

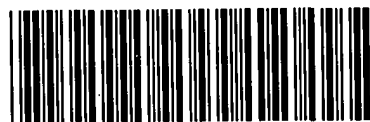
REGISTERED NUMBER: 00679167 (England and Wales)

Clark & Fenn Skanska Limited

Strategic Report, Directors' Report and Audited Financial Statements

Year Ended 31st December 2019

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For The Year Ended 31st December 2019**

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**Clark & Fenn Skanska Limited (Registered number: 00679167)**

**Company Information  
For The Year Ended 31st December 2019**

**Directors:**

A C Farmer  
A M McDonald

**Secretary:**

S Leven

**Registered office:**

Maple Cross House  
Denham Way  
Maple Cross  
Rickmansworth  
Hertfordshire  
WD3 9SW

**Registered number:**

00679167 (England and Wales)

**Auditor:**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Strategic Report  
For The Year Ended 31st December 2019**

The directors present their strategic report for the year ended 31st December 2019.

**Review of business**

The Company maintained its position in the year as a leading specialist sub-contractor to the building industry. Revenue was £8.1 million (2018: £8.9 million). The company made an operating profit of £243,000 (2018: £830,000).

**Principal risks and uncertainties**

The Company's principal risks and uncertainties are related to the contracts it undertakes to perform. Exposure to credit, interest rate and liquidity risk arises in the normal course of the Company's business:

- Management has a credit policy in place. Credit evaluations are performed on all prospective customers prior to entering into construction contracts and exposure to credit risk is monitored on an ongoing basis. At the statement of financial position date there was no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of trade receivables and amounts due from customers for contract work at the statement of financial position date.
- The Company does not seek to reduce exposure to fluctuations in interest rates through the use of derivative financial instruments. As part of the arrangements with the Group's bankers (Skandinaviska Enskilda Banken AB) cash balances are transferred between UK Group companies on a daily basis; such arrangements are commonplace in large groups and facilitates effective cash management.
- Liquidity/cash flow risk is the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities. The Company aims to mitigate these risks by setting and monitoring cash flow targets and by assessing credit worthiness of all material business partners.
- COVID-19 has introduced increased risk to all areas of the Company in 2020. A risk averse culture coupled with open and collaborative relationships with our stakeholders has and will continue to mitigate the impact on delivery and financial performance.

**COVID-19 Pandemic**

On the 23 March 2020, the Government in the UK announced a national lockdown in response to the COVID-19 pandemic.

Since it was clear that the COVID-19 pandemic was going to fundamentally impact the economy and our industry, Management have been monitoring the situation closely. From early in 2020, Management introduced increased rigorous reporting and review across all areas to ensure visibility of the potential impact on productivity and delivery to our stakeholders. During this period of change, the Company has ensured to comply with all Government guidelines, and we have concentrated on cash management and stakeholder collaboration.

Throughout this period, the fundamental values that underpin our Business have been prominent in all decision making. Clear communication and standing side by side with our dedicated and exceptional employees have been key, alongside a supportive and collaborative level of engagement with our clients and supply chain partners. The Company's existing Health & Safety framework and culture has once again proven to be a real strength of our operational delivery, keeping everyone safe.

**Market & outlook**

We apply a highly cautious approach to 2020 predominantly due to the COVID-19 pandemic, due to the uncertainty in the market place. Once this global epidemic subsides and the impact is understood, the Company is also wary of the direct and indirect impact arising from the UK's exit from the EU at the end of 2020. The industry remains in a state of uncertainty as the future impact remains unclear especially on issues such as access to labour, what non-tariff barriers will apply or the likelihood of tariffs being imposed. The Executive Management Team have been putting in place appropriate plans for possible Brexit outcomes.

**Strategic Report  
For The Year Ended 31st December 2019**

**Key performance indicators**


The Company's key performance indicators are revenue growth and operating margin. This is consistent with Skanska UK Plc and the other principal trading companies within the Skanska group.

In addition, the Company is monitored throughout the year against a scorecard of issues which included: client satisfaction assessments; the number of employee performance appraisals and development plans undertaken; and adherence to the Skanska Group's in-house commercial procedures.

**The environment**

The Company is required to pursue policies that comply with the relevant legislation and standards applicable to its particular industries.

**By order of the board:**



.....  
A M McDonald - Director

Date: 30/09/2020

**Directors' Report  
For The Year Ended 31st December 2019**

The directors present their report with the financial statements of the Company for the year ended 31st December 2019.

**Principal activity**

The principal activity of the Company in the year under review was that of the provision of specialist sub-contractor activities, including the installation of suspended ceilings and pre-fabricated plaster work, all of which are continuing.

**Dividends**

No dividend was declared in respect of the year ended 31st December 2019 (2018: £nil).

**Future developments**

The year was characterised by an increasingly competitive construction market for the Company's principal activities.

The Board consider that there is scope for development of the Company's activities as part of Skanska construction services and in the construction market in general.

**Directors**

The directors who have held office during the whole of the period from 1st January 2019 to the date of this report are:

A C Farmer  
A M McDonald

**Directors' interests and transactions with directors**

None of the directors at 31st December 2019 had any interests required to be disclosed under Section 182 Companies Act 2006. There were no changes in the directors' interests between 31st December 2019 and the date of this report. No director during the year had a material interest in any contract significant to the Company's business.

**Directors' indemnity provisions**

In accordance with the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as at the date of this report, the articles of association contained provisions for third-party qualifying indemnities where the Company had agreed to indemnify the Directors in respect of losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company, and this was in force throughout the financial year ended 31st December 2019.

**Policy on payment of creditors**

Operating businesses within the Skanska Group are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

**Employment policies**

The Company is committed to a policy of providing equal opportunities for all, regardless of race, religion, sex or disability. The Company is committed to training and management development, so as to ensure a supply of trained and skilled employees.

To reflect society at large, the areas in which the Company works, and its customer profile, the Company needs to increase the diversity of its workforce in terms of educational and occupational background, gender and ethnicity. Therefore the Company is broadening its recruitment base by attaching greater importance to these issues. Examples of our approach in this area include the establishment of a number of employee networks to give a greater voice to under-represented groups, a mixed pair mentoring programme, and a Returners programme which provides a supportive bridge back into employment for people who have been out of work for reasons such as caring responsibilities or raising family.

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Skanska Group. This is achieved through formal and informal meetings and in-house publications.

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**Directors' Report  
For The Year Ended 31st December 2019**

**Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**Post balance sheet events**

On the 23 March 2020 the Government in the UK announced a national lockdown in response to the COVID-19 pandemic. The potential impact of this pandemic on the Company's performance for the year to 31 December 2020 is still unclear and we are unable to quantify the likely impact on the full year results at this stage. The Company is a subsidiary of Skanska Construction UK Limited who is a subsidiary of Skanska UK Plc. Skanska UK Plc provides support to the Company. The Skanska UK Plc Group has entered this period in a strong balance sheet position and the Board is confident of the Group's ability to traverse the challenges of the pandemic and to emerge in a strong position within the market.

**Going concern**

The Company's business activities, together with the factors likely to affect its future development and financial position, are set out above. The directors having given due consideration to these and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Company participates in the Group's centralised treasury operations and so shares banking arrangements with its parent and fellow subsidiaries. As part of the arrangements with the Group's bankers (Skandinaviska Enskilda Banken AB) cash balances are reviewed on a daily basis and transferred between group UK companies when necessary; such arrangements are commonplace in large groups and facilitates effective cash management. The Company has therefore not prepared an individual going concern forecast as the Company relies upon the going concern assessment performed by its UK parent entity, Skanska UK Plc.

Skanska UK Plc has confirmed it will provide financial support to the Company to assist with meeting liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Skanska UK Plc has also confirmed that it has the ability to provide such support and will provide this support to the Company, to the extent outlined above, for a period of at least 12 months from the date of approval of the balance sheet. The Group's financial forecasts, taking into consideration the current environment, show that the group is expected to maintain positive cash flows giving the group the ability to continue to operate for the foreseeable future.

The directors of the company have made appropriate enquiries to ensure that Skanska UK Plc have sufficient resources to provide the support.

Accordingly, the directors continue to adopt going concern basis in preparing the Company's financial statements.

**Statement as to disclosure of information to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself / herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

**By order of the board:**



.....  
A M McDonald - Director

Date: 30/09/2020

**Statement of Directors' Responsibilities  
For The Year Ended 31st December 2019**

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- 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.



## **Report of the Independent Auditors to the Members of Clark & Fenn Skanska Limited**

### **Opinion**

We have audited the financial statements of Clark & Fenn Skanska Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter – Effects of COVID-19**

We draw attention to note 2 and note 16 of the financial statements which describes the potential economic disruption the company may face as a result of COVID-19. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Report of the Independent Auditors to the Members of Clark & Fenn Skanska Limited**

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

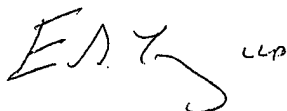
### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Handwritten signature of David Wilson in black ink, with the letters 'EAY' and 'LLP' visible.

David Wilson (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 30 September 2020

**Clark & Fenn Skanska Limited (Registered number: 00679167)**

**Statement of Comprehensive Income  
For The Year Ended 31st December 2019**

|  | Notes | 2019<br>£'000  | 2018<br>£'000  |
|--|-------|----------------|----------------|
| <b>Revenue</b>                                 | 3     | 8,101          | 8,888          |
| Cost of sales                                  |       | <u>(7,366)</u> | <u>(7,708)</u> |
| <b>Gross profit</b>                            |       | 735            | 1,180          |
| Administrative expenses                        |       | <u>(492)</u>   | <u>(350)</u>   |
| <b>Operating profit</b>                        |       | 243            | 830            |
| Interest receivable and similar income         | 5     | <u>27</u>      | <u>12</u>      |
| <b>Profit before taxation</b>                  | 6     | 270            | 842            |
| Tax on profit                                  | 7     | <u>(48)</u>    | <u>(141)</u>   |
| <b>Profit for the financial year</b>           |       | <u>222</u>     | <u>701</u>     |
| Other comprehensive income                     |       | <u>-</u>       | <u>-</u>       |
| <b>Total comprehensive income for the year</b> |       | <u>222</u>     | <u>701</u>     |

The notes on pages 12 to 20 form part of these financial statements

**Statement of Financial Position  
For The Year Ended 31st December 2019**

|   | Notes | 2019<br>£'000  | 2018<br>£'000  |
|---|-------|----------------|----------------|
| <b>Current assets</b>                                 |       |                |                |
| Debtors   | 8     | 1,642          | 1,112          |
| Contract assets                                       | 9     | 607            | 978            |
| Deferred Tax  | 10    | 225            | 272            |
| Cash at bank  |       | <u>2,825</u>   | <u>3,306</u>   |
|   |       | 5,299          | 5,668          |
| <b>Creditors: amounts falling due within one year</b> |       |                |                |
| Creditors   | 11    | 2,917          | 3,374          |
| Contract liabilities                                  | 12    | <u>6</u>       | <u>140</u>     |
|   |       | 2,923          | 3,514          |
| <b>Net current assets</b>                             |       | <u>2,376</u>   | <u>2,154</u>   |
| <b>Total assets less current liabilities</b>          |       | <u>2,376</u>   | <u>2,154</u>   |
| <b>Capital and reserves</b>                           |       |                |                |
| Called up share capital                               | 13    | 7,400          | 7,400          |
| Retained earnings                                     |       | <u>(5,024)</u> | <u>(5,246)</u> |
| <b>Shareholders' funds</b>                            |       | <u>2,376</u>   | <u>2,154</u>   |

The financial statements were approved by the Board of Directors on 30/09/2020 and were signed on its behalf by:



.....  
A M McDonald - Director

**Statement of Changes in Equity  
For The Year Ended 31st December 2019**

|                                       | <b>Called up<br/>share<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>equity</b> |
|---------------------------------------|--|------------------------------|-------------------------|
|                                       | <b>£'000</b>                           | <b>£'000</b>                 | <b>£'000</b>            |
| <b>Balance at 1 January 2018</b>      | 7,400                                  | (5,947)                      | 1,453                   |
| <b>Changes in equity</b>              |  |                              |                         |
| Profit for the year                   | -                                      | 701                          | 701                     |
| Other comprehensive income            | -                                      | -                            | -                       |
| Total comprehensive income            | -                                      | 701                          | 701                     |
| <b>Balance as at 31 December 2018</b> | <u>7,400</u>                           | <u>(5,246)</u>               | <u>2,154</u>            |
| <b>Changes in equity</b>              |  |                              |                         |
| Profit for the year                   | -                                      | 222                          | 222                     |
| Other comprehensive income            | -                                      | -                            | -                       |
| Total comprehensive income            | -                                      | 222                          | 222                     |
| <b>Balance as at 31 December 2019</b> | <u>7,400</u>                           | <u>(5,024)</u>               | <u>2,376</u>            |

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**1. Statutory information**

Clark & Fenn Skanska Limited is a private company, limited by shares, registered and domiciled in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£000).

**2. Accounting policies**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention and include the results of activities described in the directors' report all of which are continuing.

The Directors have considered the impact of the COVID-19 crisis on the Company's business operations and future prospects. The Company's operations do not feature on the list of business premises which need to close, and specific measures have been implemented to increase the workforce resilience, and to ensure adequate protection for our people in order to maintain operational activity for the majority of our sites.

The Company participates in the Group's centralised treasury operations and so shares banking arrangements with its parent and fellow subsidiaries. As part of the arrangements with the Group's bankers (Skandinaviska Enskilda Banken AB) cash balances are reviewed on a daily basis and transferred between group UK companies when necessary; such arrangements are commonplace in large groups and facilitates effective cash management. The Company has therefore not prepared an individual going concern forecast as the Company relies upon the going concern assessment performed by its UK parent entity, Skanska UK Plc.

Skanska UK Plc has confirmed it will provide financial support to the Company to assist with meeting liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Skanska UK Plc has also confirmed that it has the ability to provide such support and will provide this support to the Company, to the extent outlined above, for a period of at least 12 months from the date of approval of the balance sheet. The Group's financial forecasts, taking into consideration the current environment, show that the group is expected to maintain positive cash flows giving the group the ability to continue to operate for the foreseeable future.

The directors of the company have made appropriate enquiries to ensure that Skanska UK Plc have sufficient resources to provide the support.

In view of the circumstances referred to above, the directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.
- the requirements of the second sentence of paragraph 110, and paragraph 113(a), 114, 115, 118, 119(a), to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**2. Accounting policies: Continued**

The results of the Company are included in the consolidated financial statements of Skanska Construction UK Limited which have been prepared in accordance with IFRS and are available from Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9SW.

**Early adoption of new or revised IFRS and interpretations**

There has been no early adoption of new or revised IFRS or interpretations.

**New standards and interpretations**

IFRS16 "leases" is effective from 1 January 2019. IFRS16 has been implemented on a modified retrospective basis and has not resulted in any adjustments.

**Revenue**

Revenue represents the sales value of work done on construction contracts and services activities in the period and excludes VAT. Profit and revenue on construction contracts is calculated in accordance with IFRS 15 Revenue from Contracts with Customers.

When an outcome of a construction contract can be estimated reliably, the Company's preferred method of revenue is the output method in which revenue is recognised based on the units of work performed and the price allocated thereto. This method is applied provided that the progress of the work performed can be measured based on the contract and during the contract's performance. Under this output method the units of work completed under each contract are measured monthly and the corresponding output is recognised as revenue. Where it is not practicable to apply this 'units of production' output method, the 'percentage of completion' input method is used instead. Under this input method costs are recognised as incurred and revenue is recognised based on the proportion of total costs at the reporting date to the estimated total costs of the contract.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered highly probable i.e. agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is highly probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as a provision for forecast losses.

**Contract Assets and Contract Liabilities**

Unlike the method used to recognise contract revenue, the amounts billed to the customer are based on the monthly achievement of progress towards our performance obligation in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document call a 'certificate of completion' or 'work order'. Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which goods and services transferred to the customer exceed the related amount billed or certified, the difference is recognised as a contract asset. Whereas in contracts in which the goods or services transferred are lower than the amount billed to or certified by the customer, the difference is recognised as a contract liability.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Trade receivables and other receivables do not carry any interest and are stated at their nominal value, reduced by appropriate allowances for estimated irrecoverable amounts. Overdrafts are stated at their nominal value. Interest is recognised as it accrues using the effective interest method. Trade payables on normal terms are not interest bearing and are stated at their nominal value.

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**2. Accounting policies: Continued**

**Taxation**

Deferred taxation is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recorded only to the extent that they are considered recoverable.

UK corporation tax is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

**Cash**

Cash in the statement of financial position comprises cash at banks and on hand and with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the income statement in the period to which they relate.

Certain of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is a fellow group company. The Company recognises a cost in its income statement equal to its contribution payable for the period, but does not separately recognise the related assets and liabilities on its balance sheet. The contribution paid by the entity is based on employees' salaries.

**Foreign currency translation**

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**2. Accounting policies: Continued**

**Pre-contract cost**

Costs associated with bidding for contracts are expensed as incurred. Once the Company has secured preferred bidder status and it is probable that the contract will be awarded, future costs are capitalised in the financial position.

**Financial guarantees**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the Skanska UK group, these are considered to be insurance arrangements, and accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee.

**Accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements in conformity with FRS 101 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 the judgements about carrying values of assets and liabilities that are not 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 and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgements in drawing up the financial statements are in connection with construction contracts in progress and claims on construction contracts.

The accounting policy for Revenue, details the principal estimation techniques used in establishing attributable profit on construction contracts.

**3. Revenue**

The revenue and profit before taxation are attributable to the one principal activity of the Company.

An analysis of revenue by geographical market for the year ended 31st December 2019 is given below:

|                | 2019<br>£'000 | 2018<br>£'000 |
|----------------|---------------|---------------|
| United Kingdom | <u>8,101</u>  | <u>8,888</u>  |

No revenue was derived from exchange of goods or services (2018: £nil)

The directors are of the opinion that the company has one class of business which is the provision of construction services, all of which is derived within the United Kingdom.

Notes to the Financial Statements  
For The Year Ended 31st December 2019

**4. Employees and Directors**

|                       | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 615           | 642           |
| Social security costs | 66            | 110           |
| Other pension costs   | 74            | 72            |
|                       | <u>755</u>    | <u>824</u>    |

Included in other pension costs is:

|                            | 2019<br>£'000 | 2018<br>£'000 |
|----------------------------|---------------|---------------|
| Defined benefit costs      | -             | -             |
| Defined contribution costs | 74            | 72            |
|                            | <u>74</u>     | <u>72</u>     |

The average monthly number of employees during the year was as follows:

|           | 2019      | 2018      |
|-----------|-----------|-----------|
| Employees | <u>12</u> | <u>15</u> |

|                         | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------|---------------|---------------|
| Directors' remuneration | <u>252</u>    | <u>168</u>    |

Information regarding the highest paid director is as follows:

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Directors' remuneration                 | <u>252</u>    | <u>168</u>    |
| Accrued pension benefits at 31 December | <u>46</u>     | <u>46</u>     |
| Defined contribution schemes            | -             | -             |
| Defined benefit schemes                 | <u>-</u>      | <u>-</u>      |

**5. Interest receivable and similar income**

|               | 2019<br>£'000 | 2018<br>£'000 |
|---------------|---------------|---------------|
| Bank interest | <u>27</u>     | <u>12</u>     |

**6. Profit before taxation**

The profit before income tax is stated after charging:

|                       | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------|---------------|---------------|
| Auditors remuneration | <u>4</u>      | <u>4</u>      |

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**7. Taxation**

**Analysis of tax expense**

|                                      | 2019<br>£'000 | 2018<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Current tax</b>                   |               |               |
| Current year                         | -             | -             |
| Adjustments in respect of prior year | 1             | (1)           |
|                                      | <u>1</u>      | <u>(1)</u>    |
| <b>Deferred tax</b>                  |               |               |
| Current year                         | 46            | 141           |
| Adjustments in respect of prior year | 1             | 1             |
|                                      | <u>47</u>     | <u>142</u>    |
| <b>Total tax charge</b>              | <u>48</u>     | <u>141</u>    |

**Factors affecting the tax expense**

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

|  |           |            |
|--|-----------|------------|
| <b>Reconciliation of profits to total tax charge:</b>                                      |           |            |
| Profit before tax  | 270       | 842        |
| Profit before tax multiplied by standard rate of corporation tax in the UK 19% (2018: 19%) | 51        | 160        |
| Effects of:  |           |            |
| Expenses not deductible for tax purposes   | 1         | -          |
| Transfer pricing adjustments   | (1)       | (3)        |
| Adjustment in respect of prior years   | 2         | (1)        |
| Change in rate   | (5)       | (15)       |
| <b>Tax expense</b>   | <u>48</u> | <u>141</u> |

**Changes in corporation tax rate**

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. Accordingly, these rates are applicable in the measurement of the deferred tax asset at 31 December 2019. Deferred tax has been provided at 17% being the rate at which temporary differences were expected to reverse. However, in accordance with the March 2020 budget the rate will not now reduce to 17% with effect from 1 April 2020 and instead will remain at 19%. As the reversal of the rate reduction was not substantively enacted at the balance sheet date, deferred tax has been provided at 17%. Calculating the deferred tax asset at 19% would have led to a £27,000 increase in the deferred tax asset at year end.

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**8. Debtors: amounts falling due within one year**

|   | <b>2019</b>  | <b>2018</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Trade debtors                             | 952          | 67           |
| Amounts owed by fellow group undertakings | 385          | 530          |
| Other debtors                             | 305          | 514          |
| Corporation tax                           | -            | 1            |
|   | <u>1,642</u> | <u>1,112</u> |

Amounts owed by fellow group undertakings are unsecured, interest-free and repayable on demand.

**9. Contract assets**

At 31 December 2019, the Company had contract assets of £607,000 (2018: £978,000) which is net of an expected credit loss allowance of £nil (2018: £nil). Contract assets consists of work-in-progress.

**10. Deferred tax asset: amounts falling due after one year**

|                                | <b>2019</b>  | <b>2018</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Unrelieved trading losses      | 178          | 259          |
| Accelerated Capital Allowances | 8            | 9            |
| Other                          | 39           | 4            |
| <b>Total tax charge</b>        | <u>225</u>   | <u>272</u>   |

**Analysis of movements in the year**

| <b>Deferred tax asset</b>                      | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| As at 1st January 2019                         | 272          | 414          |
| Deferred tax (expenses) in the profit and loss | (47)         | (142)        |
| <b>As at 31st December 2019</b>                | <u>225</u>   | <u>272</u>   |

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**11. Creditors: amounts falling due within one year**

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Trade creditors                              | 122           | 81            |
| Amounts payable to fellow group undertakings | 1,687         | 2,220         |
| Other creditors                              | 68            | 204           |
| Accruals and deferred income                 | 1,039         | 869           |
| Tax  | 1             | -             |
|  | <u>2,917</u>  | <u>3,374</u>  |

Amounts payable to fellow group undertakings are unsecured, interest-free and repayable on demand.

Trade creditors and other creditors are non-interest bearing and normally settles on average 30 day basis.

**12. Contract liabilities**

At 31 December 2019, the Company had contract liabilities of £6,000 (2018: £140,000), Contract liabilities consists of billings-in-excess.

Revenue recognised in the year from amounts that were included in the contract liability at the beginning of the period equals £140,000 (2018: £134,000) Revenue recognised in the year from performance obligations satisfied in previous years equals £nil (2018: £nil).

**13. Called up share capital**

Authorised, allotted, issued and fully paid share capital:

| Number:   | Class    | Nominal Value: | 2019<br>£'000 | 2018<br>£'000 |
|-----------|----------|----------------|---------------|---------------|
| 7,400,000 | Ordinary | £1             | 7,400         | 7,400         |

**14. Retirement benefit obligations**

**The Skanska Pension Fund**

The Company, in its capacity as employing company, participates in The Skanska Pension Fund, which includes a defined benefit section and a defined contribution section. This scheme is accounted for in a parent company Skanska UK Plc, details of the pension scheme can be found in these accounts.

**15. Contingent liabilities**

The Company faces contingent liability in respect of guarantees and potential claims by third parties under contracting agreements entered into by them in the normal course of business. These are provided as liabilities only to the extent that the directors believe that the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefit will be required to settle the obligation

**Notes to the Financial Statements  
For The Year Ended 31st December 2019**

**16. Post balance sheet events**

On 23 March 2020 the Government in the UK announced a national lockdown in response to the COVID-19 pandemic. The potential impact of this pandemic on the Company's performance for the year to 31 December 2020 is still unclear and we are unable to quantify the likely impact on the full year results at this stage. The Company is a subsidiary of Skanska Construction UK Limited who is a subsidiary of Skanska UK Plc. Skanska UK Plc provides support to the Company. The Skanska UK Plc Group has entered this period in a strong balance sheet position and the Board is confident of the Group's ability to traverse the challenges of the pandemic and to emerge in a strong position within the market.

**17. Ultimate parent company**

Skanska Construction UK Limited is the immediate parent undertaking and heads the smallest group in which the results of the Company are consolidated.

The ultimate parent company is Skanska AB, a company incorporated in Sweden, which heads the largest group in which the results of the Company are consolidated. The registered address for Skanska AB is Warfväges väg 25, SE-112 74 Stockholm, Sweden.

Copies of the Skanska Construction UK Ltd. and Skanska AB financial statements can be obtained from Skanska UK Plc at Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire. WD3 9SW, United Kingdom.