemes		**377**	333
Total included within employee benefit expenses	2	**810**	1,344

Defined benefit schemes
The following disclosures relate to the Galliford Try defined benefit pension scheme in which the company participtates

An independent actuary performs detailed triennial valuations together with periodic interim reviews The most recent valuation of the Galliford Try Final Salary Pension Scheme was carried out as at 1 July 2009, using the projected unit method The assumptions used which have the most significant effect on the results of the valuation were the investment return, which was assumed to be 5 4% per annum both in the period up to and after a members retirement, and the rate of price inflation (RPI), which was assumed to be 3 5% per annum The assumptions for mortality were based on actuarial tables S1PMA, medium cohort with 1 25% underpin for males and S1PFA, medium cohort with 1% underpin for females At the date of the last valuation, the value of accrued benefits was £165 2m The aggregate market value of the schemes assets at the valuation date was £117 2 million, representing 71% of the value of the benefits accrued A deficit recovery funding plan was agreed with the Trustees to meet the funding shortfall which requires the Company to pay contributions of £583,333 per calendar month until 31 July 2013, and then £416,667 per calendar month until 28 February 2019 The next valuation of the scheme is due to be carried out as at 1 July 2012

The most recent actuarial valuation of the Galliford Group Special Scheme was prepared using the attained age method as at 1 April 2010 The assumptions used which have the most significant effect on the results of the valuation were the investment return, which was assumed to be 4 4% per annum, and the rate of price inflation (RPI), which was assumed to be 3 7% per annum At the date of the last valuation, the value of accrued benefits was £5 2m The aggregate market value of the schemes assets was £4 6 million, representing 88% of the value of the benefits accrued A deficit recovery funding plan was agreed with the Trustees to meet the funding shortfall which requires the Company to pay contributions of £16,000 per calendar month until 30 September 2013 The next valuation of the scheme is due to be carried out as at 1 April 2013

The valuation of the Group's pension schemes have been updated to 30 June 2012 and all information is consolidated for disclosure purposes below The principal actuarial assumptions used in the calculation of the disclosure items are as follows

21. Retirement benefit obligations (continued)

	2012	2011
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**2 90%**	3 55%
Discount rate	**4 50%**	5 50%
Retail price inflation	**2 90%**	3 65%
Consumer price inflation	**1 90%**	2 85%

The assumptions for mortality are based on actuarial tables S1PMA, medium cohort with 1 25% underpin for males and S1PFA, medium cohort with 1% underpin for females (2011 S1PMA, medium cohort with 1 25% underpin for males and S1PFA, medium cohort with 1% underpin for females) The average life expectancy at 65 for future male pensioners is 25 0 years (2011 25 0 years) and for current male pensioners is 22 6 years (2011 22 6 years) The average life expectancy at 65 for future female pensioners is 25 9 years (2011 25 9 years) and for current female pensioners is 24 0 years (2011 24 0 years)

The fair value of the assets, long term rate of return expected and present value of the obligations at 30 June of the Company's defined benefit arrangements are as follows

	2012 Return	2012 Value £'000	2012	2011 Return	2011 Value £'000	2011
Equities	**6 95%**	**41,365**	**25%**	8 00%	41,586	27%
Gilts	**2 95%**	**56,715**	**34%**	4 00%	52,832	35%
Bonds	**4 50%**	**62,079**	**37%**	5 50%	50,397	33%
Cash and other	**0 50%**	**7,887**	**4%**	0 50%	8,296	5%
		168,046			153,111	
Present value of defined benefit obligations		**(168,596)**			(150,284)	
Deficit in scheme recognised as non-current(liability)/asset		**(550)**			2,827	

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date A higher rate of return is expected on equity investments, which is based on more realistic future expectations than on the returns that have been available historically The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions is set out below

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0 1%	Decrease by £3,500,000
Rate of inflation	Increase by 0 1%	Increase by £2,700,000
Increase in pension payments	Increase by 0 1%	Increase by £1,400,000
Life expectancy	Increase by one year	Increase by £5,000,000

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Notes to the financial statements for the year ended 30 June 2012 (continued)

21. Retirement benefit obligations (continued)

The amounts recognised in the income statement are as follows

	Note	2012 £'000	2011 £'000
Gains on settlements (Enhanced transfer value)		-	(1,438)
Finance cost		8,103	8,524
Expected return on scheme assets		(7,995)	(7,971)
Net finance costs		108	553
Expense/(income) recognised in income statement		108	(885)

The actual return on scheme assets was of £13,749,000 (2011 £19,325,000)

The amounts recognised in the Group's statement of recognised income and expense are as follows

	Note	2012 £'000	2011 £'000
Total amount of actuarial gains		(10,461)	13,233
Cumulative actuarial losses		(37,763)	(27,302)

	Note	2012 £'000	2011 £'000
Movement in present value of defined benefit obligations			
At 1 July		150,284	158,990
Interest cost		8,103	8,524
Experience (losses)/gains		2,742	680
Gains on settlements (Enhanced transfer value)		-	(10,120)
Impact of change in assumptions		13,473	(2,559)
Benefit payments		(6,006)	(5,231)
At 30 June		168,596	150,284
Movement in fair value of scheme assets			
At 1 July		153,111	141,090
Expected return on scheme assets		7,995	7,971
Actual return less expected return on scheme assets		5,754	11,354
Employer contributions		7,192	6,609
Losses on settlements (Enhanced transfer value)		-	(8,682)
Benefit payments		(6,006)	(5,231)
At 30 June		168,046	153,111

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Notes to the financial statements for the year ended 30 June 2012 (continued)

21. Retirement benefit obligations (continued)

The contributions expected to be paid by the Group to the defined benefit schemes during the year ended 30 June 2013 is £7,200,000 The proportion of the deficit funding payments allocated to the company amounted to £432,649 (2011 £1,011,000)

Details of experience gains and losses in the year	**2012**	2011	2010	2009	2008
Difference between the expected and actual return on assets					
Amount £'000s	**5,754**	11,354	13,957	(18,405)	(15,235)
Percentage of assets	**3**	7	10	(16)	(12)
Experience gains and losses on Scheme liabilities					
Amount £'000s	**(2,742)**	(680)	10,103	(1,600)	448
Percentage of present value of defined benefit obligations	**(2)**	-	6	(1)	-
Total amount recognised in statement of comprehensive income					
Amount £'000s	**(10,173)**	13,233	4,759	(5,995)	(11,457)
Percentage of present value of liabilities	**(6)**	9	3	(4)	(7)

During previous year the Group undertook an Enhanced Transfer Value (ETV) exercise in relation to deferred members of the Galliford Try Final Salary Scheme The impact of the exercise has been recognised as a settlement gain of £1 4 million through the income statement with the amount recorded equal to the difference between the actual ETV payments made (£8 7m) and the IAS 19 reserve discharge (£10 1 million) No special one-off contributions were made to the Scheme in relation to this exercise As at 30 June 2011, around £3 8 million of the payments due were unpaid The 30 June 2011 asset values therefore include a current liability of £3 8 million to reflect the payments due

22. Related party transactions

Transactions between the Company and other group undertakings are disclosed as follows

	Sales to related parties		Purchases from related parties	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Trading transactions				
Other group companies	-	-	-	5,710

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Trading transactions				
Parent company	-	14,750	7,688	-
Subsidiary undertakings	15,856	7	53	100
Other group companies	2,623	405	543	8,025

22. Related party transactions (continued)

	Net interest charge from loans to related parties		Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Non trading transactions						
Other group companies	**4,823**	1,757	**-**	-	**-**	-

Services are sold to related parties based on terms that would be available to unrelated third parties Receivables are due within one year (2011 one year) and are unsecured and interest free Payables are due within one year (2011 one year) and are interest free

23. Post balance sheet events

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

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Homes Limited, which is registered in England and Wales The ultimate parent undertaking and controlling party is Galliford Try plc, which is registered in England and Wales This is the only company that consolidates this Company's financial statements Copies of the consolidated group financial statements of Galliford Try plc are publicly available from Galliford Try plc, Cowley Business Park, High Street, Cowley, Uxbridge, Middlesex, UB8 2AL