

**Galliford Try Infrastructure Limited**

Annual report and Financial statements

For the year ended 30 June 2012

Registered number: SC055775

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# **Galliford Try Infrastructure Limited**

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## **Galliford Try Infrastructure Limited**

### **Directors and advisers**

#### **Directors**

K Gillespie  
JD Bevan  
MR LeLorrain  
DM Ashton  
GD Young  
IJ Jones  
K Tallant  
MG Capstick  
J Steele

#### **Company secretary**

Galliford Try Secretariat Services Limited

#### **Registered office**

51 Melville Street  
Edinburgh  
EH3 7HL

#### **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  
70 Pall Mall  
London  
SW1Y 5EZ

## **Galliford Try Infrastructure Limited**

### **Directors' report for the year ended 30 June 2012**

The directors present their annual report and the audited financial statements of Galliford Try Infrastructure Limited, registered number SC055775 ("the Company") for the year ended 30 June 2012.

#### **Principal activities**

The principal activities of the Company comprise construction and infrastructure developments. The Company has a number of framework contracts with Water Utility companies, the Highways Agency, Network Rail and the Environmental Agency for the provision of infrastructure projects.

#### **Review of business and future developments**

A summary of the results of the year's trading is given on page 6 of the financial statements.

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 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.

Having secured the largest proportion of any contractor of the five year AMP5 water programmes in 2010, on which we work for seven water utilities, and additional frameworks from the Environmental Agency, we have both visibility of future work and a base that qualifies us for securing projects let outside the frameworks. We have built on our expertise in water treatment processes to develop a business in energy from waste schemes. New work secured in the water sector included two contracts with Anglian Water to construct a water treatment works and two advanced anaerobic digestion plants; a scheme for Scottish Water to collect storm overflows from Kilmarnock town centre; and three waste water treatment plants and sewage works for Yorkshire Water.

We also won a number of other important infrastructure contracts. These included an £80m contract to construct the A380 South Devon Link Road and a £8m contract to assist with redeveloping Reading railway station and the surrounding area. In Scotland, we are part of the consortium constructing the Forth Replacement Crossing, a major infrastructure project.

#### **Results and dividends**

The Company's profit after taxation for the financial year was £284,226 (2011: £4,411,000), which will be added to 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.

MG Capstick and J Steele were both appointed directors of the Company on 10 October 2012. S Walsh resigned as a director of the Company on 9 October 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.

## **Galliford Try Infrastructure Limited**

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

#### **Financial risk management**

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

Where appropriate, credit checks are made prior to the 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 perspectives 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.

#### **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.

## **Galliford Try Infrastructure Limited**

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

#### **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.

#### **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.

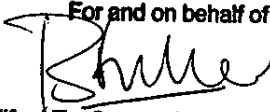
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

#### **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 14 December 2012 and signed by its order by:

Galliford Try Secretariat Services Limited  
Company secretary

For and on behalf of  
  
Galliford Try Secretariat Services Limited

## **Independent auditors' report to the members of Galliford Try Infrastructure Limited**

We have audited the financial statements of Galliford Try Infrastructure 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 profit 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 (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

14 December 2012

## Galliford Try Infrastructure Limited

### Income statement for the year ended 30 June 2012

		2012	2011
	Note	£'000	£'000
Revenue		447,632	375,460
Cost of sales		(425,865)	(346,643)
Gross profit		21,767	28,817
Administrative expenses		(22,073)	(22,680)
(Loss)/profit on ordinary activities before finance charges and interest		(306)	6,137
Finance income	3	3,536	590
Finance costs	3	(2,899)	(810)
Profit before income tax	4	331	5,917
Income tax expense	5	(47)	(1,506)
Profit for the year		284	4,411

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.



# Galliford Try Infrastructure Limited

## Balance sheet as at 30 June 2012

	Note	2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	6	1,445	174
Investments in subsidiaries	7	3,359	2,609
Investments in joint ventures	8	-	-
Deferred income tax assets	17	-	66
<b>Total non current assets</b>		<b>4,804</b>	<b>2,849</b>
<b>Current assets</b>			
Inventories	9	316	102
Trade and other receivables	11	181,105	170,677
Current income tax assets	12	639	-
Cash and cash equivalents	13	87,822	90,478
<b>Total current assets</b>		<b>269,882</b>	<b>261,257</b>
<b>Total assets</b>		<b>274,686</b>	<b>264,106</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities - borrowings	16	(45,292)	(34,445)
Trade and other payables	14	(191,217)	(191,765)
Current income tax liabilities	15	-	(832)
<b>Total current liabilities</b>		<b>(236,509)</b>	<b>(227,042)</b>
<b>Net current assets</b>		<b>33,373</b>	<b>34,215</b>
<b>Non current liabilities</b>			
Deferred income tax liabilities	17	(1,964)	(1,337)
<b>Total non current liabilities</b>		<b>(1,964)</b>	<b>(1,337)</b>
<b>Total liabilities</b>		<b>(238,473)</b>	<b>(228,379)</b>
<b>Net assets</b>		<b>36,213</b>	<b>35,727</b>
<b>Equity</b>			
Ordinary shares	22	15,000	15,000
Share premium account		105	105
Retained earnings		21,108	20,622
<b>Total equity attributable to owners of the company</b>		<b>36,213</b>	<b>35,727</b>

The notes on pages 10 to 34 are an integral part of these financial statements.

The financial statements on pages 6 to 34 were approved by the Board of directors on 14th December 2012 and signed on its behalf by:



**MG Capstick**  
**Director**

Registered number: SC055775

# Galliford Try Infrastructure Limited

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

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 01 July 2010		15,000	105	15,964	31,069
Profit for the year		-	-	4,411	4,411
Transactions with owners:					
Share based payments	22	-	-	247	247
At 01 July 2011		15,000	105	20,622	35,727
Profit for the year		-	-	284	284
Transactions with owners:					
Share based payments	22	-	-	202	202
<b>At 30 June 2012</b>		<b>15,000</b>	<b>105</b>	<b>21,108</b>	<b>36,213</b>

# Galliford Try Infrastructure Limited

## Statement of cash flows for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before finance costs		(306)	6,137
Adjustments for:			
Depreciation		541	177
Profit on sale of property, plant and equipment		-	(19)
Share based payments		202	215
Net cash generated from/(used in) operations before changes in working capital		437	6,510
(Increase)/decrease in inventories		(214)	133
(Increase) in trade and other receivables		(10,428)	(46,252)
(Decrease)/increase in payables		(548)	51,972
Net cash used in operations		(10,753)	12,363
Interest received		3,536	590
Interest paid		(2,899)	(810)
Income tax paid		(825)	(1,487)
Net cash (used in)/generated from operating activities		(10,941)	10,656
<b>Cash flows from investing activities</b>			
Acquisition of investment in subsidiaries		(750)	1,000
Acquisition of property, plant and equipment	6	(1,816)	-
Proceeds from sale of property, plant and equipment		4	12
Net cash (used in)/generated from investing activities		(2,562)	1,012
Net (decrease)/increase in cash and cash equivalents		(13,503)	11,668
Cash and cash equivalents at 1 July	13	56,033	44,365
<b>Cash and cash equivalents at 30 June</b>	13	<b>42,530</b>	<b>56,033</b>

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.

# Galliford Try Infrastructure Limited

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

### 1. Accounting policies

#### General Information

Galliford Try Infrastructure Limited ('the Company') is a limited company incorporated, listed and domiciled in England and Wales (Registered number: SC055775). The address of the registered office is Galliford Try Infrastructure Limited, 51 Melville Street, Edinburgh, EH3 7HL.

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 01 July 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'

## **Galliford Try Infrastructure 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 9's 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 23.

## **Galliford Try Infrastructure Limited**

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

#### **1. Accounting policies (continued)**

##### **Basis of consolidation**

These separate financial statements contain information about Galliford Try Infrastructure 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) 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.

##### **(ii) 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.

## **Galliford Try Infrastructure 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 surrender 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**

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%

## **Galliford Try Infrastructure Limited**

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

#### **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.

##### **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.

##### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value.

##### **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.

##### **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.



## **Galliford Try Infrastructure Limited**

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

#### **1 Accounting policies (continued)**

##### **Bank and other borrowings (continued)**

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

##### **Trade payables**

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

##### **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 23 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.

##### **Share based payments**

The Company operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## Galliford Try Infrastructure 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		49,917	51,721
Redundancy and termination costs		235	304
Social security costs		5,323	4,943
Retirement benefit costs	23	4,294	5,376
Share based payments	22	202	247
		<b>59,971</b>	<b>62,591</b>

The disclosure above includes some employees who are employed by Galliford Try Employment Limited, a fellow subsidiary company, who are seconded to Galliford Try Infrastructure 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	1,223	1,144
Administration	190	178
Management	33	31
	<b>1,446</b>	<b>1,353</b>

#### 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	1,329	1,439
Retirement benefit costs	151	225
	<b>1,480</b>	<b>1,664</b>

The emoluments of K Gillespie and MR LeLorrain 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.

	2012 £'000	2011 £'000
Number of directors to whom retirement benefits are accruing under pension schemes:		
Defined contributions scheme	6	8

# Galliford Try Infrastructure Limited

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

### 2. Employees and directors (continued)

#### Highest paid director

	2012 £'000	2011 £'000
Aggregate emoluments	316	274
Company pension contributions to money purchase schemes	46	38
	362	312

### 3. Net finance income/(costs)

	2012 £'000	2011 £'000
Interest receivable		
- on Bank deposits	186	-
- from group companies	3,291	487
- from joint ventures	59	103
Finance income	3,536	590
Interest payable		
- on borrowings	(1)	-
- to group companies	(2,834)	(810)
Other interest payable	(64)	-
Finance costs	(2,899)	(810)
<b>Net finance income/(costs)</b>	<b>637</b>	<b>(220)</b>

Interest payable to group companies includes amounts in respect of overdrafts, interest on which is paid to the banks by a fellow group undertaking.

### 4. Profit before income tax

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

	Note	2012 £'000	2011 £'000
Employee benefit expense	2	59,971	62,591
Depreciation of property, plant and equipment			
- Owned assets	6	541	177
Profit on sale of property, plant and equipment		-	(19)
Other operating lease rentals payable			
- Plant and machinery		3,700	13,256
- Property		804	1,004
Repairs and maintenance expenditure on property, plant and equipment		79	133
Impairment of receivables		(1)	35

# Galliford Try Infrastructure Limited

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

### 4. Profit before income tax (continued)

#### 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:

	2012 £'000	2011 £'000
Fees payable to the Company's auditors for the audit of the financial statements	66	64

### 5. Income tax

	2012 £'000	2011 £'000
Analysis of (expense)/credit in year		
Current tax	597	(1,053)
Deferred tax	(693)	(574)
Adjustments in respect of prior years		
Current tax	49	124
Deferred tax	-	(3)
<b>Income tax expense</b>	<b>(47)</b>	<b>(1,506)</b>

The total income tax expense for the year of £47,293 (2011: £1,506,000) is lower (2011: lower) than the year end standard rate of corporation tax in the UK of 24% (2011: 26%). The differences are explained below:

	2012 £'000	2011 £'000
Profit before income tax	331	5,917
Profit before income tax multiplied by the year end standard rate in the UK of 24% (2011: 26%)	(79)	(1,538)
Effects of:		
Expenses not deductible for tax purposes	(52)	(64)
Change in rate of current income tax	35	(25)
Adjustments in respect of prior years	49	121
<b>Income tax expense</b>	<b>(47)</b>	<b>(1,506)</b>

## Galliford Try Infrastructure Limited

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

#### 5. Income tax (continued)

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 liability provided at the balance sheet date by £82,000. This £82,000 decrease in the deferred tax liability would increase profit by £82,000 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 liability by £164,000 (being £82,000 recognised in 2013 and £82,000 recognised in 2014).

#### 6. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 01 July 2010	118	1,058	1,176
Disposals	-	(211)	(211)
At 01 July 2011	118	847	965
Reclassifications	(6)	6	-
Additions	1,807	9	1,816
Disposals	(59)	(355)	(414)
<b>At 30 June 2012</b>	<b>1,860</b>	<b>507</b>	<b>2,367</b>
<b>Accumulated depreciation</b>			
At 01 July 2010	82	735	817
Charge for the year	5	172	177
Disposals	-	(203)	(203)
At 01 July 2011	87	704	791
Reclassification	1	(1)	-
Charge for the year	392	149	541
Disposals	(43)	(367)	(410)
<b>At 30 June 2012</b>	<b>437</b>	<b>485</b>	<b>922</b>
<b>Net book amount</b>			
<b>At 30 June 2012</b>	<b>1,423</b>	<b>22</b>	<b>1,445</b>
At 30 June 2011	31	143	174

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

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

## Galliford Try Infrastructure Limited

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

#### 7. Investment in subsidiaries

	£'000
<b>Cost</b>	
At 01 July 2010	2,491
Additions	1,000
At 01 July 2011	3,491
Additions	750
<b>At 30 June 2012</b>	<b>4,241</b>
<b>Aggregate impairment</b>	
At 01 July 2010	882
At 01 July 2011	882
<b>At 30 June 2012</b>	<b>882</b>
 Net book value	
<b>At 30 June 2012</b>	<b>3,359</b>
At 30 June 2011	2,609

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, except Morrison Construction Limited which is incorporated in Scotland and Morrison (Falklands) Limited which is incorporated in the Falkland Islands.

Additions in the year relate to further capital contributions to subsidiaries.

The immediate subsidiary undertakings of the Company are as follows:

Morrison Construction Limited  
Morrison (Falklands) Limited (50% owned)  
Rock & Alluvium Limited  
Pentland Limited  
Galliford Try Plant Limited

# Galliford Try Infrastructure Limited

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

### 8. Investment in joint ventures

	£'000
<b>Cost</b>	
At 01 July 2010	-
At 01 July 2011	-
At 30 June 2012	-

#### Joint ventures

At 30 June 2012 the Company held interests in the following joint ventures which are incorporated in England and Wales:

Name	Year end	% shareholding of ordinary shares of £1	Principal activity
Urban Vision Partnerships Limited	31 December	30%	Infrastructure

The net book value, net assets and result for Urban Vision Partnerships Limited for the year to 30 June 2012 was £nil (2011: £nil).

### 9. Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	316	102

No inventories have been written off during the year (2011: £nil).

### 10. Construction contracts

	2012 £'000	2011 £'000
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	63,518	88,434
Payments received on account on construction contracts included in trade and other payables	(34,726)	(33,932)
	28,792	54,502

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £ 588,652,497 (2011: £632,045,000)

Retentions held by customers for contract work amounted to £ 18,597,215 (2011: £16,369,000).

## Galliford Try Infrastructure Limited

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

#### 11. Trade and other receivables

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade receivables	49,366	20,371
Less: provision for impairment of receivables	(61)	(36)
Trade receivables - net	49,305	20,335
Amounts recoverable on construction contracts	63,518	88,434
Amounts owed by group undertakings	56,798	54,642
Amounts owed by joint venture undertakings	-	27
Other receivables	4,042	4,628
Prepayments and accrued income	7,442	2,611
	181,105	170,677

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

Movements on the provision for impairment of trade receivable are as follows:

	2012 £'000	2011 £'000
At 01 July	36	1
Provision for receivables impairment	27	35
Unused amounts reversed	(2)	-
At 30 June	61	36

Provisions for impaired receivables have been included in cost of sales in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The Entity does not hold any collateral as security. None of the financial assets that are fully performing have been renegotiated in the last year. Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Entity's customer base being large and unrelated.

The other classes within trade and other receivables do not contain any assets that are past due or impaired (2011: £nil).



# Galliford Try Infrastructure Limited

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

### 11. Trade and other receivables (continued)

As of 30 June 2012, trade receivables of £783,326 (2011: £1,261,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2012 £'000	2011 £'000
Number of days past due:		
Less than 30 days	184	366
Between 30 and 60 days	118	51
Between 60 and 90 days	21	172
Between 90 and 120 days	27	638
Greater than 120 days	433	34
	<b>783</b>	<b>1,261</b>

As of 30 June 2012 trade receivables of £360,038 (2011: £36,000) were considered for impairment. The amount provided for these balances was £60,766 (2011: £36,000). The allocation of the provision is as follows:

	2012 £'000	2011 £'000
Number of days past due:		
Less than 30 days	30	-
Greater than 120 days	31	36
	<b>61</b>	<b>36</b>

### 12. Current income tax asset

	2012 £'000	2011 £'000
Current income tax asset	<b>639</b>	-

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.

### 13. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	<b>87,822</b>	83,698
Short term bank deposits	-	6,780
Cash and cash equivalents excluding bank overdrafts	<b>87,822</b>	90,478
Bank overdrafts	<b>(45,292)</b>	(34,445)
Cash and cash equivalents for cash flow purposes	<b>42,530</b>	56,033

The effective interest rate received on cash balances is 0.5% (2011: 1.5%)

# Galliford Try Infrastructure Limited

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

### 14. Trade and other payables

	2012 £'000	2011 £'000
Payments received on account on construction contracts	34,726	33,932
Trade payables	37,672	13,718
Amounts due to group undertakings	22,606	20,082
Other taxation and social security payable	7,774	3,210
Other payables	2,286	2,123
Accruals and deferred income	86,153	118,700
	<b>191,217</b>	<b>191,765</b>

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

### 15. Current income tax liabilities

	2012 £'000	2011 £'000
Current income tax liabilities	-	832

### 16. Financial liabilities - borrowings

	2012 £'000	2011 £'000
<b>Current</b>		
Bank overdraft - secured	45,292	34,445

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: 2.25-2.6%) over LIBOR, which is paid by a fellow group undertaking.

### 17. Deferred income tax liability

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:

	2012 £'000	2011 £'000
Deferred income tax asset	-	66
Deferred income tax liability	(1,964)	(1,337)
	<b>(1,964)</b>	<b>(1,271)</b>

## Galliford Try Infrastructure Limited

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

#### 17. Deferred income tax liability (continued)

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

	2012 £'000	2011 £'000
At 1 July	(1,271)	(694)
Income statement		
Adjustment to prior year's deferred income tax	-	(3)
Current year's deferred income tax	(693)	(574)
At 30 June	(1,964)	(1,271)

#### 18. Financial instruments

The Company's 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 bank borrowings, cash and liquid resources, receivables and payables that arise directly from its operations and its acquisitions.

##### 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.

## **Galliford Try Infrastructure Limited**

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

#### **18. Financial instruments (continued)**

##### **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.

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.

# Galliford Try Infrastructure Limited

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

### 18. Financial instruments (continued)

#### Fair values of non-derivative financial assets and financial liabilities

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

		2012	2012	2011	2011
		Book value	Fair value	Book value	Fair value
	Note	£'000	£'000	£'000	£'000
Short term borrowings	16	(45,292)	(45,292)	(34,445)	(34,445)
Trade and other payables	14	(148,719)	(148,719)	(154,623)	(154,623)
Trade and other receivables	11	173,663	173,663	168,066	168,066
Cash and cash equivalents	13	87,822	87,822	90,478	90,478

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	2011
	Floating rate	Floating rate
	£'000	£'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.

# Galliford Try Infrastructure Limited

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

### 19. Share capital

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

### 20. 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 Property £'000	2012 Vehicles, plant and equipment £'000	2011 Property £'000	2011 Vehicles, plant and equipment £'000
Amounts due:				
Within one year	342	22	381	56
Later than one year and less than five years	1,081	(3)	1,116	40
After five years	213	-	422	-
	1,636	19	1,919	96

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 Groups developments.

### 21. 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.

## Galliford Try Infrastructure Limited

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

#### 22. Share based payments

The Group operates a performance related share incentive plans for executives. The Group also operates savings related option schemes ("SAYE"). The total charge for the year relating to employee share based payment plans was £ 201,782 (2011: £247,000) all of which related to equity settled share based payment transactions.

##### Savings related share options

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

The options were valued using the binomial option-pricing model. The fair value per option granted, subsequent to November 2002, and the assumptions used in the calculation are as follows:

Grant date	Share price at date of grant (p)	Exercise price (p)	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option (p)
21.12.05	635p	496p	01.02.06	37%	5	4.3%	2.3%	10%	270p
09.11.06	1,086p	738p	01.01.07	33%	5	4.8%	1.7%	10%	501p
30.11.07	918p	912p	01.01.08	31%	3	4.6%	2.4%	10%	272p
19.11.10	280p	271p	01.01.11	55%	3	1.6%	4.5%	10%	93.5p
19.11.10	280p	271p	01.01.11	47%	5	2.4%	4.5%	10%	90p

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2012 is shown below:

	2012 Number	2012 Weighted average exercise price	2011 Number	2011 Weighted average exercise price
Outstanding at 1 July	441,241	387p	158,037	768p
Granted	-	-	349,327	271p
Forfeited	2,291	770p	-	-
Cancelled	(5,758)	848p	(34,792)	696p
Exercised	(2,124)	271p	-	-
Expired	(38,681)	774p	(31,331)	912p
<b>Outstanding at 30 June</b>	<b>396,969</b>	<b>309p</b>	<b>441,241</b>	<b>387p</b>
<b>Exercisable at 30 June</b>	<b>8,661</b>	<b>648p</b>	<b>12,825</b>	<b>496p</b>

The weighted average fair value of awards granted during the year was £946,676 (2011: Nil). There were 2,124 share options exercised during the year ended 30 June 2012 (2011: Nil). The weighted average remaining contractual life is 1 year 8 months (2011: 2 year 8 months).

## Galliford Try Infrastructure Limited

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

#### 23. 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		2,259	1,580
Defined contribution schemes		2,035	3,796
Total included within employee benefit expenses	2	4,294	5,376

#### Defined benefit schemes

The following disclosures relate to the Galliford Try defined benefit pension scheme in which the Company participates.

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.



# Galliford Try Infrastructure Limited

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

### 23. Retirement benefit obligations (continued)

#### Defined benefit schemes (continued)

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:

	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%	7,888	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.

## Galliford Try Infrastructure Limited

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

#### 23. Retirement benefit obligations (continued)

##### 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

The amounts recognised in the income statement are as follows:

	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: £9,325,000).

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

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

# Galliford Try Infrastructure Limited

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

### 23. Retirement benefit obligations (continued)

	2012 £'000	2011 £'000
<b>Movement in present value of defined benefit obligations</b>		
At 1 July	150,284	158,990
Interest cost	8,103	8,524
Experience 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
<b>Movement in fair value of scheme assets</b>		
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 transfers value)	-	(8,682)
Benefit payments	(6,006)	(5,231)
At 30 June	168,046	153,111

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 £1,580,000 (2011: £1,580,000).

<b>Details of experience gains and losses in the year:</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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 the 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.

# Galliford Try Infrastructure Limited

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

### 24. 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
<b>Trading transactions</b>				
Subsidiary undertakings	-	-	-	3,998
Other group companies	-	8,839	-	123,827
Joint ventures	<b>28,478</b>	<b>5,757</b>	-	-

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
<b>Trading transactions</b>				
Parent company	<b>46,722</b>	-	<b>8,282</b>	-
Subsidiary undertakings	<b>1,562</b>	1,114	<b>3,298</b>	1,402
Other group companies	<b>8,514</b>	47,756	<b>11,026</b>	17,511
Joint ventures	<b>27</b>	-	-	-

	Interest income 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
<b>Non trading transactions</b>						
Parent company	-	-	-	5,772	-	1,169
Other group companies	<b>457</b>	-	-	-	-	-
Joint ventures	<b>59</b>	-	-	-	-	-

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.

### 25. Post balance sheet events

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

### 26. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Infrastructure Holdings 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.