REGISTERED NUMBER: 00784752 (England and Wales)

Group Strategic Report, Report of the Directors and

Audited Consolidated Financial Statements For The Year Ended 31st December 2015

for

Skanska UK Plc

Contents of the Consolidated Financial Statements
For The Year Ended 31st December 2015

Company Information
For The Year Ended 31st December 2015

Directors:	P Chandler H J Francis M L Galloway M C Putnam G L Craig C K K Gangotra T P Faulkner
Secretary:	M L Galloway
Registered office:	Maple Cross House Denham Way, Maple Cross Rickmansworth Hertfordshire WD3 9SW
Registered number:	00784752 (England and Wales)
Auditor:	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Group Strategic Report
For The Year Ended 31st December 2015

The directors have pleasure in presenting their strategic report of the company and the group for the year ended 31st December 2015.

Skanska's 2020 Business Plan

The 2020 business plan is titled "Profit with Purpose". The essence of our plan is that we aim to create shareholder value in a responsible way where contributing positively to society. Profit is needed to deliver our purpose; and a strong purpose will contribute to our profit. It is not about doing one or the other; it is about doing both at the same time. We will be focusing on three areas: Great People, Market Making and Operational Excellence.

To achieve our plan, our operating units will generate stable consistent profitable growth from our core sectors. We will be selective about which projects to bid for and which customers to work with, rather than taking undue risk, focusing on doing what we do well and getting even better at it. This will mean continuing to develop, construct, maintain and increasingly manage assets for our customers - the complete cycle. Furthermore, balancing our portfolio of projects to deliver the required operating income and free up cash to support investment in development projects.

We will continue to develop our existing customer relationships to offer integrated solutions wherever possible. We will use our expanding regional presence, a footprint which was created following the successful acquisition of the Highway Service business from Atkins in 2013 to target new, local customers. We will work in our existing target regions of Greater London, central Scotland, Bristol and Cambridge, while also creating and developing new opportunities in Birmingham and Manchester.

Financial performance

Skanska UK's construction and development businesses recorded a consolidated operating income (profit) of £40.6 million in 2015 on revenues of £1,384 million. This equates to an operating margin of 2.9 per cent. During this period, £1.5bn of orders were booked by Skanska UK.

This was an improvement on 2014 (£38.0 million, 3.0%) and continues to represents a good performance in a difficult and competitive environment.

Financial position

Skanska UK's total equity increased £22.9 million in the year. This was predominantly made up of £38.3 million post-tax profits offset by actuarial losses after tax of £15.5 million arising from the Group's pension schemes. Total equity attributable to our shareholders at the year-end was £277.0 million (2014: £254.1 million).

Our consolidated year end cash and cash equivalents totalled £329.6 million, an increase of £52.2 million in the year. This included special contribution to the Skanska Pension Fund of £6.7 million as part of the pension deficit reduction plan. Cash-flow from operating activities was £38.3m, 2014: £ (42.9)m. The company had no debt.

Order backlog and order bookings

Order bookings reflect work won in the year and amounted to £1.5 billion (2014: £1.7 billion) with an order backlog of £2.2 billion at the yearend (2014: £2.1 billion). This represents a book-to-build ratio in the year of 104% (i.e. bookings divided by revenue)

In accordance with Skanska group accounting rules only the next two years of projected revenue for maintenance projects are included in order backlog. If the full projected revenue were included (up to contract break points where appropriate) the total order backlog would be approximately £3.2 billion.

During the year Skanska began work on a number of significant projects, including: the £140 million New Papworth Hospital in Cambridge, which will provide patients, staff and the local community with a world-class healthcare facility; three AMP6 (Asset Management Programme) water framework projects for Thames Water, Welsh Water and Anglian Water, worth a total of around £454 million over five years; and a £32 million contract with Gloucestershire County Council to upgrade 55,000 streetlights across the county.

Over the next two years, Skanska will fit out 866 new homes as part of the Battersea Power Station redevelopment in London that lies to the west of the iconic building. Skanska has a two-year agreement to deliver the mechanical and electrical shell, core and fit-out works and is the preferred bidder for Phase Two. The £600m redevelopment of the power station building, which constitutes the main element of the second phase, will feature retail and events space on the lower floors, 58,000m2 of offices above and 248 flats crowning the building. The scheme also incorporates a circular glass lift that will emerge out of the top of one of the building's rebuilt chimneys, giving visitors views across London.

Operational performance
Projects successfully completed in 2015 include the £118 million London commercial development, One and Two New Ludgate for Land Securities and the £34 million extension to HMP Thameside. The company also delivered seven Bristol schools as part of its ongoing work for the city's local education partnership (LEP), noting that 45 schools have been delivered in total since 2006.

The M1 Junction 19 project for Highways England, where the M1 meets the M6 and the A14, several milestones have been reached ahead of schedule early. A key contributor to the success of the M1 Junction 19 project was Skanska's early use of BIM which creates highly detailed, 3D virtual versions of projects, providing a huge range of additional information. This enabled a large project team to understand quickly, clearly and consistently, exactly how the complex £131.5 million scheme was to be delivered from the beginning. This is a key advantage of using BIM on the project to support the significant change in the road network surrounding M1 J19. Drivers who have had to negotiate one of the most complex junctions in the country are now starting to see a significant change for the better.

Highlighting Skanska's leadership in BIM (Building Information Modelling), December 2015 saw the company become one of the first constructors to achieve company-wide Level 2 BIM Capability verification from BSI (British Standards Institute) - a requirement from April 2016 for new public sector contracts.

Market and outlook
The UK construction sector has continued to recover, showing a 4.5% growth in construction new work output in 2015. Future growth is forecast to be between 1-3% during 2016 and 1-3% for 2017. It is anticipated that material prices will rise by 1.6% in 2016, dampened by steel prices remaining flat, and rising oil prices. Tender prices rose by 5.4% on an annual basis. The General Building Cost Index rose by 0.6% in 3rd quarter 2015 compared with both the previous quarter and a year earlier. Materials prices fell by an annual 2.3% in 3rd quarter 2015 and nationally agreed wage rates rose by 2.5%. General inflation rose by 1.1% over this period (source BCIS)

The non-residential construction market deceleration towards the end of 2014 and start of 2015 was smoother than previously estimated. Investments have slowly picked up driven by a strong increase of both public and private infrastructure works following the general elections, especially in the sewage, electricity and roads sectors. In non-residential building, the office and warehouse sectors continued to show robust growth, while public investments remained sluggish.

We continue to select our customers by assessing their strategic alignment to our own values of safety, ethics and sustainability, this has resulted in repeat business with our customers who share the same values, separating us from our competitors which creates a sustained future growth. In addition, we also focus on understanding our customers ensuring we offer a service that meets their specific needs. We continue to apply our strong risk management procedures at both corporate and project level. This ensures we select the right projects that will continue to deliver the expectations of our customers and shareholders.

Commercial construction remains strong in central London. Appropriate delivery teams for major projects are not unlimited and along with many of our competitors we remain selective about the projects we pursue.

Local and national authorities continue to outsource the maintenance of premises and the roads network. This will continue to provide opportunities for our facilities management and infrastructure services businesses.

Principal risks and uncertainties
Construction and project development operations require a considerable amount of risk management. Every project is unique, with size, design and the environment varying for each new assignment. The construction industry differs in this way from the typical manufacturing industry where companies have permanent facilities and serial production. In Skanska's operations, there are many different types of risks. Identifying, managing and putting a price on these risks are of fundamental importance to profitability. The risks are normally of a technical, legal and financial nature, but ethical, social and environmental aspects are also part of the process of assessing potential risks. There are many different types of contractual mechanisms in Skanska's operations, and this also has an impact on the portfolio. The degree of risk varies greatly depending on the contract type. In Construction operations, sharp increases in prices of materials may pose a risk, especially in long projects with fixed-price commitments. A shortage of human resources or of certain intermediate goods may potentially have a negative impact on operations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects. Certain counterparties, for example clients, subcontractors or suppliers, may have difficulty fulfilling their contractual obligations. Skanska regularly makes assessments of counterparty risk in order to be prepared for this.

Skanska UK aspires to be a leader in risk management. To ensure a systematic and uniform assessment of risks and opportunities, Skanska uses a model involving common routines to identify and manage risk from preparation of tenders to completion of assignments. During 2015 a UK Risk Team was introduced to work with all Operating Units and the UK Tender Board to make sure that we choose the right projects to bid, the right partners to work with on those bids and making sure that the risks and opportunities involved with bid submissions are known and properly managed.

Health, safety, ethics, the environment, profitability and sustainability
Skanska UK is committed to outperform in the management of environment, health & safety, engagement with our workforce and the communities where we work, as well as in project performance and profitability.

Within Skanska UK, through working in line with the Group's Code of Conduct and increasingly acting in a sustainable and responsible manner, the business can meet the long-term demands of the Group's shareholders, customers and employees, as well as society at large. Our aim, is to ensure that all projects reflect our purpose, and are not only profitable, but are delivered without environmental incidents, damage to health, injury, accidents or ethical breaches and without defects.

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.

Skanska UK, in line with the Skanska AB Group, works actively to not only minimise climate change but to give back to society as well. We strive to become the leading green developer and contractor. This has been happening in two ways: first through the development of a five year environment strategy for the period 2015 - 2020; and second through our continued focus on green construction.

During 2015 we have worked along with other parts of Skanska UK to develop an environment strategy to take us to 2020. The strategy comprises five activity areas, including operational environmental management, winning profitable green business, developing green skills, and making our design and procurement more sustainable, and collaborating with our finance teams to provide better measurement of our environmental impact. This strategy will allow us to maintain a leading position on green to 2020, and has been developed in collaboration with input from industry groups and some of our customers.

During the year, we continued our focus on green leadership, engagement and embedding sustainability into the mind-set of our employees. Green was put at the heart of the UK Business Plan 2015 with the following areas which we believe will strengthen Skanska: continuing to support the sustainability supply chain school; enhancing awareness and utilisation of our Green Fund; continuing to skill-up employees in green; and measuring new green metrics. The supply chain sustainability school continues to surpass all its targets and added new elements to its portfolio; it received further funding during 2015. The school has united us with our competitors and is instigating sustainability training and improvement plans throughout the supply chain. The goal of the green construction initiative is to develop economically attractive green solutions for our customers and ourselves. We have invested in greening our own offices and have established industry leading green standards at our Bentley Works location in Doncaster. Our expertise and know-how in green construction continued to grow through 2015 with green solutions and sustainability case studies made available to all employees through the 'Green Toolbox', launched during 2008. We continued to promote the need for green with our clients through a series of external events such as Ecobuild and BASE cities, we facilitated a sustainability seminar for a group of 17 of our customers, and we seconded a staff member to work with the World Business Council for Sustainable Development on the topic of green and healthy buildings. Engagement with our staff and supply chain to find improvements continued with a series of green awards that rewards positive behaviours around green solutions from the supply chain. In 2015, visible leadership and commitment to green was demonstrated through the UK arm of Skanska AB's global Green Business unit which concentrated on developing new markets in the area of green retrofit for commercial buildings.

During 2015, Skanska UK concentrated on the Green Strategic Indicators including: Brand, Leadership, Competency and the four areas of the Colour Palette (carbon, energy, materials and water). Continued higher-profile green communication has led to greater recognition in the industry of Skanska being the leaders in sustainability.

Brand and Leadership - the strong UK reputation for green leadership has continued with Skanska UK president and CEO, Mike Putnam, as co-chair of the Green Construction Board with Government for a second term and is helping lead the industry to a low-carbon and energy efficient future. Senior management sit on sustainability sub-groups within the Green Construction Board and the Construction Leadership Council, and also continue to present externally on our green credentials, to a total of 4,241 people in 2015. Internally, senior management carry out environmental site inspections, demonstrating a visible committed leadership standpoint and embedding further the importance of sustainability. Skanska sit on over 50 external green groups influencing Government, industry and other sectors in green thinking.

Competency - the competency of Skanska UK staff in green, has increased with the development of a staff environmental training requirements schedule, against which staff complete green training to embed 'green thinking' in all disciplines and areas. We have delivered an environment training prospectus offering appropriate training to all levels of staff. We also deliver training to our clients and subcontractors in a collaborative approach to raising awareness and understanding.

Health, Safety & Wellbeing

During 2015 our Safer, Healthier, Happier strategy has been imbedded in our culture and how we work. This strategy gives a positive outlook for health and safety and has enabled the business to talk about our successes and how performance can be improved and results achieved through thinking of the positive aspects of Health, safety & Wellbeing. This change in mind-set enables us to see beyond what's achievable beyond Zero accident. Our progress is demonstrated through industry awards and recognition by our clients, staff and supply chain partners. In 2015 we were a founder member of the Health in Construction Leadership group which held its inaugural workshop on the 21st January 2016. Over 150 of the top client and construction group CEO's from the UK attended the event. While in the Highways sector we co-chaired the first road workers safety forum as we challenge the accepted custom and practice in the highways sector.

Our Injury Free Environment ('IFE') safety culture programme continues to deliver benefits and continues to be run for all staff and contractors. We now have three key client organisations, who have adopted IFE within their own organisations as part of alliances and joint ventures. The programme is very much part of how we operate at Skanska and IFE has become part of our language, culture and behaviours. Some of our contractors have adopted the IFE programme themselves.

To support the delivery of our IFE and H&S programme we have four leading measures, these are; demonstration of leadership by senior managers, IFE orientation of our key supply chains, IFE supervisor training and assessment and ongoing review and performance management of the supply chain. We continue to use Lost Time Accident Rates (LTAR) and Total Case Incident Rates (TCIR) as our lagging measures. We have disappointingly seen a minor increase in the lost time accident rate of 0.34 and our TCIR was 0.4 during the year. While we were disappointed with the lagging measures we are overall extremely proud of our achievements during the year and we have an excellent culture of care and concern.

During the year we have increased our focus on Occupational Health and wellbeing. We have been heavily engaged in raising the importance of Occupational Health and wellbeing across the industry at the Client Construction Group and at Build UK. During the year we have held several health-related events across the business on several subjects, including mental health seminars, nutritional advice and wellbeing clinics. All of these have been well received by staff and supply chain partners and has ensured we remain a leader in this area. From a compliance prospective we have increased the health surveillance of safety critical workers and targeted health assessments based on risk. This is a step change from a broad approach to both Occupational health and wellbeing and ensures that the assessments, advice and support are relevant to the risk.

In terms of engineering controls we have continued to drive and support the adoption of the vulnerable road users' policy throughout the construction industry. Following the acquisition of Atkins Highways services in 2013 we have become instrumental in influencing the changes in Highways standards and policy and lead and co-hosted the first UK road workers forum. Skanska continues to be recognised as a leader in health & safety and our balanced and holistic approach to technical solutions, procedures and behaviour changes ensures that we are continuously evaluating our performance and putting in place robust plans to improve the industry performance and culture.

Awards won

- During the year we won a number of awards:
- Highways England at its Supplier Recognition Scheme awards for M1 Junction 19 - Communities Award & Inclusion award
- Crossrail Innovate18 for our Costain-Skanska Joint Venture (CSJV), winning the 'Integrity Award' and 'Most Innovations Submitted Award'
- The Energy Awards 2015 for Bentley works being the most Energy Efficient Building Project of the Year

Skanska UK Plc (Registered number: 00784752)

Group Strategic Report
For The Year Ended 31st December 2015

- Facilities Management (BIFM) award for our Facilities Services operating unit
- Civil Engineering Contractors Association (CECA) Southern awards for Nicole Borgia 'most promising apprentice' 2015, and Ela Arojan 'most promising trainee quantity surveyor' 2015
- Insider South West Property Awards for 66 Queen Square 2015 Office Development of the Year and 2015 Property Deal of the Year
- Pride of a Nation' RailStaff Awards: Ben Cox, Apprentice Engineer receiving Apprentice of the Year award
- Institution of Civil Engineers (ICE): Martin Pedley, John Mitchell Medal
- RoSPA's (Royal Society for the Prevention of Accidents) Occupational Health & Safety Gold Award Certificate: Gold Award Occupational Health and Safety- Skanska's utilities Ltd.
- National Construction Awards: Nicole Borgia- Construction Technician Award
- MJ (Municipal Journal) Achievement Awards 2015: Effective Transport & Infrastructure Delivery- Skanska and Somerset County Council Flood Defense
- South West Built Environment Awards: BIM Project of the Year Award- 66 Queens Square
- RoSPA (Occupational Health and Safety Awards)
- President's Award- C&F

o Gold Award for: M1 Junction 19 Improvement - Civil Engineering, C405 Paddington- Civil Engineering and C360 Eleanor Street/Mile End
o Silver Awards for Civil engineering, Skanska fabrications, Skanska Konnect

- RICS (Royal Institute of Chartered Surveyors) East of England Award: Infrastructure- flood defences at Nene Quay
- Considerate Constructors Scheme- National Site awards

o Gold Award - Costain-Skanska JV: C360 Mile End
Costain-Skanska JV: C360 Eleanor Street
Costain-Skanska JV: C405 Paddington Station
Balfour Beatty-Skanska JV: M25 J23-27
Costain-Skanska JV: Bond St (Hanover Sq)
o Silver Award - Skanska: Bermondsey Dive Under
Skanska: The Royal London Hospital
Skanska- Balfour Beatty JV: M25 Junction 5-7
Skanska Central and Regions: St Barts Hospital Phase 2
Skanska Construction UK Ltd: One New Street Square, 66 Queens Square, and M1 Junction 19 Improvement Scheme
o Bronze Award - Skanska (London and South East): Creechurch Place

Skanska Construction UK Ltd: 34-36 Bruton Street
St Anne's Junior School
Skanska GOSH Phase 2b Redevelopment

- RICS (Royal Institution of Chartered Surveyors) Awards
- Design Through Innovation - Brent Civic Centre (Winner)
- Regeneration category - Brent Civic Centre (Highly commended)
- Institution of Civil Engineers (ICE) London Civil Engineering Awards for ICE London Evening Standard People's Choice Award - Moorgate Exchange (Winner)
- The City of London's Considerate Contractor Gold Award for Moorgate Exchange and 100 Cheapside

Employees
With the UK construction sector now moving back into growth, the people agenda continued to be a business critical priority in 2015 for Skanska UK. The job market in construction experienced strong competition for talent and skills, in turn placing pressure on wages and retention. In-line with our clearly defined People Strategy, we have continued to focus on attracting and retaining great people who are skilled and motivated to deliver high-performing projects and contracts. We welcomed 1,200 new people to the company during 2015 with a headcount at the year-end of circa 5,400 employees.

People engagement
Maintaining high levels of people engagement has remained a priority and our annual engagement survey resulted in the highest scores over our 5-year business plan period across all indices. Scoring benchmarked in the upper quartile of all UK companies and on some items reached world-class levels.

Several conferences and roadshows were delivered throughout the year giving all employees the opportunity to engage with our 2020 Business Plan and the future vision of the Company. There are several publications and communication forums through which key messages are delivered, notably the intranet, an employee newspaper, a client magazine, toolbox talks for site based employees, an IdeasApp and various employee groups.

The Executive & Senior Management Teams continued to undertake regular site safety tours. These tours also provide the opportunity for our senior leaders to engage with project teams around other business issues, such as ethics and general work satisfaction.

Employment policies and diversity
In line with our Code of Conduct, the Company remains committed to a policy of providing equal opportunities for all, regardless of gender, nationality, colour, ethnic origin, religious affiliation, sexual orientation, marital status, age or disability.

Following the launch of our Diversity and Inclusion Vision in 2014, a clear implementation plan has been developed to address the relatively low levels of diversity, with specific focus on our most underrepresented groups: females, ethnic minorities, LGBT and those with disabilities. A ground breaking event was held in London by Skanska called 'The Changing Face of Construction' led by key figures in this field attended by many employees, clients and suppliers to debate the construction sector's challenges in relation to diversity and inclusion. Our Mixed Pair Mentoring Programme was a finalist at the CIPD People Management Awards and our management development portfolio has now been revised to include modules on inclusive leadership and managing diversity.

Compliance with the Modern Slavery Act 2015
Skanska is committed to ensuring that all of its business operations are free from involvement with slavery or human trafficking and this it seeks to ensure, primarily, through its Sustainable Procurement Policy. In future years, we intend to publish an annual slavery and human trafficking statement which will explain the steps that Skanska has taken and is taking to ensure that slavery and trafficking does not occur in any part of our supply chain, nor in any part of our own business.

There will be a link on the homepage of the Skanska web site to provide ease of accessibility to this statement in due course and it will be reviewed and published on an annual basis.

Learning and development

Skanska continues to aspire to be regarded as a leader in people development where all employees are able to access the development they need to perform at their best and realise their career potential. Every employee receives a formal performance development review, where they are able to discuss their work performance and development needs. Those development needs can be addressed via several routes: formal training programmes or qualifications, mentoring or coaching, stretch assignments or on-the-job learning. The Company is committed to technical training and management development, to ensure the highest levels of employee competence and to equip line managers with the capability to lead and develop others. The Skanska Academy sets out our employee development offering and has self-service functionality, placing the employee at the centre of their own development.

Driving operational excellence through tailored programmes included financial forecasting and reporting, project management, health and safety and Business Information Modelling (BIM). All programmes are designed to improve organisational capabilities in these critical areas.

Skanska Employee Ownership Program (SEOP)

Our long-term share ownership programme ran again during 2015 with a 5% increase in the participation rate, which now stands at 25% amongst all employees. SEOP is a three-year investment programme approved by Skanska AB's shareholders, available to all permanent Skanska employees. The programme gives each participant the opportunity to invest in Skanska shares while receiving incentives in the form of an allocation of additional share awards, based on performance criteria.

On behalf of the board:

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C K K Gangotra - Director

Date: 27 June 2016

Report of the Directors
For The Year Ended 31st December 2015

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2015.

Dividends
No dividends will be distributed for the year ended 31st December 2015.

Directors
The directors shown below have held office during the whole of the period from 1st January 2015 to the date of this report.

P Chandler
H J Francis
M L Galloway
M C Putnam

Other changes in directors holding office are as follows:

W J Hocking - resigned 10th July 2015
G L Craig - appointed 27th February 2015
C K K Gangotra - appointed 27th February 2015
T P Faulkner - appointed 15th June 2015

R F Bayliss ceased to be a director after 31st December 2015 but prior to the date of this report.

Directors' interests and transactions with directors
None of the directors at 31st December 2015 had any interests required to be disclosed under Section 182 Companies Act 2006. There were no changes in the directors' interests between 31st December 2015 and the date of this report. No director during the year had a material interest in any contract significant to the Company's business.

Political donations and expenditure
During the year, the Company made donations to various charitable organisations amounting to £12,500 (2014: £42,889) and the Group made charitable donations of £38,925 (2014: £56,281). No political donations were made in either year by the Company or the Group.

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.

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 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 2015 represented 28 days' purchases (2014: 21 days).

Pensions
On an IAS 19 basis, the Group's defined benefit pension scheme showed a deficit of £56.9 million at 31st December 2015, compared with a £47.7 million deficit at the previous year end. The increase in the deficit has been driven by changes in actuarial assumptions. Total contributions paid into the Skanska Pension Fund by the Company was £32.1 million.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves is aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
During 2015, Skanska AB, the company's ultimate parent, decided to change its auditors in recognition of good governance. A number of firms were approached to tender for the audit and it has been recommended to the Board that Ernst & Young LLP be proposed as auditor of Skanska AB and its subsidiary companies. As a result of the tender, KPMG LLP's appointment will expire following the approval of these accounts by the directors and appointment of Ernst & Young LLP as the company's auditor for the financial year ending 31 December 2016 will be proposed at the company's AGM.

On behalf of the board:

....
C K K Gangotra - Director

Date: 27 June 2016

Statement of Directors' Responsibilities
For The Year Ended 31st December 2015

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditor to the Members of Skanska UK Plc

We have audited the financial statements of Skanska UK Plc for the year ended 31st December 2015 on pages thirteen to forty seven. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 a Report of the Auditor 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
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statement is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Stephen Wardell (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 28 June 2016

Consolidated Statement of Profit or Loss
For The Year Ended 31st December 2015

	Notes	2015 £'000	2014 £'000
Continuing operations			
Revenue	2	1,383,509	1,260,473
Cost of sales		(1,265,307)	(1,136,981)
Gross profit		118,202	123,492
Administrative expenses		(82,697)	(88,283)
Share of profit of associate		5,051	2,825
Operating profit		40,556	38,034
Finance costs	4	(25,067)	(26,390)
Finance income	4	26,596	29,632
Profit before income tax	5	42,085	41,276
Income tax	6	(3,816)	(9,332)
Profit for the year		38,269	31,944
Profit attributable to:			
Owners of the parent		38,269	31,944

The notes on pages 21 to 47 form part of these financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 31st December 2015

	2015 £'000	2014 £'000
Profit for the year	38,269	31,944
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference	(626)	(1,503)
Net actuarial (loss) on pension scheme	(18,994)	(44,509)
Employees share scheme	851	1,549
Income tax relating to items of other comprehensive income	3,480	8,901
Other comprehensive income for the year, net of income tax	(15,289)	(35,562)
Total comprehensive income for the year	22,980	(3,618)
Total comprehensive income attributable to:		
Owners of the parent	22,980	(3,618)

Skanska UK Plc (Registered number: 00784752)

Consolidated Statement of Financial Position
31st December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill	9	38,921	38,921
Intangible assets	10	2,019	4,069
Property, plant and equipment	11	17,562	17,556
Investment in associates	12	-	11,815
Investments	12	-	-
Deferred tax	23	15,663	16,692
		74,165	89,053
Current assets			
Inventories	13	83,013	53,151
Trade and other receivables	14	417,730	336,215
Cash and cash equivalents	15	329,631	277,405
		830,374	666,771
Total assets		904,539	755,824
Equity			
Shareholders' equity			
Called up share capital	16	165,000	165,000
Retained earnings	17	112,033	89,053
Total equity		277,033	254,053
Liabilities			
Non-current liabilities			
Trade and other payables	18	368	710
Pension liability	24	56,861	47,737
Provisions	22	57,171	64,349
		114,400	112,796
Current liabilities			
Trade and other payables	18	508,427	385,873
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	1,301	1,989
Tax payable		3,378	1,113
		513,106	388,975
Total liabilities		627,506	501,771
Total equity and liabilities		904,539	755,824

The financial statements were approved by the Board of Directors on 27 June 2016 and were signed on its behalf by:

CK Gangotra

C K K Gangotra - Director

The notes on pages 21 to 47 form part of these financial statements

Skanska UK Plc (Registered number: 00784752)

Company Statement of Financial Position
31st December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill	9	-	-
Intangible assets	10	-	-
Property, plant and equipment	11	3,277	3,521
Investment in associates	12	-	-
Investments	12	50,979	50,979
Deferred tax	23	13,210	12,964
		67,466	67,464
Current assets			
Trade and other receivables	14	175,680	152,075
Tax receivable		-	1,620
Cash and cash equivalents	15	94,280	89,150
		269,960	242,845
Total assets		337,426	310,309
Equity			
Shareholders' equity			
Called up share capital	16	165,000	165,000
Retained earnings	17	(87,690)	(79,180)
Total equity		77,310	85,820
Liabilities			
Non-current liabilities			
Pension liability	24	56,392	46,419
Current liabilities			
Trade and other payables	18	202,286	178,070
Tax payable		1,438	-
		203,724	178,070
Total liabilities		260,116	224,489
Total equity and liabilities		337,426	310,309

The financial statements were approved by the Board of Directors on 27 June 2016 and were signed on its behalf by:

C K K Gangotra - Director

The notes on pages 21 to 47 form part of these financial statements

Consolidated Statement of Changes in Equity
For The Year Ended 31st December 2015

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2014	165,000	92,671	257,671
Changes in equity			
Total comprehensive income	-	(3,618)	(3,618)
Balance at 31st December 2014	165,000	89,053	254,053
Changes in equity			
Total comprehensive income	-	22,980	22,980
Balance at 31st December 2015	165,000	112,033	277,033

The notes on pages 21 to 47 form part of these financial statements

Skanska UK Plc (Registered number: 00784752)

Company Statement of Changes in Equity
For The Year Ended 31st December 2015

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2014	165,000	(69,151)	95,849
Changes in equity			
Total comprehensive income	-	(10,029)	(10,029)
Balance at 31st December 2014	165,000	(79,180)	85,820
Changes in equity			
Total comprehensive income	-	(8,510)	(8,510)
Balance at 31st December 2015	165,000	(87,690)	77,310

The notes on pages 21 to 47 form part of these financial statements

Consolidated Statement of Cash Flows
For The Year Ended 31st December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	29	35,315	(43,043)
Tax paid		2,958	129
Net cash from operating activities		38,273	(42,914)
Cash flows from investing activities			
Purchase of intangible fixed assets		(18)	-
Purchase of tangible fixed assets		(4,983)	(4,842)
Sale of tangible fixed assets		241	3,222
Sale of fixed asset investments		16,556	-
Interest received		2,845	3,224
Net cash from investing activities		14,641	1,604
Cash flows from financing activities			
Capital repayments in year		(688)	(1,948)
Net cash from financing activities		(688)	(1,948)
Increase/(decrease) in cash and cash equivalents		52,226	(43,258)
Cash and cash equivalents at beginning of year	30	277,405	320,663
Cash and cash equivalents at end of year	30	329,631	277,405

The notes on pages 21 to 47 form part of these financial statements

Company Statement of Cash Flows
For The Year Ended 31st December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	29	(6,428)	(15,220)
Tax paid		8,970	8,695
Net cash from operating activities		2,542	(6,525)
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,025)	(1,473)
Purchase of fixed asset investments		-	(5,000)
Sale of fixed asset investments		-	28,227
Interest received		3,613	3,823
Net cash from investing activities		2,588	25,577
Increase in cash and cash equivalents		5,130	19,052
Cash and cash equivalents at beginning of year	30	89,150	70,098
Cash and cash equivalents at end of year	30	94,280	89,150

The notes on pages 21 to 47 form part of these financial statements

1. Accounting policies

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 IFRS") and under the historical cost convention and include the results of activities described in the directors' report all of which are continuing. The accounts have been prepared on a going concern basis.

Basis of consolidation
The Group 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 and the principal JCOs are listed in the notes to the financial statements.

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.

New standards and interpretations
With effect from 1 January 2015, the new interpretation IFRIC 21 Levies is being applied. A levy is defined as an outflow of resources imposed on entities by governments (including government agencies and similar bodies) in compliance with laws and regulations. IFRIC 21 states that the entire liability is to be recognised on the date it arises. The interpretation has not had any effect on the company's financial reporting for 2015.

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 amendments of standards that have not yet begun to be applied
Of future standards, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases are the ones expected to have a material effect on Skanska. IFRS 15 mainly concerns how revenue from contracts with customers, excluding leases, are to be reported over time, and how payment from customers is to be measured. The standard will be applied with effect from 1 January 2018 and is expected to be adopted by the EU in 2016. The effect of the new standard on the company's revenue recognition is being examined.
IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and will be applied from 2018 assuming that the EU adopts the standard. The new standard contains a model for classification and measurement of financial instruments, a forward-looking impairment model and a significantly revised approach to hedge accounting. The effect on the company's financial reporting is expected to be marginal.
In January 2016, the IASB published the new standard IFRS 16 Leases, which, assuming it is adopted by the EU, will be applied with effect from 1 January 2019. In contrast to now, the standard means that, as lessee, the company must report operating leases as well as finance leases in the statement of financial position, unless the lease is short-term or of low value. The effect of the standard on Skanska's financial reporting has not yet been examined.

Revenue recognition
Revenue represents the sales value of work done on construction contracts and services activities in the period and excludes VAT. Profit on construction contracts is calculated in accordance with IAS 11 Construction contracts. Revenue from services activities performed is recognised in accordance with IAS 18 Revenue, based on the stage of completion at the period end.

The principal estimation technique used within the Group in establishing attributable profit on construction and services contracts is on a contract-by-contract basis, focusing on costs to complete and evaluating the final outcome anticipated on that contract. As soon as the outcome of a construction or services contract can be estimated reliably, 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.

continued...

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 benefit 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.

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 statement of financial position. When financial close is achieved on PFI contracts and pre-contract costs are recovered, those costs that were not previously capitalised are credited to the income statement.

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 statement of financial position. Goodwill 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.

Impairment losses are determined on the basis of the recoverable amount of goodwill, which is based exclusively on value in use, calculated by discounting the expected future cash flows generated by the asset. The discount factor is the weighted average cost of capital applicable to the parent company. For goodwill, which is an asset that does not generate cash flows that are essentially independent of other assets, the recoverable amount is estimated for the cash-generating unit to which it is attributable, which is effectively the subsidiary reporting to the parent company.

Intangible assets, other than goodwill, are stated at amortised cost. Amortisation is recognised in the income statement on a straight-line basis over the remaining years of the respective customer contracts

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.

Financial instruments

Financial assets and financial liabilities are recognised in the Group and Company statement of financial position 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.

Inventories

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

continued...

1. **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 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 paid using the tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

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.

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.

Employee benefit costs
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 statement of financial position 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 comprehensive income in the year.

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

The Skanska AB Share Award Plan introduced in 2005 is recognised as share-based payments settled with equity instruments, in compliance with IFRS 2. The fair value of the share awards is calculated on the basis of estimated fulfilment of established income targets during the measurement period. There is no reappraisal after fair value is established during the remainder of the vesting period except for changes in the number of shares due to employees leaving in the period.

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.

Financial guarantees
Where Group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the 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.

continued...

1. **Accounting policies - continued**

Borrowing costs
Borrowing costs are capitalised provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Capitalisation of borrowing costs is limited to assets that take a substantial period of time for completion, implies that capitalisation mainly covers the construction of properties and properties for the Group's own use. Capitalisation occurs when expenditures included in cost have arisen and activities to complete the building have begun. Capitalisation ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalised. If separate borrowing has occurred for the project, the actual borrowing cost is.

2. **Segmental reporting**

Geographical information

Revenue by geographical area	2015 £'000	2014 £'000
United Kingdom	1,374,082	1,258,698
Rest of Europe	9,427	1,775
	1,383,509	1,260,473

Profit before tax by geographical area		
United Kingdom	36,685	39,341
Rest of Europe	5,400	1,935
	42,085	41,276

Net assets by geographical area		
United Kingdom	271,732	236,974
Rest of Europe	5,301	17,079
	277,033	254,053

All results are derived from the principal activity which is construction. Revenue from third parties by destination is not materially different to revenue from third parties by origin. Profit before tax includes profits relating to associate company.

3. **Employees and directors**

	2015 £'000	2014 £'000
Wages and salaries	241,152	227,415
Social security costs	26,916	25,015
Other pension costs	30,263	27,913
	298,331	280,343

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

	2015	2014
Construction	5,312	5,174

	2015 £	2014 £
Directors' remuneration	3,432,343	2,489,900

The number of directors to whom retirement benefits were accruing was as follows:

Defined benefit schemes	5	3

continued...

3. Employees and directors - continued

Information regarding the highest paid director is as follows:

	2015	2014
	£	£
Emoluments etc	859,686	689,170
Accrued pension at 31st December 2015	106,324	105,102

4. Net finance income

	2015	2014
	£'000	£'000
Finance income:		
Bank Interest	2,845	3,224
Interest income on pension scheme assets	23,751	26,408
	26,596	29,632
Finance costs:		
Interest on pension scheme liabilities	25,067	26,390
Net finance income	1,529	3,242

5. Profit before income tax

	2015	2014
	£'000	£'000
Depreciation - owned assets	4,904	6,180
Profit on disposal of fixed assets	(168)	(827)
Other Intangible assets amortisation	2,068	2,018
Research and development	496	1,525
Hire of plant and machinery	17,052	18,721
Hire of Land and buildings	8,378	6,396
Audit fee	467	467

continued...

6. Income tax

	2015 £'000	2014 £'000
Current Tax		
Current year	3,748	7,430
Adjustments in respect of the prior year	(4,441)	(1,980)
Total current tax (credit)/charge	(693)	5,450
Deferred Tax		
Current year	2,360	1,449
Adjustments in respect of the prior year	463	2,433
Impact of change in corporate tax rate	1,686	-
	4,509	3,882
Total tax charge	3,816	9,332

	2015 £'000	2014 £'000
Reconciliation of profits to total tax charge:		
Profit before tax	42,085	41,276
Less : Associates profit	(5,051)	(2,825)
	37,034	38,451
Profit before tax multiplied by standard rate of corporation tax in the UK 20.25% (2014: 21.50%)	7,499	8,267
Expenses not deductible for tax purposes	4	612
Adjustment in respect of prior years	(3,978)	453
Change in rate	1,686	-
Capital losses utilised	(1,395)	-
Total tax charge	3,816	9,332

7. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £5,711,000 (2014 - £20,910,000).

8. Construction contracts

The following information relates to all construction contracts in progress at the statement of financial position date.

	2015 £'000	2014 £'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	7,258,080	6,701,696
Advances received	38,474	58,331
Retentions	19,119	25,597

9. Goodwill

Group

	£'000
Cost	
At 1st January 2015 and 31st December 2015	38,921
Net book value	
At 31st December 2015	38,921
At 31st December 2014	38,921

At 31st December 2015, management undertook an assessment of market conditions and updated revenue projections and concluded that there was no deterioration from the previous year's review and accordingly no further impairment loss has arisen.

Forecasts of expected cash flows include assessments of market variables such as likely demand, cost of input goods, labour costs and the competitive situation. The forecasts are based on previous experience, management's own assessments and external sources of information. The forecast period encompasses five years. The growth rate used to extrapolate cash flow forecasts beyond the five years is 2.5%, being management's view of the expected rate for the regulated utilities market sector. The discount factor is the Group's pre-tax weighted average cost of capital, calculated as 8.0% for 2015 (2014: 9.0%).

10. Intangible assets

Group

	Other Intangible assets £'000
Cost	
At 1st January 2015	7,336
Additions	18
At 31st December 2015	7,354
Amortisation	
At 1st January 2015	3,267
Amortisation for year	2,068
At 31st December 2015	5,335
Net book value	
At 31st December 2015	2,019
At 31st December 2014	4,069

continued...

11. Property, plant and equipment

Group

	Freehold property £'000	Long leasehold £'000	Plant and machinery £'000	Totals £'000
Cost				
At 1st January 2015	97	6,023	62,826	68,946
Additions	11	575	4,397	4,983
Disposals	-	-	(1,965)	(1,965)
At 31st December 2015	108	6,598	65,258	71,964
Depreciation				
At 1st January 2015	-	4,703	46,687	51,390
Charge for year	-	138	4,766	4,904
Eliminated on disposal	-	-	(1,892)	(1,892)
At 31st December 2015	-	4,841	49,561	54,402
Net book value				
At 31st December 2015	108	1,757	15,697	17,562
At 31st December 2014	97	1,320	16,139	17,556

Company

	Long leasehold £'000	Plant and machinery £'000	Totals £'000
Cost			
At 1st January 2015	5,266	14,274	19,540
Additions	575	450	1,025
At 31st December 2015	5,841	14,724	20,565
Depreciation			
At 1st January 2015	4,062	11,957	16,019
Charge for year	107	1,162	1,269
At 31st December 2015	4,169	13,119	17,288
Net book value			
At 31st December 2015	1,672	1,605	3,277
At 31st December 2014	1,204	2,317	3,521

continued...

12. Investments

Group

	Shares in group undertakings £'000	Interest in associate £'000	Totals £'000
Cost			
At 1st January 2015	37,956	11,815	49,771
Disposals	-	(16,556)	(16,556)
Share of profit/(loss)	-	5,051	5,051
Exchange differences	-	(310)	(310)
At 31st December 2015	37,956	-	37,956
Provisions			
At 1st January 2015 and 31st December 2015	37,956	-	37,956
Net book value			
At 31st December 2015	-	-	-
At 31st December 2014	-	11,815	11,815

Interest in associate

The investment in shares relates to a 30% shareholding acquired in 2009 in Skanska Health Care AB, a company incorporated in Sweden. The Shares were held by Skanska Construction UK limited and were divested on 15th December 2015.

	2015 £'000	2014 £'000
Income statement of associate		
Revenue	60,977	75,301
Profit	5,051	2,825
Statement of financial position of associate		
Current assets	-	27,835
Current liabilities	-	(16,020)
Net assets	-	11,815
Total equity attributable to the equity holder	-	11,815

continued...

12. ***Investments - continued***

Company

	Shares in group undertakings £'000
Cost	
At 1st January 2015	
and 31st December 2015	88,935
Provisions	
At 1st January 2015	
and 31st December 2015	37,956
Net book value	
At 31st December 2015	50,979
At 31st December 2014	50,979

Interest in associate

The investment in shares relates to a 30% shareholding acquired in 2009 in Skanska Health Care AB, a company incorporated in Sweden. The Shares were held by Skanska Construction UK limited and were divested on 15th December 2015.

	2015 £'000	2014 £'000
Income statement of associate		
Revenue	60,977	75,301
Profit	5,051	2,825
Statement of financial position of associate		
Current assets	-	27,835
Current liabilities	-	(16,020)
Net assets	-	11,815
Total equity attributable to the equity holder	-	11,815

continued...

12. **Investments - continued**

Company

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiary

The following subsidiary undertakings all have construction as their principal activity (except where marked*, where the principal activity is to act as an investment company or ** where the principal activity is to act as a property development company).

All companies' country of registration is in England and Wales except Cementation Skanska Ireland Ltd which is registered in the Republic of Ireland

All subsidiaries are 100% directly owned, except for those marked with @ which are owned 100% indirectly.

Cementation Construction Limited
Cementation Frankpile Overseas Limited
Cementation Skanska Limited@
Cementation Mining Limited
Cementation Skanska Ireland Limited@
Clark and Fenn Skanska Limited@
Davy Mining Limited
Skanska Construction (Regions) Limited@
Skanska Construction Securities Limited (in liquidation)
Skanska Construction Services Limited
Skanska Construction Services Trustees Limited
Skanska Construction UK Limited
Skanska Healthcare Trustees Limited
Skanska J.V. Projects Limited@
Skanska MGT Limited @ (In liquidation)
Skanska Major Projects Limited@
Skanska Project Developments limited*
Skanska Rashleigh Weatherfoil Limited@
Skanska TAM Limited
Skanska Technology Limited
Skanska Trustees Limited
Skanska Utilities Limited
SPD Bentley Limited**@
SPD Moorgate Limited**@
SPD Templegate Limited **@
SPDL (Monument) Limited**@
TCE Skanska Limited (In liquidation)
Trollope & Colls Limited
UIS Plant Services Limited@
66 Queen Square Limited**@
McNicholas Group Limited
Mine Engineering Services Limited (in liquidation)
Redpath Dorman Long Limited
Skanska Construction Company Limited
McCauley Strathcona Limited
Hector JWH Limited

continued...

13. Inventories

	Group	
	2015	2014
	£'000	£'000
Stocks	7,428	7,837
Properties	75,585	45,314
	83,013	53,151

14. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Current:				
Trade debtors	133,539	80,306	-	-
Amounts owed by fellow undertakings	94,384	101,531	158,219	140,414
Amounts recoverable on contract	141,301	120,622	3,860	1,132
Other debtors	32,023	21,318	11,142	8,481
Prepayments and accrued income	16,483	12,438	2,459	2,048
	417,730	336,215	175,680	152,075

15. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank accounts	329,631	277,405	94,280	89,150

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £'000	2014 £'000
3,300,000,000	Ordinary	£0.05	165,000	165,000

continued...

17. Reserves

Group

	Retained earnings £'000
At 1st January 2015	89,053
Profit for the year	38,269
Net actuarial gain/loss on defined pension schemes	(18,994)
Tax effect on movement in pension scheme	3,480
Exchange difference	(626)
Employee share award scheme	851
At 31st December 2015	112,033

Company

	Retained earnings £'000
At 1st January 2015	(79,180)
Profit for the year	5,711
Net actuarial gain/loss on defined pension schemes	(18,380)
Tax effect on movement in pension scheme	3,308
Employee share award scheme	851
At 31st December 2015	(87,690)

18. Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current:				
Payments on account	92,685	73,683	-	-
Trade creditors	76,884	49,609	49	29
Amounts owed to fellow group undertakings	-	7,385	177,170	156,291
Other creditors	75,175	52,606	15,271	13,578
Accruals and deferred income	263,683	202,590	9,796	8,172
	508,427	385,873	202,286	178,070
Non-current:				
Contractual obligation to pension scheme	368	710	-	-
	368	710	-	-
Aggregate amounts	508,795	386,583	202,286	178,070

continued...

19. Financial liabilities - borrowings

	Group 2015 £'000	Group 2014 £'000
Current:		
Hire purchase contracts (see note 20)	1,301	1,989

Terms and debt repayment schedule

Group

	1 year or less £'000
Hire purchase contracts	1,301

20. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts 2015 £'000	Hire purchase contracts 2014 £'000
Net obligations repayable:		
Within one year	1,301	1,989

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Within one Year	14,543	11,836	10,399	9,463
Between one and five years	33,045	24,769	23,960	22,650
In more than five years	24,564	24,364	24,011	24,326
	72,152	60,969	58,370	56,439

continued...

21. Financial instruments

Exposure to credit, interest rate and liquidity risk 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 statement of financial position 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 statement of financial position 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 (Skandinaviska Enskilda Banken AB) 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.

Liquidity risk

The Group uses cash-flow projections as a means of managing the fluctuations in short-term liquidity and to minimise the risk that it cannot meet its payment obligations due to lack of liquidity. As at 31st December 2015, the Group had cash and cash equivalents totalling £329,631,000 (2014: £277,405,000) and no debt. Included in this total is £94,280,000 restricted cash held in JCOs (2014: £89,150,000).

Effective interest rates and maturity analysis

As at 31st December 2015, income-earning financial assets of the Group comprised cash and cash equivalents totalling £329,631,000 (2014: £277,405,000) and of the Company £94,280,000 (2014: £89,150,000), 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 2015, interest-bearing financial liabilities of the Company were £Nil (2014: £Nil), all of which is repayable on demand. Interest is payable on bank overdrafts at floating rates linked to the Bank of England base rate.

Fair values

The carrying amounts shown in the statement of financial position of all financial assets and financial liabilities are not considered to be materially different to their fair value.

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Loans and receivables				
Amounts due from customers for contract work	141,301	120,622	3,860	1,132
Trade receivables	133,539	80,306	-	-
Amounts owed by fellow group undertakings	94,384	101,531	158,219	140,414
Other receivables	32,023	21,318	11,142	8,481
Financial assets				
Cash and cash equivalents	329,631	277,405	94,280	89,150
Total financial assets	730,878	601,182	267,501	239,177
Financial liabilities				
Payments received on account	(92,685)	(73,683)	-	-
Trade payables	(76,884)	(49,609)	(49)	(29)
Amounts owed to fellow group undertakings	-	(7,385)	(177 ,170)	(156,291)
Other payables	(75,175)	(52,606)	(15,271)	(13,578)
Total financial liabilities	(244,744)	(183,283)	(192,490)	(169,898)

Sensitivity analysis

At 31st December 2015 and 31st December 2014, it was estimated that a general rise of one percentage point in interest rates would have no material impact on profit before tax.

continued...

22. Provisions

	Forward loss £'000	Warranty £'000	Other £'000	Total £'000
2015				
At 1 January 2015	16,312	42,610	5,427	64,349
Released in year	(5,256)	(11,712)	125	(16,843)
Created in year	10,325	3,885	6,730	20,940
Utilised	(2,423)	(559)	(8,293)	(11,275)
At 31 December 2015	18,958	34,224	3,989	57,171
2014				
At 1 January 2014	19,881	49,681	5,405	74,967
Released in year	(5,618)	(12,807)	(540)	(18,965)
Created in year	7,447	11,103	4,406	22,956
Utilised in year	(5,398)	(5,367)	(3,844)	(14,609)
At 31 December 2014	16,312	42,610	5,427	64,349

The amount and timing 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 provisions for insurance and legal claims, all of which are incurred in the normal course of business. Due to the nature of such potential liabilities the period of utilisation is not ascertainable.

23. Deferred tax

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Accelerated Capital Allowances	754	938	465	453
Deferred tax on pension liability	13,199	12,966	12,634	12,276
Unrelieved trading losses	591	666	-	-
Other	1,119	2,122	111	235
	15,663	16,692	13,210	12,964

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Asset at start of period	16,692	11,673	12,964	5,121
Deferred tax movement in P&L	(4,509)	(3,882)	(3,062)	(279)
Deferred tax direct to equity	3,480	8,901	3,308	8,122
	15,663	16,692	13,210	12,964

continued...

24. **Employee benefit obligations**

The Group, through trustees, operates a number of pension schemes; The Skanska Pension Fund, The Federated Pension Plan and The McNicholas Plc Retirement Benefits Scheme. Details of the last actuarial valuations and reviews and the assumptions used by the actuaries are set out below.

For The McNicholas Plc Retirement Benefit Scheme the company feel there is not an unconditional right of refund and therefore under IAS 19, IFRIC 14, the company only recognises the asset of the pension fund up to the limit of the liability, (the asset ceiling). For the other pension schemes the company feel that there is an unconditional right of refund and therefore if there is a pension surplus this will be recognised in the accounts.

(a) 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 Group and are invested by the Trustee, having taken appropriate investment advice. As at 31st December 2015, in accordance with the Fund rules, there were no outstanding contributions. The pension contributions are set by the Trustees of The Skanska Pension Fund based on the advice of the Fund actuary and after consultation with Skanska UK Plc. Total contributions paid during the year by the Group (excluding employee contributions) were £28,086,000 (2014: £33,297,000). Ultimately the contributions are met by the particular group company for which the employees are working. The Group expects to contribute approximately £24 million to the Fund in the next financial year.

During 2009 Skanska UK carried out a review of the pension benefits offered to staff, as a result of which and after consultation with staff, sections of the Skanska Pension Fund (final salary, career average and defined contribution) was closed to further accrual on 31st March 2010. Two new sections were opened in the Skanska Pension Fund: a new Career Average Scheme section (defined benefit) and a new Defined Contribution Scheme section which will provide both existing and future staff with a core defined benefit pension together with the option of a defined contribution top up scheme, with matching employer contributions for service from 1st April 2010.

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.

This valuation is an update of the actuarial valuation at 31st March 2013 but uses a lower rate of return on assets to discount the scheme liabilities.

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

	2015	**2014**	**2013**	**2012**
	(%)	**(%)**	**(%)**	**(%)**
Inflation	3.00	3.00	3.40	2.75
Rate of increase of salaries	3.50	3.50	3.75	3.50
Rate of increase of pension	3.15	3.15	3.30	2.70
Rate of increase for deferred pension	2.25	2.25	2.25	3.00
Pre and post retirement rates to discount scheme liabilities	3.75	3.75	4.70	4.50

Life expectancy after age 65 is 23 years for men and 26 years for women (2014: 24 years for men and 25 for women).

continued...

The financial position of the fund based on the above assumptions

	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Scheme Liabilities	(637,072)	(611,889)	(514,423)	(453,582)
Scheme assets	580,680	565,470	493,650	437,600
Total (deficit)/surplus	(56,392)	(46,419)	(20,773)	(15,982)
Related deferred tax asset	9,326	8,122	6,056	3,711
Net pension(liability)/asset	(47,066)	(38,297)	(14,717)	(12,271)

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

	Valuation of assets 2015 £'000	Valuation of assets 2014 £'000	Expected return 2015 £'000	Expected return 2014 £'000
Quoted equity	209,850	207,500	3.75	4.75
Quoted government bonds	38,690	38,610	3.75	4.75
Quoted cooperate bonds	150,760	189,460	3.75	4.75
Quoted hedge funds	47,300	41,620	3.75	4.75
Cash	8,500	9,860	3.75	4.75
Infrasture assets and freehold property*	98,200	45,420	3.75	4.75
Other	27,380	33,000	3.75	4.75
Total	580,680	565,470	3.75	4.75

*The company has a long-term lease at an arms length agreement.

	2015 £'000	2014 £'000
Actual return on fund assets	5,327	61,778

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

	2015 £'000	2014 £'000
Current service cost	17,518	14,752
Employee contribution	(289)	(258)
Total operating charge	17,229	14,494

Analysis of the amount charged to Other Finance Cost

	2015 £'000	2014 £'000
Expected return on pension scheme assets	21,296	23,678
Interest on pension liabilities	(22,593)	(23,833)
Net finance return	**(1,297)**	**(155)**

continued...

Analysis of amount recognised in Statement of Comprehensive Income

	2015 £'000	2014 £'000
Actual return less expected return on assets	5,327	38,100
Experience gains and losses on liabilities	(23,707)	(1,230)
Changes in assumptions	-	(77,480)
Actuarial loss recognised in statement of comprehensive income	**(18,380)**	**(40,610)**
Cumulative loss recognised in statement of comprehensive income	**(173,102)**	**(154,722)**

Movement in the present value of defined benefit obligation

Present value of obligation 1st January	611,889	514,423
Service cost	17,518	14,752
Interest cost	22,593	23,833
Benefits paid	(17,339)	(19,829)
Actuarial losses	2,411	78,710
Obligation at 31st December	637,072	611,889

Changes in fair value of fund assets

Fair value of plan assets, 1st January	565,470	493,650
Expected return on fund assets	21,296	23,678
Employer contribution	28,096	29,613
Member contribution	289	258
Benefits paid	(18,502)	(19,829)
Actuarial gains/(losses)	(15,969)	38,100
Fair value at 31st December	580,680	565,470
Scheme (deficit)	(56,392)	(46,419)

History of experience gains and losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Difference between expected and actual return on scheme assets:	5,327	38,100	12,352	10,013
Percentage of scheme assets %	0.9	6.7	2.5	2.3
Experience gains and losses on scheme liabilities	(23,707)	(78,710)	(42,631)	(350)
Percentage of scheme liabilities %	(3.7)	(12.9)	(8.3)	(0.0)
Total amount recognised in statement of comprehensive income:	(18,380)	(40,610)	(30,279)	9,663
Percentage of scheme liabilities	(2.9)	(6.6)	(5.9)	2.1

continued...

Notes to the Consolidated Financial Statements - continued
For The Year Ended 31st December 2015

Sensitivity of pension obligation at the year-end to changes in assumptions

	2015	2014
	£'000	£'000
Total pension liability at 31st December	637,072	611,889
Estimated decrease in pension liability if discount rate increases by 0.25%	(34,999)	(30,257)
Estimated increase in pension liability if discount rate decreases by 0.25%	37,717	32,545
Estimated increase in pension liability if inflation rate increases by 0.25%	28,549	23,148
Estimated decrease in pension liability if inflation rate decreases by 0.25%	(24,982)	(23,804)

(b) The Federated Pension Plan

The Group also participates in The Federated Pension Plan, a defined benefit plan. The assets of the Plan are held separately under Trust from those of the Company and are invested by the Trustee, having taken appropriate investment advice. As at 31st December 2015, in accordance with the Plan rules there were no outstanding contributions. The pension contributions are set by the Trustees based on the advice of the Fund actuary.

The following valuation is an update of the actuary's valuation at 5th April 2010. The actuarial valuation in accordance with IAS 19 used the projected unit actuarial valuation based on the following assumptions:

	2015	2014	2013	2012
Inflation	3.00	3.00	3.25	2.75
Rate of increase of salaries	3.50	3.50	3.75	3.50
Rate of increase of pension	3.15	3.15	3.30	2.70
Pre-and post-retirement rate to discount scheme liabilities	3.75	3.75	4.75	4.50

Life expectancy after age 65 is 23 years (2014: 23 years) for men and 26 years (2014: 26 years) for women.

The financial position of the scheme based on the above assumptions is detailed below:

	2015	2014	2013	2012
	£'000	£'000	£'000	£'000
Scheme liabilities	(52,423)	(49,502)	(40,724)	(36,246)
Scheme assets	51,954	48,182	42,243	36,549
Scheme surplus/(deficit)	(469)	(1,320)	1,519	303

The fair value of the plan assets and the return on those assets were as follows:

	Valuation of assets 2015	Valuation of assets 2014	Expected return 2015	Expected return 2014
	£'000	£'000	%PA	%PA
Quoted equities	-	-	3.75	4.25
Quoted government bonds	51,954	48,182	3.75	4.25
Total/Weighted returns	**51,954**	**48,182**	**3.75**	**4.25**

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.

continued...

Analysis of the amount charged to the Income Statement

	2015 £'000	2014 £'000
Current service cost	2,406	2,860
Employee contribution	(379)	(401)
Total operating charge	2,027	2,459

Analysis of amount charged to Other Finance Cost

	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,836	2,032
Interest on pension liabilities	(1,877)	(1,951)
Net finance return	(41)	81

Analysis of amount recognised in statement of comprehensive income

	2015 £'000	2014 £'000
Actual return less expected return on assets	(1,613)	1,228
Experience gains and losses on liabilities	1,052	395
Changes in assumptions	-	(5,393)
Actuarial gain/(loss) recognised in statement of comprehensive income	(561)	(3,770)
Cumulative (loss) recognised in statement of comprehensive income	(7,464)	(6,903)

Movement in the present value of defined benefit obligation:

	2015 £'000	2014 £'000
Present value of obligation, 1st January	49,502	40,724
Service cost	2,406	2,860
Interest cost	1,877	1,951
Benefits paid	(959)	(1,182)
Transfers	649	151
Actuarial losses/(gains)	(1,052)	4,998
Closing balance, 31st December	52,423	49,502

Changes in the fair value of plan assets:

	2015 £'000	2014 £'000
Fair value of plan assets, 1st January	48,183	42,243
Expected return on plan assets	1,836	2,032
Company contribution	3,679	3,309
Employer contributions	379	401
Benefits paid	(1,159)	(1,182)
Transfers	649	151
Actuarial gains	(1,613)	1,228
Closing balance, 31st December	51,954	48,182

continued...

History of experience gains and losses

	2015	2014	2013	2012
	£'000	£'000	£'000	£'000
Amount (£'000)	(1,613)	1,228	2,176	1,893
Percentage of scheme assets	(3%)	3%	5%	5%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	1,052	395	869	5,214
Percentage of scheme liabilities	2%	1%	2%	14%
Total amount recognised in statement of comprehensive income:				
Amount (£'000)	(561)	(5,393)	3,045	7,107
Percentage of scheme liabilities	(1%)	(11%)	7%	20%

(c) The McNicholas Plc Retirement Benefits Scheme

The Group also participates in The McNicholas Plc Retirement Benefits Scheme, a defined benefit plan. The assets of the Scheme are held separately under Trust from those of the Company and are invested by the Trustee, having taken appropriate investment advice. As at 31st December 2015, in accordance with the Scheme rules there were no outstanding contributions. The pension contributions are set by the Trustees based on the advice of the Fund actuary.

For The McNicholas Plc Retirement Benefit Scheme the company feel there is not an unconditional right of refund and therefore under IAS 19, IFRIC 14, the company only recognises the asset of the pension fund up to the limit of the liability, (the asset ceiling).

The scheme was closed to both new members and future accruals in 2003.

The valuation below is an update of the actuarial valuation at 1st March 2009. The actuarial valuation in accordance with IAS 19 used the projected unit cost method based on the following assumptions:

	2015	2014	2013	2012
	(%)	(%)	(%)	(%)
Inflation	3.00	3.00	3.25	2.75
Rate of increase of salaries	3.50	3.50	3.75	3.50
Rate of increase of pension	3.15	3.15	3.30	2.70
Rate of increase for deferred pensions	2.25	2.25	2.75	2.25
Pre-and post-retirement rate to discount scheme liabilities	3.75	3.75	4.75	4.50

Life expectancy after age 65 is 23 years (2014: 23 years) for men and 26 years (2014: 26 years) for women.

The financial position of the scheme based on the above assumptions is detailed below:

	2015	2014	2013	2012
	£'000	£'000	£'000	£'000
Scheme liabilities	(16,472)	(15,206)	(12,764)	(10,796)
Scheme assets	17,133	16,497	14,575	13,549
Less asset ceiling provision	(661)	(1,291)	(1,811)	(2,753)
Pension surplus/(deficit)	-	-	-	-

The fair value of the scheme assets and the return on those assets were as follows:

	Valuation of assets 2015	Valuation of assets 2014	Expected return 2015	Expected return 2014
Quoted equity	-	6,220	-	4.25
Quoted bonds	17,133	9,970	3.75	4.25
Other assets (inc cash)	-	307	-	4.25
Total/Weighted returns	17,133	16,497	3.75	4.25

continued...

Analysis of the amount charged to the Income Statement

	2015 £'000	2014 £'000
Current service cost	-	-

Analysis of amount charged to Other Finance Cost		
Expected return on pension scheme assets	619	698
Interest on pension liabilities	(597)	(606)
Net finance return	22	92

Analysis of amount recognised in statement of comprehensive income

	2015 £'000	2014 £'000
Actual return less expected return on assets	1,322	2,920
Experience gains and losses on liabilities	(1,011)	-
Changes in assumptions	(46)	(2,095)
Actuarial (loss)/gain recognised in statement of comprehensive income	265	825
Cumulative post acquisition gain recognised in statement of comprehensive income	3,897	3,632

Movement in the present value of defined benefit obligation:

	2015 £'000	2014 £'000
Present value of obligation, 1st January	15,206	12,764
Interest cost	597	606
Benefits paid	(388)	(259)
Actuarial loss/(gains)	1,057	2,095
Closing balance, 31st December	16,472	15,206

Changes in the fair value of plan assets:

	2015 £'000	2014 £'000
Fair value of plan assets, 1st January	15,206	12,764
Expected return on plan assets	619	698
Employer contributions	374	374
Benefits paid	(388)	(259)
Actuarial (losses)/gains	1,322	2,920
Provision for asset ceiling	(661)	(1,291)
Closing balance, 31st December	16,472	15,206

History of experience gains and losses

	2015	2014	2013	2012
Difference between expected and actual return on scheme assets:				
Amount (£'000)	1,322	2,920	3,202	(100)
Percentage of scheme assets	8%	18%	22%	(1%)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	(1,011)	(2,095)	(1,879)	489
Percentage of scheme liabilities	(6%)	(14%)	(15%)	5%
Total amount recognised in statement of comprehensive income:				
Amount (£'000)	265	825	1,323	389
Percentage of scheme liabilities	2%	5%	10%	4%

continued...

25. **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

26. **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. Contingent liabilities relating to the group's portion of the joint and several liabilities for the obligations of JCOs totalled £450,070,000 (2014: £367,601,000).

27. **Capital commitments**

	2015 £'000	2014 £'000
Contracted but not provided for in the financial statements	835	725

28. **Related party disclosures**

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:

	2015 £'000	2014 £'000
Sales to fellow group undertaking	97,308	298,690
Management fee received from fellow group undertaking	-	-

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 3.

continued...

29. Reconciliation of profit before income tax to cash generated from operations

Group

	2015 £'000	2014 £'000
Profit before income tax	42,085	41,276
Depreciation charges	6,972	8,198
Profit on disposal of fixed assets	(168)	(827)
(Decrease) in provisions	(7,178)	(10,618)
Employee ownership scheme	851	1,549
Share of profit of associate	(5,051)	(2,825)
Pension service cost	19,924	16,953
Pension company contribution	(31,453)	(33,299)
Finance costs	25,067	26,390
Finance income	(26,596)	(29,632)
	24,453	17,165
Increase in inventories	(29,862)	(17,183)
(Increase)/decrease in trade and other receivables	(81,649)	54,845
Increase/(decrease) in trade and other payables	122,373	(97,870)
Cash generated from operations	35,315	(43,043)

Company

	2015 £'000	2014 £'000
Profit before income tax	2,861	22,767
Depreciation charges	1,269	1,697
Profit on disposal of fixed assets	-	(19,447)
Employee share ownership	851	1,549
Pension Service Cost	17,229	14,494
Pension company contribution	(26,933)	(29,613)
Finance costs	22,593	23,833
Finance income	(24,909)	(27,501)
	(7,039)	(12,221)
(Increase)/decrease in trade and other receivables	(23,605)	85,285
Increase/(decrease) in trade and other payables	24,216	(88,284)
Cash generated from operations	(6,428)	(15,220)

30. Cash and cash equivalents

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Year ended 31st December 2015	31/12/15 £'000	1/1/15 £'000	31/12/15 £'000	1/1/15 £'000
Cash and cash equivalents	329,631	277,405	94,280	89,150
Year ended 31st December 2014	31/12/14 £'000	1/1/14 £'000	31/12/14 £'000	1/1/14 £'000
Cash and cash equivalents	277,405	320,663	89,150	70,098

continued...

31. **Jointly controlled operations**

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	Control
Skanska Construction UK Limited			
Skanska Aker Solutions Joint Venture	1,9	Aker Solutions E&C Limited	50%
Balfour Beatty Skanska Joint Venture	1,7	Balfour Beatty Civil Engineering Limited	50%
Skanska BAM Northern Hub Joint Venture	1,10	BAM Construct UK Limited	50%
Costain Skanska C405 Joint Venture	1,2	Costain Limited	50%
Costain Skanska C360 Joint Venture	1,2	Costain Limited	50%
Costain Skanska C412 Joint Venture	1,2	Costain Limited	50%
SMB Joint Venture	1,11	MWH UK Ltd	33%
Balfour Beatty Skanska M25 Junction 30 Joint Venture	1,7	Balfour Beatty Civil Engineering Limited	50%
SEESA AMS Joint Venture	1,12	Alstom UK Limited	20%
Costain Skanska Joint Venture - L P T	1,2	Costain Limited	47.38%
tRIIO	1,13	Morrison Utility Services Limited	50%
Cementation Skanska Limited			
Cementation Stent Joint Venture	1,3	Balfour Beatty Ground Engineering	50%
Stent Cementation Joint Venture	1,3	Balfour Beatty Ground Engineering	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	1,8	Franki Grondtechnieken BV	50%
Franki Cementation Joint Venture	1,8	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%
Skanska Balfour Beatty M25 Joint Venture	1,7	Balfour Beatty Civil Engineering Limited	50%

The addresses of these JCOs are as follows:

1 Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9SW
2 Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB
3 Pavilion 2, Ashwood Park, Ashwood Way, Basingstoke, Hampshire, RG23 8BG
4 Henderson House, Langley Place, Higgins Lane, Burscough, Lancashire, L40 7JB
5 Foundation House, Eastern Road, Bracknell, Berkshire, RG12 2UZ
6 Foundation Court, Godalming Business Centre, Cattleshall Lane, Godalming, Surrey, GU7 1XW
7 5 Churchill Place, Canary Wharf, London, E14 5HU
8 Rederijweg 33, Oosterhout, 4906CX, Netherlands
9 Phoenix House, Surtees Business Park, Stockton on Tees, TS18 3HR
10 St James House, Knoll Road, Camberley, Surrey GU15 3X
11 Terriers House, 201 Amersham Rd, High Wycombe HP13 5AJ
12 Oxford road, Stokenchurch, HP 14 3SX
13 Abel Smith House, Gunnels Wood Road, Stevenage, Herts SG1 2ST

continued...

32. 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 Accounting Policies, details the principal estimation techniques used in establishing attributable profit on construction contracts.

Note 24 contains the principal assumptions underlying the valuation of defined benefit pension liabilities. These assumptions were set on the advice of the schemes' 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 (CGUs) identified in note 9. After recognising the goodwill impairment charge in 2009 and reviewing the position at this year end, management does not consider that a reasonably possible change in one or more key assumptions as described in note 9, during the next year could cause the recoverable amount of either CGU to fall significantly below its carrying amount.