

Skanska UK Plc

Report and Consolidated Financial Statements

for the year ended

31st December 2005



Directors' Report

The directors have pleasure in submitting their report together with the audited consolidated financial statements and auditors' report, for the year ended 31st December 2005.

Principal Activities and Business Review

The Company and its subsidiaries, joint ventures and associated undertakings constitute a group based in the United Kingdom engaged in building, civil engineering and associated activities.

Adoption of International Financial Reporting Standards

As disclosed in Note 1, these financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("Adopted IFRSs"). Note 1 also sets out details of significant accounting policies under IFRS. Note 30 sets out the presentational changes and IFRS adjustments arising from the adoption of IFRS. The date of transition to IFRS was 1st January 2004.

Results

The results of the group for the year are set out in the Income Statement on page 6.

Dividends

No dividend has been declared by the directors in respect of the year ended 31st December 2005 (2004: £Nil), producing a retained profit for the year of £20,668,000 (2004: loss £42,240,000).

Directors

The following persons were directors of the Company during the year:

D G Fison
M L Galloway
P I Carré
P E Coote
M P Jones
M C Putnam
C N Pollard (Appointed 1st January 2005)

Directors' Interests

None of the directors at 31st December 2005 had any interests required to be disclosed under Schedule 7 of the Companies Act 1985. There were no changes in the directors' interests between 31st December 2005 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 Provision

In April 2005 the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004, which amended the provisions of sections 309-310 of the Companies Act 1985, came into effect. As at the date of this report, the articles of association contain indemnities where the Company has 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 2005.

The Environment

The Company and its subsidiary undertakings are required to pursue policies that comply with the relevant legislation and standards applicable to their particular industries.

Donations

During the year, the Company made donations to various charitable organisations amounting to £1,250 (2004: £Nil). No political donations were made.

Directors' Report (continued)**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.

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.

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.

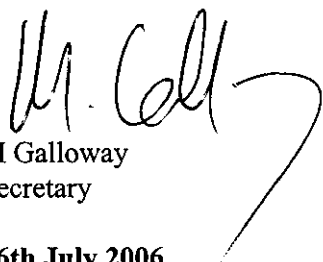
Policy on Payment of Creditors

The Company and its subsidiary undertakings are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is the Company 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. The group's trade creditors at 31st December 2005 represented 59 days' purchases (2004 - 49 days).

Auditors

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed at an Extraordinary General Meeting held on 30th August 1991.

By Order of the Board



M Galloway
Secretary

26th July 2006

Registered office:
Maple Cross House
Denham Way
Maple Cross
Rickmansworth
Hertfordshire
WD3 9SW

Health and Safety Statement for the Annual Report and Financial Statements 2005

Skanska operates in a construction environment, which by its nature is potentially hazardous. However we believe that the safety of our employees and those affected by our operations is paramount. Therefore we take a proactive approach to managing safety risks that arise from our work.

Our use of proactive measures and management commitment, together with an emphasis on the competency of the management and workforce on our projects and workforce engagement has resulted in a long-term improvement in reducing accidents.

In the period 2003 –2005 the Skanska UK accident incident rate fell by 49% leading to a reportable rate for 2005 of 8.1 per 1,000 people at risk. Our long-term goal remains zero accidents. 2005 was a zero year for fatal accidents.

In their 2004 audit URS Verification Limited (URSVL) identified three ways to improve the accuracy of our safety data. During 2005 Skanska has worked to address those points by improving its documentation and introducing an EHS database to reduce the risk of data error.

This year URSVL has again audited our processes and has concluded, based on the sites and operating units visited that the stated accident incident rate is a good reflection of actual performance. Whilst URSVL considers that documentation management issues at some of the sites reduced the ability to calculate the level of uncertainty in this figure, no information was identified that would indicate that the level of uncertainty has increased over that reported last year of 5%.

URSVL has identified additional ways to further improve the measurement and reporting of our safety performance;

- Ensure that appropriate documentation is maintained to provide an audit trail. This is particularly important when transferring elements of reporting onto a new internet based reporting system;
- Continue to review and clarify definitions and guidelines to assist sites and operating units in their understanding of corporate data management requirements; and
- Review definitions for the Measures of Excellence, to ensure understanding and consistency in their application

Copies of the URSVL verification statement, which includes the scope and limitations of the work and opinion, are available on request from the Health & Safety Officer at Skanska UK Plc.

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Skanska UK Plc

We have audited the group and parent company financial statements (the 'financial statements') of Skanska UK Plc for the year ended 31st December 2005 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated Statement of Recognised Income and Expense and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs adopted by the EU, of the state of the group's and the parent company's affairs as at 31st December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

KPMG LLP

Chartered Accountants

Registered Auditor

8 Salisbury Square

London

EC4Y 8BB

26 July 2006

Consolidated Income Statement for the year ended 31st December 2005

Prepared in accordance with IFRS

	Notes	2005 £'000 Total Continuing activities	2004 £'000 Continuing activities	2004 £'000 Discontinued activities	2004 £'000 Total
REVENUE	2	800,884	843,390	143,921	987,311
Cost of sales		(705,039)	(821,642)	(132,165)	(953,807)
GROSS PROFIT		95,845	21,748	11,756	33,504
Administrative expenses		(65,023)	(63,436)	(14,392)	(77,828)
OPERATING PROFIT/(LOSS)	4	30,822	(41,688)	(2,636)	(44,324)
Loss on sale of subsidiaries		-	(3,168)	1,112	(2,056)
(Loss)/profit on sale of fixed assets		(32)	26	-	26
PROFIT/(LOSS) BEFORE INTEREST		30,790	(44,830)	(1,524)	(46,354)
Finance income	5	6,289	10,510	1,263	11,773
Finance costs	6	(1,381)	(2,913)	(1,716)	(4,629)
Net finance income on retirement benefit scheme	27	532	102	-	102
PROFIT/(LOSS) BEFORE TAX	2	36,230	(37,131)	(1,977)	(39,108)
Tax	7	(15,270)	(1,157)	(1,875)	(3,032)
PROFIT/(LOSS) AFTER TAX		20,960	(38,288)	(3,852)	(42,140)
Minority interests	23	(292)	-	(100)	(100)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		20,668	(38,288)	(3,952)	(42,240)

The notes on pages 11 to 39 form an integral part of these financial statements.

A statement of movement in reserves is set out in note 22.

Discontinued activities represents the Group's mining activities in Africa and the Group's construction business in India following the disposal of The Cementation Company (Africa) Limited and Skanska Cementation India Limited and also the construction activities of the companies owned by Skanska Cementation International Holdings Limited.

Consolidated Statement of Recognised Income and Expense for the year ended 31st December 2005

Prepared in accordance with IFRS

	2005 £'000	2004 £'000
Profit/(loss) for the year	20,668	(42,240)
Unrealised gain on the carrying value of investments	394	185
Currency translation differences	(107)	(135)
Net actuarial loss on defined benefit pension scheme	(19,516)	(36,421)
Tax credit on items taken directly to equity	5,790	11,070
Total recognised income and expense for the year attributable to the equity shareholders	7,229	(67,541)

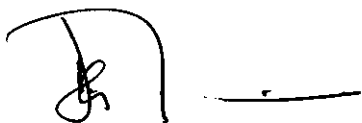
Consolidated Balance Sheet as at 31st December 2005

Prepared in accordance with IFRS

	Notes	2005 £'000	2004 £'000
NON-CURRENT ASSETS			
Goodwill	11	2,892	2,892
Property, plant and equipment	12	15,553	17,886
Investments	14b	2,609	2,096
		<u>21,054</u>	<u>22,874</u>
CURRENT ASSETS			
Inventories	15	1,700	4,007
Trade and other receivables	16	384,305	462,930
Deferred tax asset	8	24,745	25,023
Corporation tax		-	1,249
Cash and cash equivalents		168,610	90,681
		<u>579,360</u>	<u>583,890</u>
TOTAL ASSETS		<u>600,414</u>	<u>606,764</u>
CURRENT LIABILITIES			
Bank overdraft	17	-	(3,160)
Trade and other payables	18	(423,951)	(419,550)
Corporation tax		(5,739)	-
		<u>(429,690)</u>	<u>(422,710)</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	(43,284)	(26,338)
Provisions	20	(14,480)	(52,277)
		<u>(57,764)</u>	<u>(78,615)</u>
TOTAL LIABILITIES		<u>(487,454)</u>	<u>(501,325)</u>
NET ASSETS		<u>112,960</u>	<u>105,439</u>
SHAREHOLDERS OF THE PARENT			
Share capital	21	165,000	165,000
Capital reserve	22	378	378
Revaluation reserve	22	230	230
Retained earnings	22	(52,940)	(60,169)
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		<u>112,668</u>	<u>105,439</u>
Minority interest	23	292	-
		<u>112,960</u>	<u>105,439</u>

The notes on pages 11 to 39 form part of these financial statements.

These financial statements were approved by the Board of directors on 26th July 2006 and signed on its behalf by:


DG Fison
Director


Company Balance Sheet as at 31st December 2005

Prepared in accordance with IFRS

	Notes	2005 £'000	2004 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,790	4,315
Investments	14c	146,719	144,809
		<u>150,509</u>	<u>149,124</u>
CURRENT ASSETS			
Trade and other receivables	16	219,206	323,753
Deferred tax asset	8	511	900
Cash and cash equivalents		3	-
Corporation tax		-	1,413
		<u>219,720</u>	<u>326,066</u>
TOTAL ASSETS		<u>370,229</u>	<u>475,190</u>
CURRENT LIABILITIES			
Bank overdraft	17	(17,828)	(56,620)
Trade and other payables	18	(163,826)	(229,340)
Corporation tax		(3,473)	-
		<u>(185,127)</u>	<u>(285,960)</u>
NON-CURRENT LIABILITIES			
Provisions	20	-	(591)
		-	(591)
TOTAL LIABILITIES		<u>(185,127)</u>	<u>(286,551)</u>
NET ASSETS		<u>185,102</u>	<u>188,639</u>
EQUITY			
Share capital	21	165,000	165,000
Retained earnings	22	20,102	23,639
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		<u>185,102</u>	<u>188,639</u>

The notes on pages 11 to 39 form part of these financial statements.

These financial statements were approved by the Board of directors on 26th July 2006 and signed on its behalf by:



DG Fison
Director

Group Cashflow Statement for the year ended 31st December 2005

	2005 £'000	2004 £'000
Cashflows from operating activities		
Profit/(loss) before tax	36,230	(39,108)
<i>Adjustments for:</i>		
Depreciation	4,137	7,429
Loss/(profit) on sale of property, plant and equipment	32	(26)
Post retirement benefit charges	15,743	14,632
Loss on disposal of subsidiaries	-	2,056
Net finance income	(5,440)	(7,246)
Decrease in inventories	2,307	54
Decrease/(increase) in trade and other receivables	78,625	(149,157)
Increase in trade and other payables	4,294	116,535
(Decrease)/increase in other provisions	(37,797)	26,431
Cash generated/(used) from operations	<u>98,131</u>	<u>(28,400)</u>
Income taxes (paid)/refund	(2,214)	2,246
Pension fund contributions	<u>(17,781)</u>	<u>(59,089)</u>
Net cash inflow/(outflow) from operating activities*	<u><u>78,136</u></u>	<u><u>(85,243)</u></u>
Cashflows from investing activities		
Purchase of property, plant and equipment	(2,446)	(9,229)
Purchase of investment	(119)	(247)
Proceeds from sale of property, plant and equipment	610	1,957
Net proceeds from disposal of businesses	-	101,603
Interest received	6,289	11,773
Net cash inflow from investing activities*	<u><u>4,334</u></u>	<u><u>105,857</u></u>
Cashflows from financing activities		
Interest paid	(1,381)	(4,629)
Net cash used in financing activities	<u><u>(1,381)</u></u>	<u><u>(4,629)</u></u>
Net increase in cash and cash equivalents	81,089	15,985
Cash and cash equivalents at beginning of period	87,521	71,536
Cash and cash equivalents at end of period	<u><u>168,610</u></u>	<u><u>87,521</u></u>

* Net cash flow from operating activities includes £Nil (2004: £25,071,000 outflow) cash flow relating to discontinued operations. Net cash flow used in investing activities includes £Nil (2004: £2,876,000 outflow) cash outflow from discontinued operations.

Company Cashflow Statement for the year ended 31st December 2005

	2005 £'000	2004 £'000
Cashflows from operating activities		
(Loss) before tax	(2,172)	(1,899)
<i>Adjustments for:</i>		
Depreciation	825	721
Profit on disposal of subsidiaries	-	(803)
Increase in investment provisions	90	1,030
Net finance income	(4,148)	(2,400)
Decrease/(increase) in trade and other receivables	104,547	(54,476)
(Decrease) in trade and other payables	(65,514)	(27,932)
(Decrease) in other provisions	(591)	(1,200)
Cash generated from operations	<u>33,037</u>	<u>(86,959)</u>
Income taxes refunded	1,413	1,858
Net cash inflow/(outflow) from operating activities	<u>34,450</u>	<u>(85,101)</u>
Cashflows from investing activities		
Purchase of property, plant and equipment	(300)	(525)
Proceeds from sale of property, plant and equipment	-	6
Interest received	4,172	4,334
Investment in subsidiary undertakings	(2,000)	-
Net proceeds from disposal of businesses	-	75,381
Net cash inflow from investing activities	<u>1,872</u>	<u>79,196</u>
Cashflows from financing activities		
Equity dividends received	2,497	18,790
Interest paid	(24)	(1,934)
Net cash inflow from financing activities	<u>2,473</u>	<u>16,856</u>
Net increase in cash and cash equivalents	38,795	10,951
Cash and cash equivalents at beginning of period	(56,620)	(67,571)
Cash and cash equivalents at end of period	<u>(17,825)</u>	<u>(56,620)</u>

Notes to the Financial Statements

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently in the current year and the preceding year is set out below. The financial statements are presented in pounds sterling (rounded to the nearest thousand), being the functional currency of the company.

(a) Accounting conventions

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and under the historical cost convention and include the results of activities described in the directors' report all of which are continuing.

The company is preparing its own and the consolidated financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRS has affected the reported financial position and performance of the company and Group is provided in note 30.

The following exemptions from the full requirements of IFRSs in the transition period granted under IFRS 1 have been taken;

- business combinations that took place prior to 1st January 2004 have not been restated.

(b) Basis of preparation

The financial statements consolidate the financial statements of the Company and its subsidiary undertakings ('subsidiaries') and jointly controlled operations ('JCOs') made up to 31st December each year and have been presented in accordance with IAS 1 – Presentation of Financial Statements. They include the group's share of results and post-acquisition reserves of its associated undertakings ('associates'). The principal subsidiaries and associates are listed in note 14 and the principal JCOs in note 13 to the financial statements. The results of subsidiaries acquired during the period are included in continuing operations from the effective date of acquisition; those of subsidiaries sold during the period are included up to the effective date of disposal. The Company, as permitted by Section 230 (4) of the Companies Act 1985, does not present its own income statement. The loss for the year reported by the company is £3,537,000 (2004: Profit £18,226,000).

(c) Revenue and profit

Revenue represents the sales value of work done on construction contracts in the period and excludes VAT. Profit on construction contracts is calculated in accordance with IAS 11 'Construction contracts'.

The principal estimation technique used within the group in establishing attributable profit on construction contracts is on a contract by contract basis, focussing on costs to complete and evaluating the final outcome anticipated on that contract. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in proportion to the stage of completion of the contract. Provision is made for losses incurred on contracts (or foreseen to be incurred) as soon as they become apparent.

(d) Pre-contract costs

Costs associated with bidding for contracts are written off 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 balance sheet.

(e) Research and development

Expenditure is charged against profit in the period in which it is incurred, except that development expenditure is capitalised where it meets the recognition criteria of IAS38 *Intangible Assets*. Such assets would be recognised only if all the following conditions are met:

- an asset is created that can be separately identified
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Such assets that are capitalised are amortised through the income statement on a systematic basis over the period expected to benefit from the expenditure.

Notes to the Financial Statements (continued)**1. Accounting Policies (continued)****(f) Foreign Currencies**

Trading results denominated in foreign currencies are translated into sterling at average rates of exchange. Assets and liabilities are translated into sterling at the rates ruling at the period end except where rates of exchange are fixed under contractual arrangements. Differences on exchange arising from the translation of opening net assets of foreign subsidiaries and branches denominated in foreign currencies and any related loans are taken to reserves. Other exchange differences are taken to the income statement when they arise.

(g) Taxation

Deferred taxation is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes, except for temporary differences arising on the revaluation of assets and the future remittance of undistributed earnings from subsidiaries, joint ventures and associates. 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 balance sheet date.

(h) Intangible assets and Goodwill

Goodwill arising on the acquisition of subsidiaries, representing the difference between the fair value of purchase consideration and the fair value of net assets acquired, is capitalised in the balance sheet. Goodwill is included on the basis of its deemed cost which represents the amount recorded under previous UK GAAP at 1st January 2004. The classification and accounting treatment of business combinations that occurred prior to 1st January 2004 has not been reconsidered in preparing the consolidated opening IFRS balance sheet at 1st January 2004 as permitted by IFRS 1. Goodwill has been frozen at its carrying amount as at 1st January 2004 and is not amortised, but is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. The fair value of net assets in excess of the fair value of purchase consideration is credited to the income statement in the year of acquisition.

(i) Property, plant and equipment

Property plant and equipment is stated at amortised cost.

Depreciation is not provided on freehold land. Provision for permanent diminution in the value of land to below its carrying value is charged to the income statement.

For other freehold and long leasehold buildings, depreciation is provided on the straight line method on a 3 to 30 year useful economic life.

Depreciation on plant and equipment is provided on the straight-line method based on anticipated lives of 3 to 10 years.

(j) Leased assets

All leases are operating leases and the annual rentals are charged wholly to the income statement.

Notes to the Financial Statements (continued)**1. Accounting Policies (continued)****(k) Associated Undertakings and Jointly Controlled Operations**

An associated undertaking is an entity over which the Company holds a participating interest on a long-term basis and exercises significant influence. Interests in associated undertakings are included in the consolidated financial statements using the equity accounting method.

The group has entered into a number of jointly controlled operations ('JCOs') with different partners for the purposes of undertaking specific contracts. Interests in JCOs are accounted for by recognising the group's share of income and expenses and assets and liabilities measured according to the terms of the arrangements.

(l) Fixed asset investments

Shares in subsidiary undertakings are stated at amortised cost.

Other investments are stated at fair value. Profits and losses on the sale of investments and permanent diminutions in the market value of investments are taken to the income statement. Unrealised gains and losses are taken to the revaluation reserve.

(m) Inventories

Inventories have been valued at the lower of cost and net realisable value.

(n) Construction contracts

Amounts due from customers for contract work are valued at anticipated net value of work done on construction contracts after provision for contingencies and anticipated future losses on contracts. Claims are included in the valuation of contracts and credited to the income statement when entitlement has been established and the amount of economic benefits receivable can be estimated reliably. Small works are valued at the lower of cost plus attributable overheads and net sales value.

Cash received on account of contracts is deducted from amounts due from customers for contract work. Such amounts which have been received and exceed amounts due from customers are included in trade and other payables. Contract provisions in excess of amounts due from customers are included in provisions.

(o) Employee benefits

Certain of the Company's employees are members of a group wide defined benefit pension plan. The cost of providing benefits is calculated annually by independent actuaries using the projected unit credit method. The charge to the income statement reflects the current service cost of such obligations. The expected return on plan assets and the interest cost on scheme liabilities are included within financial income and expenses in the income statement. The retirement benefit deficit recognised in the balance sheet represents the excess of the present value of scheme liabilities over fair value of scheme assets. Differences between the actual and expected returns on assets and experience gains and losses arising on scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the consolidated statement of recognised income and expense in the year. In accordance with the transitional provisions of IFRS 1 cumulative actuarial gains and losses at 1st January 2004 are presented within opening retained earnings at the date.

The cost of defined contribution pension schemes is expensed to the income statement as incurred.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the Group and Company balance sheet when the Group 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 accounted for on an accruals basis. Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Notes to the Financial Statements (continued)

2. Segmental information

The directors are of the opinion that the company and group has one class of business which is construction services relating to civil engineering, building and tunnelling works.

	2005 £'000	2004 £'000
Revenue by geographical area:		
Group		
United Kingdom	793,390	827,928
Rest of Europe	7,129	13,664
North America	-	18,059
Africa	-	61,052
Asia	365	63,283
Australia	-	3,325
	<u>800,884</u>	<u>987,311</u>
Profit/(loss) before tax by geographical area:		
Group		
United Kingdom	35,465	(46,027)
Rest of Europe	765	816
North America	-	360
Africa	-	3,480
Asia	-	2,568
Australia	-	(305)
	<u>36,230</u>	<u>(39,108)</u>
Net Assets by geographical area:		
Group		
United Kingdom	109,685	101,216
Rest of Europe	3,275	4,223
	<u>112,960</u>	<u>105,439</u>

All results are derived from the principal activity which is construction.

Revenue to third parties by destination is not materially different to revenue to third parties by origin.

3. Construction contracts

The following information relates to all construction contracts in progress at the balance sheet date:

Group:	2005 £'000	2004 £'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	2,109,733	3,147,720
Advances received	94,069	103,077
Retentions	<u>19,370</u>	<u>20,154</u>

Notes to the Financial Statements (continued)

4. Operating profit/(loss)

Group operating profit/(loss) is stated after charging / (crediting):

	2005 £'000	2004 £'000
Auditors' remuneration - Audit work, UK	453	376
- Non audit work	33	12
Depreciation	4,137	7,429
Research and development	309	327
Hire costs including operating lease payments:		
- Hire of plant and machinery	18,559	20,356
- Land and buildings	<u>4,213</u>	<u>4,847</u>

The auditors remuneration for the Company in the year was £40,000 (2004: £36,000).

5. Finance income

	2005 £'000	2004 £'000
Interest receivable	<u>6,289</u>	<u>11,773</u>

6. Finance costs

	2005 £'000	2004 £'000
Interest payable	<u>1,381</u>	<u>4,629</u>

Notes to the Financial Statements (continued)

7. Tax

a. Analysis of tax charge in period

	Group	
	2005 £'000	2004 £'000
Current Tax		
UK Corporation tax (credit)/charge on profit/loss for the year at 30% (2004: 30%)	4,939	(1,968)
Overseas tax	-	618
Adjustment in respect of prior years	4,263	2,482
Total current tax charge	<u>9,202</u>	<u>1,132</u>
Deferred tax		
Current year	7,513	3,747
Adjustment in respect of previous years	(1,445)	(1,847)
Total deferred tax charge/(credit)	<u>6,068</u>	<u>1,900</u>
Total tax charge on profit	<u>15,270</u>	<u>3,032</u>

b. Factors affecting the tax charge for the current period

The tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	Group	
	2005 £'000	2004 £'000
Tax reconciliation		
Profit/(loss) before tax	<u>36,230</u>	<u>(39,108)</u>
Current tax at 30% (2004: 30%)	10,869	(11,732)
<i>Effects of:</i>		
Non-taxable income/disallowable expenses	1,893	1,630
Other deferred tax movements	-	(530)
Losses brought/carried forward	(267)	13,035
Tax charged overseas at rates other than 30%	-	(6)
Adjustment in respect of previous years	2,818	635
Loss on sale of subsidiary	(43)	-
Total tax charge for period	<u>15,270</u>	<u>3,032</u>

c. Factors that may affect future current and total tax charges

The group has unrelieved tax losses carried forward of £42m (2004: £41m) which will be available to be utilised against future taxable profits. There are no other factors that may affect future tax charges.

Notes to the Financial Statements (continued)

8. Deferred tax asset:

Deferred tax in respect of capital allowances, short term timing differences and tax losses, on an undiscounted basis, is as follows:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Accelerated Capital Allowances	89	9	(56)	(7)
Other	3,064	(14)	567	907
Deferred tax on pension liability	19,955	21,772	-	-
Unrelieved trading losses	1,637	3,256	-	-
	<u>24,745</u>	<u>25,023</u>	<u>511</u>	<u>900</u>
Asset at start of period	25,023	5,327	900	978
Deferred tax (charge) for period	(6,068)	(2,686)	(389)	(78)
Deferred tax asset disposed of on sale of subsidiaries	-	610	-	-
Deferred tax on pension liability	5,790	21,772	-	-
Asset at end of period	<u>24,745</u>	<u>25,023</u>	<u>511</u>	<u>900</u>

All of the net deferred tax balance relates to UK deferred tax.

9. Staff numbers and costs

Group	2005 Number	2004 Number
The average monthly number of employees, during the year was:		
- Construction	<u>3,390</u>	<u>10,014</u>
	£'000	£'000
Staff costs including directors' emoluments		
- Wages and salaries	113,355	148,127
- Social security costs	10,356	11,117
- Defined benefit pension scheme costs (note 27)	11,543	11,232
- Defined contribution pension scheme costs (note 27)	195	195
	<u>135,449</u>	<u>170,671</u>

10. Directors' remuneration

	2005 £'000	2004 £'000
Emoluments	1,186	932
Compensation for loss of office	-	291
	<u>1,186</u>	<u>1,223</u>
Highest paid director		
- Emoluments	297	387
- Accrued pension	81	77

Pensions	Number	Number
The number of directors who were members of defined benefit pension schemes at the year end was:	<u>7</u>	<u>6</u>

Notes to the Financial Statements (continued)

11. Intangible assets

Goodwill

	Skanska MGT Limited £'000	The Cementation Company (Africa) Limited £'000	Total £'000
<u>2005</u>			
At 1 st January and 31 st December 2005	<u>2,892</u>	<u>-</u>	<u>2,892</u>
<u>2004</u>			
At 1 st January 2004	2,892	495	3,387
Disposal on sale of subsidiaries	<u>-</u>	<u>(495)</u>	<u>(495)</u>
At 31 st December 2004	<u>2,892</u>	<u>-</u>	<u>2,892</u>

Notes to the Financial Statements (continued)

12. Property, plant and equipment

Group

	Freehold land and buildings £'000	Long leasehold properties £'000	Plant and machinery £'000	Total £'000
2005				
Cost:				
At 31 st December 2004	1,704	4,886	47,242	53,832
Additions	603	-	1,843	2,446
Disposals	(30)	-	(4,618)	(4,648)
At 31 st December 2005	<u>2,277</u>	<u>4,886</u>	<u>44,467</u>	<u>51,630</u>
Accumulated depreciation:				
At 31 st December 2004	20	1,773	34,153	35,946
Charge for the year	392	-	3,745	4,137
Disposals	-	-	(4,006)	(4,006)
At 31 st December 2005	<u>412</u>	<u>1,773</u>	<u>33,892</u>	<u>36,077</u>
Carrying amount:				
At 31 st December 2005	<u>1,865</u>	<u>3,113</u>	<u>10,575</u>	<u>15,553</u>
2004				
Cost:				
At 1 st January 2004	3,460	5,005	118,627	127,092
Additions	62	28	9,139	9,229
Disposals	(301)	-	(16,718)	(17,019)
Exchange differences	10	(3)	(1,136)	(1,129)
Disposals on sale of subsidiaries	(1,527)	(144)	(62,670)	(64,341)
At 31 st December 2004	<u>1,704</u>	<u>4,886</u>	<u>47,242</u>	<u>53,832</u>
Accumulated depreciation:				
At 1 st January 2004	252	1,479	84,562	86,293
Charge for the year	55	391	6,983	7,429
Disposals	-	-	(15,088)	(15,088)
Exchange differences	(3)	(2)	(569)	(574)
Disposals on sale of subsidiaries	(284)	(95)	(41,735)	(42,114)
At 31 st December 2004	<u>20</u>	<u>1,773</u>	<u>34,153</u>	<u>35,946</u>
Carrying amount:				
At 31 st December 2004	<u>1,684</u>	<u>3,113</u>	<u>13,089</u>	<u>17,886</u>
At 1 st January 2004	<u>3,208</u>	<u>3,526</u>	<u>34,065</u>	<u>40,799</u>

Notes to the Financial Statements (continued)

12. Property, plant and equipment (continued)

Company

	Long leasehold properties £'000	Plant and machinery £'000	Total £'000
2005			
Cost:			
At 31 st December 2004	4,611	7,596	12,207
Additions	-	300	300
At 31 st December 2005	<u>4,611</u>	<u>7,896</u>	<u>12,507</u>
Accumulated depreciation:			
At 31 st December 2004	1,540	6,352	7,892
Charge for the year	359	466	825
At 31 st December 2005	<u>1,899</u>	<u>6,818</u>	<u>8,717</u>
Carrying amount:			
At 31 st December 2005	<u>2,712</u>	<u>1,078</u>	<u>3,790</u>
2004			
Cost:			
At 1 st January 2004	4,611	7,077	11,688
Additions	-	525	525
Disposals	-	(6)	(6)
At 31 st December 2004	<u>4,611</u>	<u>7,596</u>	<u>12,207</u>
Accumulated depreciation:			
At 1 st January 2004	1,185	5,986	7,171
Charge for the year	355	366	721
At 31 st December 2004	<u>1,540</u>	<u>6,352</u>	<u>7,892</u>
Carrying amount:			
At 31 st December 2004	<u>3,071</u>	<u>1,244</u>	<u>4,315</u>
At 1 st January 2004	<u>3,426</u>	<u>1,091</u>	<u>4,517</u>

Notes to the Financial Statements (continued)

13. Jointly controlled operations ('JCOs')

The group has entered into a number of jointly controlled operations ('JCOs') with different partners for the purposes of undertaking specific contracts. All JCOs have 31st December as their year end. The principal JCOs within the group (excluding those between group companies) are as follows:

Name of JCO	Address	JCO partner(s)	Control
Skanska Construction UK Limited			
Skanska Kvaerner Joint Venture	1,10	Aker Kvaerner Engineering Services Limited	50%
Skanska Nishimatsu Joint Venture	1,8	Nishimatsu Construction Company Limited	50%
Skanska McNicholas Joint Venture	1,11	McNicholas Plc	50%
Balfour Beatty Skanska Joint Venture	1,7	Balfour Beatty Civil Engineering Limited	50%
Cementation Foundations Skanska Limited			
Cementation Stent Joint Venture	1,3	Stent Foundations Limited	50%
Stent Cementation Joint Venture	1,3	Stent Foundations Limited	50%
Cementation Bachy Joint Venture	1,4	Bachy Soletanche Limited	50%
Bachy Cementation Joint Venture	1,4	Bachy Soletanche Limited	50%
Cementation Franki Joint Venture	1,9	Franki Grondtechnieken BV	50%
Franki Cementation Joint Venture	1,9	Franki Grondtechnieken BV	50%
Skanska J.V. Projects Limited			
Costain Skanska Joint Venture	1 & 2	Costain Limited	50%
Costain Skanska Mowlem Joint Venture	1,2 & 5	Costain Limited and Mowlem Limited	30%
Costain Skanska Bachy Joint Venture	1,2 & 6	Costain Limited and Bachy Soletanche Limited	33%

The addresses of these JCOs are as follows:

1	Maple Cross House Denham Way Maple Cross Rickmansworth Hertfordshire WD3 9SW	2	Costain House Nicholsons Walk Maidenhead Berkshire SL6 1N	3	Birchwood Park Cotes Park West Somercote Derbyshire DE55 4PY	4	Henderson House Langley Place Higgins Lane Burscough Lancashire L40 7JB
5	Foundation House Eastern Road Bracknell Berkshire RG12 2UZ	6	Foundation Court Cattleshall Lane Godalming Surrey GU7 1XW	7	7 Mayday Road Thornton Heath Surrey CR7 7XA	8	9 Cavendish Place London W1G 0NG
9	Rederijweg 33 Oosterhout Netherlands	10	Ashmore House Richardson Road Stockton on Tees TS18 3RE	11	McNicholas House Kingsbury Road London NW9 8XE		

Notes to the Financial Statements (continued)

14. Investments

a. Investment in associates

Group

Share of net assets
of associated
undertakings
£'000

2005At 1st January and 31st December 2005

-

2004At 1st January 2004

788

Disposal of associate

(788)

At 31st December 2004

-

b. Other investments

Group

Investments
in index
funds
£'000

2005

Investments in index funds: Cost

Cost at 1st January 2005

1,762

Additional investments

119

Cost at 31st December 2005

1,881

Investments in index funds: Market Value

Value at 1st January 2005

2,096

Additional investments

119

Change in value of investments

394

Value at 31st December 2005

2,609

Notes to the Financial Statements (continued)

14. Investments (continued)

b. Other investments (continued)

Group

2004

Investments in index funds: Cost

Cost at 1st January 2004

Additional investments

Cost at 31st December 2004

Investments in index funds: Market Value

Value at 1st January 2004

Additional investments

Change in value of investments

Value at 31st December 2004Investments
in index
funds
£'000

1,515

247

1,762

1,664

247

185

2,096

The investments are managed by independent fund managers.

c. Shares in subsidiary undertakings

Company

	Cost £'000	Provision £'000	Total £'000
Shares in subsidiary undertakings			
At 1 st January 2005	201,721	(56,912)	144,809
Additions	2,000	-	2,000
Provisions created in year	-	(90)	(90)
Carrying amount:			
At 31 st December 2005	203,721	(57,002)	146,719
At 1 st January 2004	367,232	(146,815)	220,417
Provisions created in year	-	(8,606)	(8,606)
Release of provision in year	-	6,852	6,852
Disposal of subsidiaries in year	(165,511)	91,657	(73,854)
At 31 st December 2004	201,721	(56,912)	144,809

Notes to the Financial Statements (continued)

14. Investments (continued)

Listed below are the principal subsidiaries all of which are included in the consolidation and unless marked * the ordinary shares are directly owned. All subsidiaries have construction as their principal activity except where marked**, where the principal activity is to act as a holding company for employees' contracts.

	Country of registration or incorporation	Shareholding (%)
Andrews-Weatherfoil Limited*	England and Wales	100
Clark and Fenn Skanska Limited	England and Wales	100
Cementation Foundations Skanska Limited	England and Wales	100
Cementation Skanska Ireland Limited	Ireland	100
Skanska MGT Limited*	England and Wales	100
Skanska Construction Services Limited**	England and Wales	100
Skanska Construction UK Limited	England and Wales	100
Skanska J.V. Projects Limited*	England and Wales	100
Skanska Major Projects Limited	England and Wales	100
Skanska Overseas Projects Limited	England and Wales	100
Skanska Rashleigh Weatherfoil Limited*	England and Wales	100
Skanska Technology Limited	England and Wales	100

15. Inventories

	Group	
	2005 £'000	2004 £'000
Raw materials and consumables	614	2,150
Finished goods	985	1,857
Work in progress	101	-
	<u>1,700</u>	<u>4,007</u>

16. Trade and other receivables

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts due from customers for contract work	93,672	96,387	-	-
Trade receivables	89,993	88,016	97	337
Amounts owed by parent company	153,192	160,488	153,192	160,488
Amounts owed by subsidiary undertakings	-	-	57,568	57,639
Amounts owed by fellow group undertakings	32,380	98,865	3,571	101,978
Other receivables	5,225	8,396	1,266	1,152
Prepayments and accrued income	9,843	10,778	3,512	2,159
	<u>384,305</u>	<u>462,930</u>	<u>219,206</u>	<u>323,753</u>

Notes to the Financial Statements (continued)

17. Bank overdraft

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Unsecured and repayable on demand	-	3,160	17,828	56,620

18. Trade and other payables

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Payments received on account	94,104	108,780	-	-
Trade payables	91,759	83,319	272	417
Amounts owed to subsidiary undertakings	-	-	111,656	148,861
Amounts owed to group undertakings	105,649	81,943	43,585	73,300
Other payables	23,782	22,211	816	2,704
Other taxes and social security	127	2,319	292	-
Accruals and deferred income	108,530	120,978	7,205	4,058
	<u>423,951</u>	<u>419,550</u>	<u>163,826</u>	<u>229,340</u>

As part of arrangements with Skanska UK's bankers (Barclays Bank PLC) most cash balances are transferred from Skanska UK Plc (SUK Plc) to one of the companies fellow group companies on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. Some of SUK Plc's sterling bank balance is therefore replaced with an inter-company payable of £23.223 million as shown on the balance sheet within "Amounts owed to group undertakings" representing the Group's bank balance, with an additional amount of £168.610 million shown as cash and cash equivalents at year end. Similarly for the Company, an inter-company receivable of £0.253 million as shown on the balance sheet within "Amounts owed by fellow subsidiary undertakings" represents the Company's bank balance with an additional amount of £17.828 million shown as bank overdraft at year end.

19. Financial instruments

Exposure to credit and interest rate risks arises in the normal course of the Group and the Company's business.

Credit risk

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 balance sheet date there were 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 balance sheet date.

Interest rate risk

The Group and Company do not seek to reduce exposure to fluctuations in interest rates through the use of derivative financial instruments. As part of arrangements with Skanska UK's bankers (Barclays Bank PLC) cash balances are transferred from subsidiaries to a fellow group company on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management.

Effective interest rates and repricing analysis

As at 31st December 2005, income-earning financial assets of the Group comprised cash and cash equivalents totalling £168,610,000 (2004: £90,681,000) and of the company £3,000 (2004: Nil), all of which is repayable on demand. Interest is earned on cash balances at floating rates linked to the Bank of England Base rate.

As at 31st December 2005, interest-bearing financial liabilities of the Group comprised bank overdraft of £nil (2004: £3,160,000) and of the company £17,828,000 (2004: £56,620,000), all of which is repayable on demand. Interest is payable on bank overdrafts at floating rates linked to the Bank of England Base rate.

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

Fair values

The carrying amounts shown in the balance sheet of all financial assets and financial liabilities are considered to approximate their fair value.

<i>Carrying amounts</i>	2005 Group £'000	2004 Group £'000	2005 Company £'000	2004 Company £'000
Amounts due from customers for contract work	93,672	88,016	-	-
Trade receivables	89,993	96,387	97	337
Amounts owed by parent company	153,192	160,488	153,192	160,488
Amounts owed by subsidiary undertakings	-	-	57,568	57,639
Amounts owed by fellow subsidiary undertakings	32,380	98,865	3,571	101,978
Other receivables	5,225	8,396	1,266	1,152
Cash and cash equivalents	168,610	90,681	3	-
Bank overdraft	-	(3,160)	(17,828)	(56,620)
Payments received on account	(94,104)	(108,780)	-	-
Trade payables	(91,759)	(83,319)	(272)	(417)
Amounts owed to subsidiary undertakings	-	-	(111,656)	(148,861)
Amounts owed to fellow subsidiary undertakings	(105,649)	(81,943)	(43,585)	(73,300)
Other payables	(23,782)	(22,211)	(816)	(2,704)
	<u>227,778</u>	<u>243,420</u>	<u>41,540</u>	<u>39,692</u>

Sensitivity analysis

At 31st December 2005 and 31st December 2004, it is estimated that a general rise of one percentage point in interest rates would have no material impact on profit before tax.

Notes to the Financial Statements (continued)

20. Provisions

	Forward loss provisions £'000	Restructuring £'000	Deferred Tax £'000	Other £'000	Total £'000
2005					
At 1 st January 2005	48,315	1,482	-	2,480	52,277
Released in year	(3,999)	-	-	(181)	(4,180)
Created in year	3,880	-	-	2,991	6,871
Utilised in the year	(38,557)	(379)	-	(1,552)	(40,488)
At 31 st December 2005	<u>9,639</u>	<u>1,103</u>	<u>-</u>	<u>3,738</u>	<u>14,480</u>
2004					
At 1 st January 2004	21,840	5,635	601	3,020	31,096
Released in year	(1,080)	(1,868)	-	(500)	(3,448)
Created in year	69,498	25	-	1,203	70,726
Utilised in the year	(37,056)	(2,515)	-	(1,243)	(40,814)
Transferred out on disposal of subsidiary	(4,682)	-	(601)	-	(5,283)
Re-allocated	(205)	205	-	-	-
At 31 st December 2004	<u>48,315</u>	<u>1,482</u>	<u>-</u>	<u>2,480</u>	<u>52,277</u>

Company

	Forward loss provisions £'000	Other £'000	Total £'000
2005			
At 1 st January 2005	591	-	591
Created in year	444	-	444
Utilised in the year	(1,035)	-	(1,035)
At 31 st December 2005	<u>-</u>	<u>-</u>	<u>-</u>
2004			
At 1 st January 2004	591	1,200	1,791
Utilised in the year	-	(1,200)	(1,200)
At 31 st December 2004	<u>591</u>	<u>-</u>	<u>591</u>

The amount and time of payment of provisions for liabilities is uncertain but they are expected to be made substantially within two years.

No provision is made for any tax on capital gains or tax arising in the event of the distribution of profits retained by overseas subsidiaries and associates as no liability is expected to crystallise.

Other provisions include £1.8 million (2004: £1.8 million) in relation to potential claims due to industrial related diseases. The period of utilisation is not ascertainable.

Notes to the Financial Statements (continued)

21. Share capital

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Authorised:				
3,300,000,000 ordinary shares of 5p each	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>
Allotted, called up and fully paid:				
3,300,000,000 ordinary shares of 5p each	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>

22. Reconciliation of movements in shareholders' equity

Group	Share Capital £'000	Capital Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 st January 2004	165,000	378	230	7,372	172,980
Loss for the period	-	-	-	(42,240)	(42,240)
Currency translation differences	-	-	-	(135)	(135)
Net actuarial loss on defined benefit scheme	-	-	-	(25,351)	(25,351)
Unrealised gain on the carrying value of investments	-	-	-	185	185
At 31 st December 2004	<u>165,000</u>	<u>378</u>	<u>230</u>	<u>(60,169)</u>	<u>105,439</u>
Profit for the period	-	-	-	20,668	20,668
Net actuarial loss on defined benefit scheme	-	-	-	(13,726)	(13,726)
Currency translation differences	-	-	-	(107)	(107)
Unrealised gain on the carrying value of investments	-	-	-	394	394
At 31 st December 2005	<u>165,000</u>	<u>378</u>	<u>230</u>	<u>(52,940)</u>	<u>112,668</u>
Company					
At 1 st January 2004	165,000	-	-	5,413	170,413
Profit for the period	-	-	-	18,226	18,226
At 31 st December 2004	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>23,639</u>	<u>188,639</u>
Loss for the period	-	-	-	(3,537)	(3,537)
At 31 st December 2005	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>20,102</u>	<u>185,102</u>

23. Minority interest

	2005 £'000	2004 £'000
Minority interest at 1 st January	-	3,853
Share of retained profit for the year	292	100
Currency translation differences	-	(13)
Disposal of shareholding in The Cementation Company (Africa) Limited	-	(1,896)
Disposal of shareholding in Skanska Cementation India Limited	-	(2,044)
Minority interest at 31 st December	<u>292</u>	<u>-</u>

Notes to the Financial Statements (continued)

24. Commitments

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided:				
Plant, equipment, fixtures and fittings	<u>1,989</u>	<u>733</u>	<u>881</u>	<u>-</u>
At 31 st December 2005, the Group had outstanding commitments under non-cancellable operating leases as follows:				
Land and buildings:				
Less than one year	5,079	4,838	2,300	2,300
Between one and five years	17,529	17,232	9,200	9,200
More than five years	32,661	35,760	28,236	30,536
	<u>55,269</u>	<u>57,830</u>	<u>39,736</u>	<u>42,036</u>
Plant and equipment:				
Less than one year	2,505	2,492	209	194
Between one and five years	3,557	2,597	366	254
	<u>6,062</u>	<u>5,089</u>	<u>575</u>	<u>448</u>
	<u>61,331</u>	<u>62,919</u>	<u>40,311</u>	<u>42,484</u>

25. Contingent liabilities

There are contingent liabilities in respect of performance bonds, guarantees and actual and potential claims by third parties under contracting and other agreements entered into during the normal course of business. Whilst the outcome of these matters is uncertain, the directors believe that appropriate provision has been made within the financial statements in respect of these matters.

26. Related party transactions

Transactions between the Group and fellow group undertakings are detailed below. Balances with other group undertakings are disclosed in the debtors and creditors notes.

Trading transactions

During the year, the following transactions were carried out with related parties:

	2005	2004
	£'000	£'000
Sales to group undertakings	254,104	152,315
Management fee from fellow group undertaking	<u>415</u>	<u>81</u>

Remuneration of key management personnel

Details of the remuneration of the directors, who are the key management personnel of the Group, are contained in note 10.

Notes to the Financial Statements (continued)

27. 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. The assets of the Fund are held separately under Trust from those of the Skanska Group and are invested by the Trustee, having taken appropriate investment advice. As at 31st December 2005, in accordance with the Fund rules there were no outstanding contributions. The pension contributions are set by Skanska UK Plc based on the advice of the Fund actuary.

The Company does not contribute to pension arrangements in respect of employees who are eligible for but elect not to join the Skanska Pension Fund.

The company has accounted for its share of the costs of the pension plan on a contribution basis, as the company is not the sponsor and has not been allocated a share of the costs under an agreed group policy. The following is a statement of the Fund's assets and financial position at year-end.

This valuation is an update of the actuary's valuation at 31st March 2004 but uses a lower rate of return on assets to discount the scheme liabilities. IAS 19 – Employee Benefits requires that the yield assumption used in the calculation of the accrued liabilities be based on AA rated corporate bond yields at the calculation date and does not reflect the actual investments held by the Trustee which are set out overleaf.

The actuarial valuation in accordance with IAS 19 used the projected unit actuarial valuation based on the following assumptions:

	2005 (%)	2004 (%)
Inflation	2.50	2.75
Rate of increase of salaries	4.25	4.25
Rate of increase of pension - Pre April 2005	2.50	2.75
- Post April 2005	1.90	N/A
Rate of increase for deferred pensions	2.50	2.75
Pre-retirement and post retirement rate to discount scheme liabilities	4.75	5.50

Life expectancy after age 65 is 21 years for men and 24 years for women (2004: 20 years for men and 23 for women).

The financial position of the scheme based on the above assumptions

	2005 £'000	2004 £'000
Scheme liabilities	(292,222)	(223,884)
Scheme assets	248,938	197,546
Total deficit	(43,284)	(26,338)
Related deferred tax asset	12,990	7,950
Net pension liability	(30,294)	(18,388)

Notes to the Financial Statements (continued)

27. Retirement benefit obligations (continued)

The fair value of the plan assets and the expected return on those assets

	Valuation of assets		Expected return	
	2005 £'000	2004 £'000	2005 %	2004 %
Equities	158,825	129,505	7.25	8.00
Government bonds	90,113	22,541	4.25	5.10
Other assets	-	45,500	4.25	5.10
Total present value of assets	<u>248,938</u>	<u>197,546</u>		

	2005 £'000	2004 £'000
Actual return on plan assets	<u>35,780</u>	<u>22,209</u>

The expected long term returns on assets assumption is assessed by considering the current level of expected risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns for each asset class. The expected return for each asset class is then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

Analysis of the amount charged to the Income Statement

	2005 £'000	2004 £'000
Current service cost	15,743	14,632
Total operating charge	<u>15,743</u>	<u>14,632</u>

Analysis of the amount charged to Other Finance Cost

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(13,167)	(8,988)
Interest on pension liabilities	12,635	8,886
Net finance return	<u>(532)</u>	<u>(102)</u>

Analysis of amount recognised in statement of total recognised income and expense (SORIE)

	2005 £'000	2004 £'000
Actual return less expected return on assets	22,613	13,221
Experience gains and losses on liabilities	(42,129)	(49,642)
Actuarial loss recognised in SORIE	<u>(19,516)</u>	<u>(36,421)</u>

Notes to the Financial Statements (continued)

27. Retirement benefit obligations (continued)

	2005 £'000	2004 £'000
<i>Movement in the present value of defined benefit obligation</i>		
Present value of obligation, 1 st January	223,884	154,426
Service cost	11,677	11,350
Interest cost	12,635	8,886
Plan participants' contributions	4,200	3,400
Benefits paid	(4,539)	(3,820)
Bulk transfer	2,397	-
Actuarial losses	41,968	49,642
Obligation at 31 st December	<u>292,222</u>	<u>223,884</u>
<i>Changes in the fair value of plan assets</i>		
Fair value of plan assets, 1 st January	197,546	119,950
Expected return on plan assets	13,167	8,988
Employer contributions	13,581	55,850
Member contributions	4,405	3,400
Benefits paid	(4,610)	(3,863)
Bulk transfer	2,236	-
Actuarial gains	22,613	13,221
Fair value at 31 st December	<u>248,938</u>	<u>197,546</u>
Scheme deficit	<u>(43,284)</u>	<u>(26,338)</u>
<i>History of experience gains and losses</i>		
<u>Difference between expected and actual return on scheme assets:</u>	2005	2004
Amount (£'000)	22,613	13,221
Percentage of scheme assets	<u>9.1%</u>	<u>6.7%</u>
<u>Experience gains and losses on scheme liabilities:</u>		
Amount (£'000)	(41,563)	(49,731)
Percentage of scheme liabilities	<u>(14.2%)</u>	<u>(22.2%)</u>
<u>Total amount recognised in SORIE:</u>		
Amount (£'000)	(19,516)	(36,421)
Percentage of scheme liabilities	<u>(6.7%)</u>	<u>(16.3%)</u>
<i>Sensitivity of pension obligation at the year- end to changes in assumptions</i>		2005 £'000
Total pension liability at 31 st December 2005		<u>292,222</u>
Estimated decrease in pension liability if the discount rate increases by 0.25 per cent		(17,700)
Estimated increase in pension liability if the discount rate decreases by 0.25 per cent		<u>14,600</u>
Estimated increase in pension liability if the inflation rate increases by 0.25 per cent		13,900
Estimated decrease in pension liability if the inflation rate decreases by 0.25 per cent		<u>(17,100)</u>

Notes to the Financial Statements (continued)**28. Accounting estimates and uncertainties**

The preparation of the financial statements in conformity with IFRS 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, claims on construction contracts, the valuation of pension liabilities and goodwill and investments in subsidiary undertakings impairment tests.

Note 1(c) Accounting Policies, details the principal estimation techniques used in establishing attributable profit on construction contracts.

Note 27 contains the principal assumptions underlying the valuation of defined benefit pension liabilities. These assumptions were set on the advice of the scheme's actuaries having regard to current market conditions, past history and factors specific to the scheme.

Goodwill and investments in subsidiary undertakings have been assessed for impairment by comparing their carrying amounts with the present value of the discounted cash flows expected to be generated by the relevant cash generating units.

29. Ultimate Parent Company

The ultimate parent company is Skanska AB, a company incorporated in Sweden, which heads the smallest and largest group in which the results of the Company are consolidated.

Copies of the Skanska AB financial statements can be obtained from Skanska UK Plc at Maple Cross House, Denham Way, Rickmansworth, Herts WD3 9SW.

Notes to the Financial Statements (continued)

30. Explanation of transition to Adopted IFRSs - Group

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st December 2005, the comparative information presented in these financial statements for the year ended 31st December 2004 and in the preparation of an opening IFRS balance sheet at 1st January 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

Impact of IAS 1 - Presentation of Financial Statements on the consolidated profit & loss account for the year ended 31st December 2004:

UK GAAP values and format	IAS 1 presentation changes		UK GAAP values in IFRS format
Profit and Loss Account	£'000	£'000	Income Statement
TURNOVER	987,311	-	987,311 REVENUE
Cost of sales	(953,807)	-	(953,807) Cost of sales
GROSS PROFIT	33,504	-	33,504 GROSS PROFIT
Administrative expenses	(76,617)	-	(76,617) Administrative expenses
GROSS OPERATING LOSS	(43,113)	-	(43,113) OPERATING LOSS
Loss on sale of subsidiaries	(2,044)	-	(2,044) Loss on sale of subsidiaries
Profit on sale of fixed assets	26	-	26 Profit on sale of fixed assets
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(45,131)	-	(45,131) LOSS BEFORE INTEREST
Interest receivable and similar income	11,773	-	11,773 Finance income
Interest payable and similar charges	(4,629)	-	(4,629) Finance costs
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(37,987)	-	(37,987) LOSS BEFORE TAX
Tax on loss on ordinary activities	(3,818)	-	(3,818) Tax
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(41,805)	-	(41,805) LOSS AFTER TAX
Minority interests	(100)	-	(100) Minority interest
RETAINED PROFIT FOR THE FINANCIAL YEAR	(41,905)	-	(41,905) LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT

Notes to the Financial Statements (continued)

30. Explanation of transition to Adopted IFRSs – Group – (continued)

Reconciliation of the financial statements prepared in accordance with UK GAAP to the financial information prepared in accordance with IFRS:

Consolidated income statement for the year ended 31st December 2004:

	UK GAAP IFRS format	Goodwill	Retirement benefit obligations	Restated under IFRS
	£'000	(a) £'000	(b) £'000	£'000
REVENUE	987,311	-	-	987,311
Cost of sales	(953,807)	-	-	(953,807)
GROSS PROFIT	33,504	-	-	33,504
Administrative expenses	(76,617)	(667)	(544)	(77,828)
GROUP OPERATING LOSS	(43,113)	(667)	(544)	(44,324)
Loss on sale of subsidiaries	(2,044)	(12)	-	(2,056)
Profit on sale of fixed assets	26	-	-	26
LOSS BEFORE INTEREST	(45,131)	(679)	(544)	(46,354)
Finance income	11,773	-	-	11,773
Finance costs	(4,629)	-	-	(4,629)
Net finance income on retirement scheme			102	102
LOSS BEFORE TAX	(37,987)	(679)	(442)	(39,108)
Tax	(3,818)	-	786	(3,032)
LOSS AFTER TAX	(41,805)	(679)	344	(42,140)
Minority interest	(100)	-	-	(100)
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT	(41,905)	(679)	344	(42,240)

Notes:

(a) Under IFRS, goodwill arising on the acquisition of subsidiaries is not amortised but is subject to impairment review. Previously under UK GAAP, goodwill was amortised to the income statement over its useful economic life. Under IFRS negative goodwill is credited to reserves at the transition date. Previously under UK GAAP, negative goodwill was released through the income statement.

(b) Under UK GAAP, the company measured pension commitments in accordance with SSAP 24 - Accounting for Pension Costs. Additional disclosures were given in accordance with FRS 17 - Retirement Benefits. Under IFRS, the company measures pension commitments in accordance with IAS 19 - Employee Benefits. IAS 19 is similar to FRS 17 in that it adopts a balance sheet approach, bringing the surplus/deficit of the pension fund onto the balance sheet. Under SSAP 24, the income statement showed only an operating charge. Under IAS 19 a net financing expense is also recognised. The net finance expense relates to the unwinding of the discount applied to the liabilities of the pension scheme offset by the expected return on the scheme's assets.

Under UK GAAP, the liability/asset on the balance sheet represented the timing differences between the SSAP 24 charge and the payments made to the pension scheme. Under IFRS, the liability on the balance sheet represents the deficit on the pension scheme.

Notes to the Financial Statements (continued)

30. Explanation of transition to Adopted IFRSs – Group – (continued)

Impact of IAS 1 - Presentation of Financial Statements on the consolidated balance sheet at 31st December 2004:

UK GAAP values and format	IAS 1		UK GAAP values in IFRS format
Balance sheet	presentation changes		Balance sheet
	£'000	£'000	
FIXED ASSETS			NON-CURRENT ASSETS
Intangible assets - Positive Goodwill	1,870	-	Goodwill
Tangible assets	17,886	-	Property, plant and equipment
Other investments	2,096	-	Investments
	21,852	-	21,852
CURRENT ASSETS			CURRENT ASSETS
Stock	4,007	-	Inventories
Debtors - Amounts falling due within one year	463,402	44,528	507,930
- Amounts falling due after more than one year	48,684	(48,684)	-
	-	3,251	Deferred tax
	-	905	Corporation tax
Cash at bank and in hand	90,681	-	90,681
	606,774	-	606,774
	628,626	-	628,626
			TOTAL ASSETS
Creditors: amounts falling due within one year			CURRENT LIABILITIES
Borrowings	(3,160)	-	(3,160)
Creditors	(418,166)	(1,384)	(419,550)
	(421,326)	(1,384)	(422,710)
Creditors: amounts falling due after more than one year	(1,384)	1,384	-
Provisions for liabilities and charges	(52,277)	-	(52,277)
	(474,987)	-	(474,987)
			TOTAL LIABILITIES
NET ASSETS	153,639	-	153,639
			NET ASSETS
CAPITAL AND RESERVES			
Called up share capital	165,000	-	165,000
Capital reserve	378	-	378
Revaluation reserve	230	-	230
Profit and loss account	(11,969)	-	(11,969)
	153,639	-	153,639
EQUITY SHAREHOLDERS' FUNDS			TOTAL EQUITY

Notes to the Financial Statements (continued)

30. Explanation of transition to Adopted IFRSs – (continued)

Reconciliation of the financial statements prepared in accordance with UK GAAP to the financial information prepared in accordance with IFRS as at 31st December 2004:

	Group				Company		
	UK GAAP IFRS format	Goodwill (a)	Pension (b)	Restated under IFRS	UK GAAP IFRS format	Dividend (c)	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS							
Goodwill	1,870	1,022	-	2,892	-	-	-
Property, plant & equipment	17,886	-	-	17,886	4,315	-	4,315
Investments	2,096	-	-	2,096	144,809	-	144,809
	21,852	1,022	-	22,874	149,124	-	149,124
CURRENT ASSETS							
Inventories	4,007	-	-	4,007	-	-	-
Trade and other receivables	507,930	-	(45,000)	462,930	331,283	(7,530)	323,753
Deferred tax asset	3,251	-	21,772	25,023	900	-	900
Corporation tax	905	-	344	1,249	1,413	-	1,413
Cash and cash equivalents	90,681	-	-	90,681	-	-	-
	606,774	-	(22,884)	583,890	333,596	(7,530)	326,066
TOTAL ASSETS	628,626	1,022	(22,884)	606,764	482,720	(7,530)	475,190
CURRENT LIABILITIES							
Bank overdraft	(3,160)	-	-	(3,160)	(56,620)	-	(56,620)
Trade and other payables	(419,550)	-	-	(419,550)	(233,875)	4,535	(229,340)
	(422,710)	-	-	(422,710)	(290,495)	4,535	(285,960)
NON-CURRENT LIABILITIES							
Retirement benefit obligations	-	-	(26,338)	(26,338)	-	-	-
Provisions	(52,277)	-	-	(52,277)	(591)	-	(591)
	(52,277)	-	(26,338)	(78,615)	(591)	-	(591)
TOTAL LIABILITIES	(474,987)	-	(26,338)	(501,325)	(291,086)	4,535	(286,551)
NET ASSETS	153,639	1,022	(49,222)	105,439	191,634	(2,995)	188,639
Share capital	165,000	-	-	165,000	165,000	-	165,000
Capital reserve	378	-	-	378	-	-	-
Revaluation reserve	230	-	-	230	-	-	-
Retained earnings	(11,969)	1,022	(49,222)	(60,169)	26,634	(2,995)	23,639
TOTAL EQUITY	153,639	1,022	(49,222)	105,439	191,634	(2,995)	188,639

Notes:

(a) Under IFRS, goodwill arising on the acquisition of subsidiaries is not amortised but is subject to impairment review. Previously under UK GAAP, goodwill was amortised to the income statement over its useful economic life. Under IFRS negative goodwill is credited to reserves at the transition date. Previously under UK GAAP, negative goodwill was released through the income statement.

(b) Under UK GAAP, the company measured pension commitments in accordance with SSAP 24 - Accounting for Pension Costs. Additional disclosures were given in accordance with FRS 17 - Retirement Benefits. Under IFRS, the company measures pension commitments in accordance with IAS 19 - Employee Benefits. IAS 19 is similar to FRS 17 in that it adopts a balance sheet approach, bringing the surplus/deficit of the pension fund onto the balance sheet. Under SSAP 24, the income statement showed only an operating charge. Under IAS 19 a net financing expense is also recognised. The net finance expense relates to the unwinding of the discount applied to the liabilities of the pension scheme offset by the expected return on the scheme's assets.

Under UK GAAP, the liability/asset on the balance sheet represented the timing differences between the SSAP 24 charge and the payments made to the pension scheme. Under IFRS, the liability on the balance sheet represents the deficit on the pension scheme.

(c) Under IFRS dividends are not accrued as assets/liabilities until declared and approved.

Notes to the Financial Statements (continued)

30. Explanation of transition to Adopted IFRSs – (continued)

Reconciliation of the financial statements prepared in accordance with UK GAAP to the financial information prepared in accordance with IFRS as at 1st January 2004 (transition date) after the impact of IAS 1 presentation changes:

	Group				Company		
	UK GAAP IFRS format	Goodwill (a)	Pension (b)	Restated under IFRS	UK GAAP IFRS format	Dividend (c)	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS							
Goodwill	1,685	1,702	-	3,387	-	-	-
Property, plant & equipment	40,799	-	-	40,799	4,517	-	4,517
Investments	2,452	-	-	2,452	220,417	-	220,417
	44,936	1,702	-	46,638	224,934	-	224,934
CURRENT ASSETS							
Inventories	15,971	-	-	15,971	-	-	-
Trade and other receivables	509,344	-	-	509,344	278,003	(8,726)	269,277
Deferred tax asset	5,927	-	10,260	16,187	978	-	978
Corporation tax	-	-	-	-	1,858	-	1,858
Cash and cash equivalents	83,692	-	-	83,692	10,085	-	10,085
	614,934	-	10,260	625,194	290,924	(8,726)	282,198
TOTAL ASSETS	659,870	1,702	10,260	671,832	515,858	(8,726)	507,132
CURRENT LIABILITIES							
Bank overdraft	(12,156)	-	-	(12,156)	(77,656)	-	(77,656)
Trade and other payables	(417,271)	-	-	(417,271)	(256,774)	(498)	(257,272)
	(429,427)	-	-	(429,427)	(334,430)	(498)	(334,928)
NON-CURRENT LIABILITIES							
Retirement benefit obligations	-	-	(34,476)	(34,476)	-	-	-
Provisions	(31,096)	-	-	(31,096)	(1,791)	-	(1,791)
	(31,096)	-	(34,476)	(65,572)	(1,791)	-	(1,791)
TOTAL LIABILITIES	(460,523)	-	(34,476)	(494,999)	(336,221)	-	(336,719)
NET ASSETS	199,347	1,702	(24,216)	176,833	179,637	(9,224)	170,413
Share capital	165,000	-	-	165,000	165,000	-	165,000
Capital reserve	378	-	-	378	-	-	-
Revaluation reserve	230	-	-	230	-	-	-
Retained earnings	29,886	1,702	(24,216)	7,372	14,637	(9,224)	5,413
Attributable to equity holders of the parent	195,494	1,702	(24,216)	172,980	179,637	(9,224)	170,413
Minority interest	3,853	-	-	3,853	-	-	-
TOTAL EQUITY	199,347	1,702	(24,216)	176,833	179,637	(9,224)	170,413

Notes:

(a) Under IFRS, goodwill arising on the acquisition of subsidiaries is not amortised but is subject to impairment review. Previously under UK GAAP, goodwill was amortised to the income statement over its useful economic life. Under IFRS negative goodwill is credited to reserves at the transition date. Previously under UK GAAP, negative goodwill was released through the income statement.

(b) Under UK GAAP, the company measured pension commitments in accordance with SSAP 24 - Accounting for Pension Costs. Additional disclosures were given in accordance with FRS 17 - Retirement Benefits. Under IFRS, the company measures pension commitments in accordance with IAS 19 - Employee Benefits. IAS 19 is similar to FRS 17 in that it adopts a balance sheet approach, bringing the surplus/deficit of the pension fund onto the balance sheet. Under SSAP 24, the income statement showed only an operating charge. Under IAS 19 a net financing expense is also recognised. The net finance expense relates to the unwinding of the discount applied to the liabilities of the pension scheme offset by the expected return on the scheme's assets.

Under UK GAAP, the liability/asset on the balance sheet represented the timing differences between the SSAP 24 charge and the payments made to the pension scheme. Under IFRS, the liability on the balance sheet represents the deficit on the pension scheme.

(c) Under IFRS dividends are not accrued as assets/liabilities until declared and approved.

Notes to the Financial Statements (continued)**30. Explanation of transition to Adopted IFRSs – (continued)**

Under UK GAAP the Group and Company was not required to, and did not, prepare a cash flow statement. There are no material differences between the cash flow statement presented under Adopted IFRSs and cash flow statement that would have been prepared under UK GAAP, except that short-term deposits with a maturity of less than three months are classified as cash and cash equivalents under Adopted IFRSs but would have been excluded from cash under UK GAAP.