REGISTERED NUMBER. 00784752 (England and Wales)

Group strategic report, report of the directors and

Audited consolidated financial statements for the year ended 31st December 2013

For

Skanska UK Plc

Skanska UK Plc (Registered number. 00784752)

Contents of the consolidated financial statements
For The Year Ended 31st December 2013

Skanska UK Plc

Company information
For The Year Ended 31st December 2013

Directors:	R F Bayliss P Chandler H J Francis M L Galloway W J Hocking M C Putnam
Secretary	M L Galloway
Registered office·	Maple Cross House Denham Way, Maple Cross Rickmansworth Hertfordshire WD3 9SW
Registered number.	00784752 (England and Wales)

Skanska UK Plc (Registered number. 00784752)

Group strategic report
For The Year Ended 31st December 2013

The directors have pleasure in presenting their strategic report of the company and the group for the year ended 31st December 2013

Skanska UK 2015 Business Plan

During 2010, we developed our UK Business Plan 2011-2015 The essence of our UK plan is about "Broadening the Base" This means generating stable, profitable and consistent growth through delivering more value in our existing chosen sectors, expanding our regional presence in the UK and focusing on a few new market sectors, including green business, energy (nuclear, waste to energy and wind), project development and water During the year we acquired the highways operations and maintenance business of WS Atkins Plc, comprising eight live projects, thereby significantly expanding our highways maintenance capability and also our regional presence We continue to build on our leading position amongst construction companies for green business and we are committed to being the UK's leading green contractor The 2015 Business Plan includes five focus areas where we aim to lead Health & Safety, Green, Ethics, People Development and Risk Management

Financial performance

In 2013 Group revenue increased by £28 million (2 6%) to £1 12 billion from £1 09 billion in 2012
Skanska UK made £44 2 million profit before tax for the year (2012 £43 4 million) Profit from operations including share of profits in associates was £40 0 million, equating to a 3 6% operating margin This was a slight decline from 2012 (£41 6m, 3 8%) but still represents a strong performance relative to the challenging economic and industry conditions that prevailed throughout the year

Financial position

Skanska UK's financial position strengthened by £8 8 million in the year This was predominantly made up of £30 5 million post-tax profits and actuarial losses after tax of £23 8 million arising from the Group's pension schemes Total equity attributable to our shareholders at the year end was £257 7 million (2012 £248 9 million)

Our consolidated financial position at the year end included cash and cash equivalents totalling £320 7 million, a decrease of £39 1 million in the year This included a special contribution to the Skanska Pension Fund of £22 3 million as part of the deficit reduction plan The company had no debt

Order backlog and order bookings

Order bookings reflect work won in the year and amounted to £1 0 billion (2012 £1 1 billion) with an order backlog of £1 9 billion at the year end (2012 £1 8 billion) This represents a book to build ratio in the year of 83% (i e bookings divided by revenue), but this excludes the value of highways contracts acquired from Atkins If these are included then the book to build ratio is 100%

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 3 billion

In February, Skanska was awarded a five year contract, in joint venture with Costain, to deliver the main station works at the new Crossrail Bond Street Station in London The contract comprises the construction of ticket halls - including platform fit-out and mechanical and electrical services for the Western Ticket Hall (Davies Street) and Eastern Ticket Hall (Hanover Square) In addition, it includes interfacing with the tunnelling, track and rail power contractors, as well as local community engagement

During the year, Skanska UK purchased the highways operations and maintenance business of Atkins for £18 million, of which £2 million is deferred and paid subject to future performance The business comprises six live contracts with local authorities and two with the Highways Agency to deliver operations and maintenance for the road and motorway network The purchase is in line with Skanska's strategy to position itself as a significant player in the UK highways operations and maintenance market, building on the Highways Agency Asset Support Contract Area 2, won in 2012 in joint venture with Atkins

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In March, Skanska was awarded an eighteen-month contract, for the demolition and construction of a ten-storey commercial building for its client, Ten Times Ten Development - a joint venture between Quadrant Estates and The City of London 100 Cheapside was won under a competitive tender, and when complete will be fitted out internally to the highest standard of category A The client has drawn on Skanska's sustainability knowledge to construct the building to BREEAM 'Excellent' and LEED 'Platinum' ratings, the highest level of environmental credentials it can achieve

In June, Land Securities Group PLC appointed Skanska as main contractor to design and construct its new mixed-use development in the City of London 1 & 2 New Ludgate, London EC4 The £109 million construction contract started in August 2013 and will complete in April 2015 It is designed to meet the BREEAM 'Excellent' standard The 379,000 sq ft scheme is close to St Paul's Cathedral Two office buildings will be linked by a public piazza and improved pedestrian routes, with 33,000 sq ft of retail and restaurant facilities at ground and basement levels

Later in June, under the Workplaces by Skanska banner, Skanska started work on site at its office development scheme in Bristol, 66 Queen Square It is Skanska's first development of this kind in the UK Situated in one of Bristol's prime business locations, 66 Queen Square will comprise 61,000 sq ft (5,667 sq m) of Grade A office space, incorporating a Grade II listed Georgian terrace The scheme, which completes in 2015, will offer typical floor plates of approximately 13,000 - 14,000 sq ft (1,207 - 1,300 sq m), along with basement car parking, forty bicycle stands, shower facilities and fantastic views over Queen Square

Skanska added to its portfolio of high-rise buildings in London in July with the award of the 52 Lime Street project, commonly known as "The Scalpel" The building, at the junction of Lime Street and Leadenhall Street in the City of London, is scheduled for completion in 2017 Designed by multi-award winning international architects, Kohn Pedersen Fox for the W R Berkley Corporation, one of the world's premier property casualty insurance providers, the 190m-tall commercial office development has an internal floor area of 624,000 sq ft over 35 office floors and two basement levels, including retail and restaurant areas A public 'square' of approximately 11,000 sq ft will be created by the development, complementing the existing space around the Willis Building The square will include public seating and planting and may also provide space for public art and tables linked to a specialist ground floor coffee shop, designed to echo the 17th-century origins of the London insurance market at Lloyd's Coffee House The construction contract will be booked in 2014

In September, Peterborough City Council signed a 10-year contract with Skanska for the provision of highway maintenance services, including design services, street lighting and drainage cleansing The contract is known as Peterborough Highway Services It replaces four existing contracts, providing local residents with a more efficient service and helping the council save around £7 5 million over the next ten years Peterborough City Council has an option to extend the contract for up to a further ten years

Later in September, Skanska was awarded the groundworks contract to deliver UK Power Networks (UKPN) projects in London The framework is valued at £9m a year, £45m in total The contract started on 28 October 2013 and will last for three years with an option for two further years It will involve the statutory transfer of staff from Laing O'Rourke

In December, Skanska and the Highways Agency finalised the contract for M1 junction 19, with full construction works starting in early January 2014 The contract is worth £128 5 million with target completion of the project set for Autumn/Winter 2016-17 This marks another major milestone for the overall project to remodel the M1 Junction 19, following the successful completion of the £18 million replacement of Catthorpe Viaduct, in June 2012

Just after the year end Skanska announced it was to build the next phase at HMP Thameside, south London It is an extension to the existing prison buildings, which were completed by Skanska at the beginning of 2012 The project will create an additional 332 prisoner places The project was included in 2013 order bookings The plan is for Skanska to deliver the new facilities in August 2015

Operational performance

During the year the landmark new Brent Civic Centre achieved practical completion in the north London borough of Brent The multipurpose development allows the Council to realise its vision for a consolidated facility that houses their civic, public and administrative functions under one roof, providing office space for 2,000 staff Located on a prominent site next to two well-known civic icons, Wembley Stadium and Wembley Arena, it will streamline all aspects of the Council's activities and has been designed to become the new hub and heart for the community where local residents can meet, shop and eat

November saw the topping out of Moorgate Exchange, an eye-catching, twelve-storey office development The ceremony was attended by London's deputy mayor for planning and chief of staff Sir Edward Lister Moorgate Exchange features six landscaped roof terraces and spectacular views of London

The following major projects were also completed in the year
A new defence facility at RAF Wyton
A 400-metre steel viaduct at Borough Market
Two new office constructions at London Bridge City and at Finsbury Circus
A new prison facility at HMP Grampian, North East Scotland

Good progress was made in the year on The Barts & The Royal London Hospital projects Other significant projects that commenced in the period include the North London and East of England areas of the Gas Distribution Strategic Partnership that Skanska is undertaking in joint venture with Morrison Utility Services and M25 Later Upgraded Sections

Work on the £1 3 billion Ny Karolinska Solna Hospital in Stockholm also progressed well 30% of this internal joint venture with Skanska's Swedish arm is accounted for as an associate in the income statement

Market and outlook

The UK market has shown significant signs of recovery within the construction sector There was a 1% growth in construction new work output in 2013

Future growth is forecast at 5 1% during 2014 and 6 1% for 2015 (source BCIS) Due to the upturn, forecasting of inflation is now a major challenge Within the south east of England we are seeing significant over-demand for the supply of skilled tradesmen and certain construction materials Accurately assessing these pressures is an important part of our strategy for the next two years

We continue to select our customers by assessing their strategic alignment to our own values of safety, ethics and sustainability 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

We have now been appointed as preferred bidder for Papworth Hospital which is expected to financially close in Q1 2015 This continues our strong presence in PFI Healthcare

The Government has announced PF2, their new PFI/PPP model Many of the early schemes are in the education sector (which we have decided not to pursue), and we will evaluate the new approach carefully We continue to see PFI as a pipeline of opportunities in several sectors However, the reward needs to be commensurate with the cost of investment and bidding We will continue with caution in this market

In the regulated water, gas and electricity markets we are now half-way through the procurement of the latest regulatory period We have achieved notable success in the water sector with Anglian, Thames and Welsh Water These are long-term contracts that provide stable revenue and income for future years
We continually assess other opportunities within the regulated sectors for our Civil and Utilities business
The programme of defence projects continues and we have recently been awarded the Worthy Down and Deepcut project This is a significant project and continues our presence in the defence sector We have a number of other large 'one-off' projects identified in the sector 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

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The outlook for our civil engineering business remains favourable with a number of major opportunities in the rail, roads and energy markets This follows the Government's decision to increase investment in UK infrastructure We are now actively preparing for High Speed 2 (HS2), the next major UK Infrastructure project, that will provide a high speed rail connection between London and the north of England This scheme will provide substantial opportunities across the whole of Skanska UK over the next three years

Commercial Construction demand has increased significantly Central London is now extremely buoyant with the positive market starting to transfer to other regions of the UK

We are pursuing a number of new market opportunities most notably in the Energy and Life Sciences sectors
Energy opportunities include Smart Meters, new gas powered combined cycle power stations and off-shore wind
Our project development business has now started constructing three schemes, in London, Doncaster and Bristol These are due to complete during 2015/2016 and we continue to look at further development opportunities

Key performance indicators
Key performance indicators used by UK management to assess and monitor the performance of Skanska UK, in addition to income statement measures of performance, are as follows,

Revenue growth Revenue achieved by Skanska UK relative to the prior year
Revenue per employee Revenue divided by average number of employees
Gross margin % Gross profit divided by revenue
Operating margin % Operating profit before interest and taxation divided by revenue
Working capital Net non-interest bearing receivables and liabilities
Free cash flow Generation of cash from operating profits and working capital, less capital expenditure and excluding interest, tax and strategic investment cash flows
Order backlog Total value of contracted activity remaining to be completed
Order bookings Recognised upon written orders or signed contracts For term contracts, which are the norm in our Utilities and FM businesses and parts of our Civils and Infrastructure Services businesses, only two years' future activity is included in order bookings and backlog Likewise when two-stage negotiations take place, contracts are only booked once a final contract sum is agreed In the PFI sector, contracts are only booked once financial close has been achieved
Book to build The ratio of order bookings to revenue in the same period

As well as these financial measures Skanska also adopts sustainability measures, which are mentioned below and qualitative targets, 'The 5 Zeros' Zero loss-making projects, Zero environmental incidents, Zero accidents, Zero ethical breaches and Zero defects In addition we monitor each of the UK's business streams throughout the year against a scorecard of issues which includes client satisfaction assessments, the number of employee performance appraisals and development plans undertaken, and adherence to our in-house commercial procedures

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 living up to their contractual obligations Skanska regularly makes assessments of counterparty
risk in order to be prepared for this

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In the current UK construction environment, where good growth prospects follow a sustained period of recession, key risks include inflation and supply chain capacity

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 throughout the Group to identify and manage risk Skanska uses this model to continuously evaluate projects- from preparation of tenders to completion of assignments

Health, safety, ethics, the environment, profitability and sustainability
Within Skanska UK it is understood that, 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, in accordance with our '5 Zeros' values, is to ensure that all projects are not only profitable, but are delivered without environmental incidents, damage to health, injury, accidents or ethical breaches and without defects

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

Skanska UK's performance was recognised during 2013 and we received numerous awards including

- **Construction News Specialists Awards** - Low-carbon excellence 2013
  Skanska Rashleigh Weatherfoil
- **Institution of Civil Engineers (ICE) Regional Awards 2013**
  Merit for Sustainability - Skanska Balfour Beatty JV
- **Cross-rail Gateway Health and Safety scheme 2013**
  Awarded "Inspirational" status - Costain Skanska JV - Team at Bond Street Station
- **Considerate Constructor National Site Awards 2013 - Gold**
  Paddington Station, Costain - Skanska JV
  HMP and YOI Grampian
  Brent Civic Centre
- **Edie Sustainability Leaders Award 2013**
  Winner - Energy Efficiency award - Hollywood House
  Winner - Sustainable Building award - Brent Civic Centre
- **Health Service Journal (HSJ) Efficiency Awards 2013**
  Energy Efficiencies - Barts Health NHS Trust public private partnership
- **Chartered Institute of Purchasing and Supply (CIPS) Management Awards 2013**
  Best contribution to corporate responsibility across all industries - Supply Chain Sustainability School
- **BRE Environmental Assessment Method (BREEAM) Award 2013**
  HMP Thameside (Belmarsh West)
- **British Safety Council Awards**
  Skanska Building - London and South East for the Heron Tower project
  Clark and Fenn and Skanska Rashleigh Weatherfoil for Skanska's head office
- **RoSPA Gold Award**
  Infrastructure Services (9th consecutive year)
  Utilities (8th consecutive year)
  Skanska Rashleigh Weatherfoil
  Facilities Services
  Richard Lees Steel Decking
  London Power Tunnels
  Paddington Station
- **RoSPA President's Award (10 consecutive Golds)**
  Cementation Skanska
- **RoSPA - The Diamond Jubilee Award**
  Olympic Delivery Authority (ODA) A Lot 1 roads and bridges
  Olympic Delivery Authority South Park landscaping and public realm

Health & Safety

At Skanska UK we have continued on the journey towards achieving our vision of zero accidents and incidents and being recognised as a leader in health and safety within construction in the UK and worldwide Our Injury Free EnvironmentTM ('IFE') safety culture programme continues to deliver benefits and has been introduced to all new staff and contractors, of which there were a substantial number in 2013, resulting from the highways services acquisition and key project awards We are continuing to embed our IFE programme within the existing businesses We are in the fourth year of the programme and are having significant success in embedding IFE in the culture of Skanska staff We have successfully expanded the programme to include our supply chain partners and several clients We have successfully delivered IFE orientations to the MDs of our key supply chain partners and all of our sites including JVs are running the programme Several of our clients continue to participate in our IFE programme with positive feedback on our refreshing approach During the year we have continued to focus our attention on both our own and our supply chain supervisors as they are key to setting people to work safely and maintaining standards Several IFE stand-ups have been held to ensure that IFE discussions continue and people question their personal relationship to safety

During the year we have continued to focus on five key areas, these are culture, competence, contractor, controls and communication By developing strategies and delivering improvement in these five areas we are confident that we will deliver on our vision of an Injury Free Environment To support the delivery of our programme we have four leading measures, these are, demonstration of leadership by senior managers, IFE orientation of our key supply chain MDs, IFE supervisor training and assessment and ongoing performance management of supply chain We continue to use Lost Time Accident Rates (LTAR) and Total Case Incident Rates (TCIR) to measure reduction in the frequency of injuries occurring both to our direct and supply chain workforce We achieved a lost time accident rate of 0 24 against a target of 0 21 and our TCIR was 0 46 against a target of 0 46 We are pleased with the continued downward trend in incidences and the increased sharing of lessons learnt and improvement across the business

The introduction of a single H&S management system has delivered increased efficiencies and consistent H&S standards across Skanska UK The H&S section of the management system is the most frequently and widely used section of the management system The new system has been audited against OHSAS 18001 and a single management system certificate has been issued by LRQA

H&S week was this year combined with environment and diversity week It was a resounding success with increased engagement Our supply chain partners continue to be actively involved and in some cases lead some of the activities We have during the week introduced a new way of thinking around zero accidents and changed our focus to a positive outcome Our vision has become one of being "Happier, Healthier and Safer" This change in vision has generated increased enthusiasm and changed people's mind-set around what is possible We have increased our learning from unplanned events and near misses and implemented improvements as a result This included implementing a policy for heavy goods vehicles to increase protection to other road users Skanska continues to be recognised as a leader in health and safety and our approach to technical, procedures and behaviours change ensures that we are continuously evaluating our performance and improving our position

We have during the year increased discussion, reporting and programmes on three key areas where we can make further improvements which will lead to increased performance these areas are occupational health, wellbeing and road safety

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 is the greenest company in the UK and has been shortlisted globally by the Financial Times for the Accelor Mittal Environment and Corporate Sustainability award This achievement demonstrates how embedded green initiatives are within our business and the level of commitment and interest held by our employees in the projects we work on

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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 setting a vision for 2015 and second through green construction 2013 continued our focus on green leadership, engagement and embedding sustainability into the mindset 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 develop a Skanska sustainability supply chain school, set up a Green Fund, skill-up employees in green and measure new green metrics The supply chain sustainability school continues to surpass all its targets and received further funding from government during 2013 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 with a green retrofit programme for our head office Our expertise and know-how in green construction continued to grow through 2013 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, Swedish Chamber of Commerce, Scottish Low Carbon Conference and BASE Engagement with our staff and supply chain to find improvements continued with a series of green awards that rewards positive behaviours Green Hard Hat, Green work Space and Green Solutions from the Supply Chain These were very successful and highlighted how they can support us and to share in our green journey and vision Progress against our green initiatives continually improves, with 96% of company cars being below 130gCO2/km in our green car policy, carbon footprint accuracy greatly improved and Environment Week growing to include our supply chain

2013 saw the start of our first "Deep Green" project in the UK - Bentley works in Doncaster is a Skanska owned and operated site

In 2013, 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 2013, Skanska UK concentrated on the new Green Strategic Indicators including Brand, Leadership, Competency and the four areas of the Color PaletteTM (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 led to Skanska UK president and CEO, Mike Putnam being asked to co-chair the Green Construction Board with MP Michael Fallon for a second term and help lead the industry to a low carbon future Senior management sit on sub-groups within the Green Construction Board and also present externally on our green credentials Skanska UK's executive team presented externally on green to a total of 4,450 people Internally senior management carry out environmental site inspections which demonstrates a visible committed leadership standpoint and embeds further the importance of sustainability

Competency - the competency of Skanska UK staff in green, has increased with approximately 580 senior staff completing green training to embed 'green thinking' in all disciplines and areas

Energy, carbon, materials and water - UK metrics for the Color PaletteTM were set for 2013 and have all been met except for energy which was in part due to the moving of the benchmark on energy through a change in legislation 83% of our projects are now categorised as green on the Skanska Color PaletteTM

Employees

We continue to place people at the heart of the business, implementing against the People Strategy which remains focused on creating an open and transparent environment where we have highly-engaged people who are skilled, trained, motivated, fit and well In our first acquisition for several years, we welcomed 1,200 new people to Skanska who joined us following the acquisition of Atkins' Highways Services business

People engagement

Our annual employee engagement staff survey (Skanska and You - SaY) once again showed an upward trend in all key indices, measuring progress towards our desired culture, and satisfaction with leadership

We introduced a new staff publication, 15 Minutes, designed to share news and features from right across Skanska UK with our employees

The Executive & Senior Management teams continued with their regular executive site safety tours, the agendas of which have been widened to focus our leaders on engaging people across additional areas such as ethics and general work satisfaction

We held our annual management meeting in London during November, which brought together nearly 200 of our managers to review progress against our business plan, and involved them in shaping the future direction of the company

Employee roadshows & meetings were held in all parts of the company, and we have increased our usage of the company intranet and social media platforms as employee communication tools

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 The Company is committed to training and management development, so as to ensure a supply of trained and skilled employees, and places on our new management development programme portfolio are in high demand

To reflect society at large, the areas in which we work, and our customer profile, the Company continues to focus on actions which it believes will help increase the diversity of its workforce in terms of educational and occupational background, gender and ethnicity The company believes that a key enabler to increasing diversity is to focus on creating an inclusive work environment As an example, our team building guidance has been updated to ensure that managers consider only those activities which can be engaged in by all members of the team We continued with the delivery of diversity and inclusion awareness sessions, and ran a fourth cohort of our Skanska Female Mentoring Programme, achieving our highest number of mentoring pairs We incorporated diversity and inclusion within our 'Skanska Way week', which is designed to put the spotlight on health and safety, environment and diversity and inclusion issues, and also to celebrate achievements in these areas

Learning and development
We have a stated global aspiration to be a leader in people development We have continued to run a comprehensive suite of training & development programmes, with a greater focus on coaching & mentoring to support the development of our people Our managers participate in a comprehensive range of UK development programmes, and programmes run by other parts of the Skanska group We expect every manager to agree with each of their team members a set of goals, which are regularly reviewed, and a development plan We have introduced a new performance management on-line system to assist in the recording and monitoring of these goals and plans

Skanska Employee Ownership Program (SEOP)
Our long-term share ownership programme ran again during 2013, the third year of a three-year investment programme approved by Skanska AB's shareholders to run for the period 2011-2013 This long-term share ownership programme is available to all permanent Skanska employees, giving them 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:

M L Galloway - Secretary

27th June 2014

Skanska UK Plc (Registered number 00784752)

Report of the directors
For The Year Ended 31st December 2013

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2013

Principal activity
The principal activity of the group in the year under review was that of Skanska UK is a construction services business with core activities in construction, civil engineering, utilities, infrastructure services, piling and ground engineering, design, mechanical and electrical works, hard and soft facilities management and residential construction We also develop our own projects by adding financing and development components to design and build projects
Our business model is to integrate our core disciplines to deliver project solutions across our chosen market sectors

Dividends
No dividends will be distributed for the year ended 31st December 2013

Directors
Directors' interests and transactions with directors
None of the directors at 31st December 2013 had any interests required to be disclosed under Section 182 Companies Act 2006 There were no changes in the directors' interests between 31st December 2013 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 £25,000 (2012 £25,000) and the Group made charitable donations of £35,000 (2012 £32,900) 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 2013 represented 28 days' purchases (2012 25 days)

Pensions
On an IAS 19 basis, the Group's defined benefit pension scheme showed a deficit of £19 3 million at 31st December 2013, compared with a £15 7 million deficit at the previous year end The increase in the deficit has been driven by changes in actuarial assumptions largely offset by a special contribution of £22 3 million made as part of an agreed deficit reduction plan Total contributions paid into the Skanska Pension Fund by the Company was £42 2 million

Goodwill
Goodwill of £13 1 million has arisen on the acquisition of the highways services contracts from WS Atkins Plc during the year
The directors are required to make an assessment of the carrying value of goodwill every year Accordingly, the directors have recalculated the likely long-term future cash-flows of this business as at 31st December 2013 and are satisfied that there is no impairment to the carrying value of goodwill as reflected in these accounts

Disclosure of information to auditors
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 aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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Report of the directors
For The Year Ended 31st December 2013

Auditors
The auditors , KPMG LLP will be proposed for re-appointment at the forthcoming Annual General Meeting

On behalf of the board:

M L Galloway - Secretary

27th June 2014

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Statement of directors' responsibilities
For The Year Ended 31st December 2013

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 auditors to the members of Skanska UK Plc

We have audited the financial statements of Skanska UK Plc for the year ended 31st December 2013 on pages 14 to 49 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 Auditors 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 Statement of Directors' Responsibilities set out on page twelve, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www frc org uk/apb/scope/private cfm

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 2013 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

Andrew Marshall (Senior Statutory Auditor)

27 June 2014

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants 15 Canada Square, London, E14 5GL

Skanska UK Plc (Registered number: 00784752)

Consolidated statement of profit or loss
For The Year Ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Continuing operations			
Revenue	2	1,120,676	1,092,326
Cost of sales		(999,552)	(952,909)
Gross profit		121,124	139,417
Administrative expenses		(84,865)	(100,926)
Share of profit of associate		3,772	3,072
Operating profit		40,031	41,563
Finance costs	4	(22,221)	(22,974)
Finance income	4	26,379	24,857
Profit before income tax	5	44,189	43,446
Income tax	6	(13,697)	(8,428)
Profit for the year		30,492	35,018
Profit attributable to Owners of the parent		30,492	35,018

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number. 00784752)

Consolidated statement of profit or loss and other comprehensive income
For The Year Ended 31st December 2013

	2013 £'000	2012 £'000
Profit for the year	30,492	35,018
Other comprehensive income		
Exchange difference	80	(90)
Net actuarial (loss)/gain on pension scheme	(29,792)	17,542
Employees share scheme	2,052	1,729
Income tax relating to items of other comprehensive income	5,977	(4,078)
Other comprehensive income for the year, net of income tax	(21,683)	15,103
Total comprehensive income for the year	8,809	50,121
Total comprehensive income attributable to Owners of the parent	8,809	50,121

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number. 00784752)

Consolidated statement of financial position
31st December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill	9	38,921	25,812
Intangible assets	10	6,087	-
Property, plant and equipment	11	21,289	16,366
Investment in associates	12	10,223	6,451
Investments	12	-	-
Deferred tax	23	11,673	14,230
		88,193	62,859
Current assets			
Inventories	13	35,968	25,745
Trade and other receivables	14	391,060	372,670
Tax receivable		4,466	500
Cash and cash equivalents	15	320,663	359,797
		752,157	758,712
Total assets		840,350	821,571
Equity			
Shareholders' equity			
Called up share capital	16	165,000	165,000
Retained earnings	17	92,671	83,862
Total equity		257,671	248,862
Liabilities			
Non-current liabilities			
Trade and other payables	18	1,047	1,372
Pension liability	24	19,254	15,679
Provisions	22	74,967	64,984
		95,268	82,035
Current liabilities			
Trade and other payables	18	483,474	490,674
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	3,937	-
		487,411	490,674
Total liabilities		582,679	572,709
Total equity and liabilities		840,350	821,571

The financial statements were approved by the Board of Directors on 27th June 2014 and were signed on its behalf by:

R F Bayliss - Director

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number. 00784752)

Company statement of financial position
31st December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill	9	-	-
Intangible assets	10	-	-
Property, plant and equipment	11	3,745	2,616
Investment in associates	12	-	-
Investments	12	54,759	54,759
Deferred tax	23	5,121	4,844
		63,625	62,219
Current assets			
Trade and other receivables	14	237,360	275,149
Tax receivable		11,893	5,545
Cash and cash equivalents	15	70,098	86,830
		319,351	367,524
Total assets		382,976	429,743
Equity			
Shareholders' equity			
Called up share capital	16	165,000	165,000
Retained earnings	17	(69,151)	(59,467)
Total equity		95,849	105,533
Liabilities			
Non-current liabilities			
Pension liability	24	20,773	15,982
Current liabilities			
Trade and other payables	18	266,354	308,228
Total liabilities		287,127	324,210
Total equity and liabilities		382,976	429,743

The financial statements were approved by the Board of Directors on 27th June 2014 and were signed on its behalf by

R F Bayliss - Director

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number. 00784752)

Consolidated statement of changes in equity
For The Year Ended 31st December 2013

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2012	165,000	33,741	198,741
Changes in equity			
Total comprehensive income	-	50,121	50,121
Balance at 31st December 2012	165,000	83,862	248,862
Changes in equity			
Total comprehensive income	-	8,809	8,809
Balance at 31st December 2013	165,000	92,671	257,671

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number. 00784752)

Company statement of changes in equity
For The Year Ended 31st December 2013

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2012	165,000	(72,587)	92,413
Changes in equity			
Total comprehensive income	-	13,120	13,120
Balance at 31st December 2012	165,000	(59,467)	105,533
Changes in equity			
Total comprehensive income	-	(9,684)	(9,684)
Balance at 31st December 2013	165,000	(69,151)	95,849

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number: 00784752)

Consolidated statement of cash flows
For The Year Ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	29	(12,786)	(26,483)
Tax paid		(8,242)	(9,346)
Net cash from operating activities		(21,028)	(35,829)
Cash flows from investing activities			
Purchase of tangible fixed assets		(5,657)	(5,339)
Sale of tangible fixed assets		203	310
Acquired division	32	(16,000)	-
Interest received		3,656	2,297
Net cash from investing activities		(17,798)	(2,732)
Cash flows from financing activities			
Capital repayments in year		(308)	-
Net cash from financing activities		(308)	-
Decrease in cash and cash equivalents		(39,134)	(38,561)
Cash and cash equivalents at beginning of year		359,797	398,358
Cash and cash equivalents at end of year		320,663	359,797

The notes on pages 22 to 49 form part of these financial statements

Skanska UK Plc (Registered number· 00784752)

Company statement of cash flows
For The Year Ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	29	(25,509)	28,545
Tax paid		(2,058)	(2,042)
Net cash from operating activities		(27,567)	26,503
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,735)	(1,926)
Sale of fixed asset investments		-	53
Interest received		3,198	1,727
Dividends received		10,372	9,059
Net cash from investing activities		10,835	8,913
(Decrease)/increase in cash and cash equivalents		(16,732)	35,416
Cash and cash equivalents at beginning of year		86,830	51,414
Cash and cash equivalents at end of year		70,098	86,830

The notes on pages 22 to 49 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 are listed in note 12 and the principal JCOs in note 31 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

Changes in accounting policies
The company adopted the following interpretations and amendments to standards with effect from 1st January 2013

IFRS 13 Fair Value Measurement
IAS 27 Investments in Associates and Joint Ventures

The adoption of these standards or interpretations did not have a material impact upon the financial statements

The company did not adopt new or amended IFRSs or interpretations The company does not expect new standards, amendments to standards and new interpretations that were published before the issuance of these financial statements to have a material effect on the Group's results

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

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

continued

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

continued

1 Accounting policies - continued

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

2 Segmental reporting

Geographical information

Revenue by geographical area	2013 £'000	2012 £'000
United Kingdom	1,119,241	1,090,136
Rest of Europe	1,435	2,190
	1,120,676	1,092,326

Profit before tax by geographical area		
United Kingdom	36,248	40,061
Rest of Europe	3,783	3,385
	40,031	43,446

Net assets by geographical area		
United Kingdom	253,219	236,546
Rest of Europe	12,573	12,316
	265,792	248,862

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

	2013 £'000	2012 £'000
Wages and salaries	202,703	185,553
Social security costs	21,579	19,669
Other pension costs	21,404	21,325
	245,686	226,547

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

	2013	2012
Construction	4,360	3,823

	2013 £	2012 £
Directors' remuneration	2,441,000	2,528,000

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

Defined benefit schemes	4	4

continued

3 Employees and directors - continued

Information regarding the highest paid director is as follows

	2013	2012
	£	£
Emoluments etc	668,000	668,000
Accrued pension at 31st December	102,000	100,000

4 Net finance income

	2013	2012
	£'000	£'000
Finance income		
Bank Interest	3,656	2,297
Expected return on pension scheme assets	22,723	22,560
	26,379	24,857
Finance costs		
Interest on pension scheme liabilities	22,221	22,974
Net finance income	4,158	1,883

5 Profit before income tax

The profit before income tax is stated after charging/(crediting)

	2013	2012
	£'000	£'000
Depreciation - owned assets	5,135	3,856
Profit on disposal of fixed assets	-	(293)
Other Intangible assets amortisation	1,249	1,628
Research and development	1,513	1,248
Hire of plant and machinery	16,655	14,974
Hire of Land and buildings	6,370	6,653

continued

6 Income tax

	2013 £'000	2012 £'000
Current Tax		
Current year	1,428	7,840
Adjustments in respect of the prior year	2,848	(2,002)
Total current tax charge	4,276	5,838
Deferred Tax		
Current year	7,633	746
Adjustments in respect of the prior year	(68)	(60)
Impact of change in corporate tax rate	1,856	1,905
	9,421	2,590
Total tax charge	13,697	8,428

Reconciliation of profits to total tax charge		
Profit before tax less associate profit	40,417	40,374
Profit before tax multiplied by standard rate of corporation tax in the UK 23 25% (2012 24%)	9,397	9,690
Expenses not deductible for tax purposes	807	(1,052)
Adjustment in respect of prior years	2,730	(2,062)
Change in rate	763	1,852
Total tax charge	13,697	8,428

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 £12,487,000 (2012 - £3,975,000)

8 Construction contracts

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

	2013 £'000	2012 £'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	5,488,420	4,985,350
Advances received	59,306	70,650
Retentions	24,013	23,837

continued

9 Goodwill

Group

	£'000
Cost	
At 1st January 2013	25,812
Additions	13,109
At 31st December 2013	38,921
Net book value	
At 31st December 2013	38,921
At 31st December 2012	25,812

At 31st December 2013, 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 10 0% for 2013 (2012 10 0%)

10 Intangible assets

Group

	Other Intangible assets £'000
Cost	
Additions	7,336
At 31st December 2013	7,336
Amortisation	
Amortisation for year	1,249
At 31st December 2013	1,249
Net book value	
At 31st December 2013	6,087

continued

11 Property, plant and equipment

Group

	Freehold property £'000	Long leasehold £'000	Plant and machinery £'000	Totals £'000
Cost				
At 1st January 2013	2,528	4,969	53,425	60,922
Additions	-	851	4,806	5,657
Disposals	-	(174)	(1,736)	(1,910)
Additions through business acquisition	-	-	4,604	4,604
At 31st December 2013	2,528	5,646	61,099	69,273
Depreciation				
At 1st January 2013	487	4,110	39,959	44,556
Charge for year	-	402	4,733	5,135
Eliminated on disposal	-	-	(1,707)	(1,707)
Reclassification/transfer	-	408	(408)	-
At 31st December 2013	487	4,920	42,577	47,984
Net book value				
At 31st December 2013	2,041	726	18,522	21,289
At 31st December 2012	2,041	859	13,466	16,366

Company

	Long leasehold £'000	Plant and machinery £'000	Totals £'000
Cost			
At 1st January 2013	4,353	10,979	15,332
Additions	851	1,884	2,735
At 31st December 2013	5,204	12,863	18,067
Depreciation			
At 1st January 2013	3,625	9,091	12,716
Charge for year	354	1,252	1,606
At 31st December 2013	3,979	10,343	14,322
Net book value			
At 31st December 2013	1,225	2,520	3,745
At 31st December 2012	728	1,888	2,616

continued

Notes to the consolidated financial statements - continued
For The Year Ended 31st December 2013

12 Investments

Group

	Interest in associate £'000
Cost	
At 1st January 2013	6,451
Share of profit	3,972
Exchange differences	(200)
At 31st December 2013	10,223
Net book value	
At 31st December 2013	10,223
At 31st December 2012	6,451

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

	2013 £'000	2012 £'000
Income statement of associate		
Revenue	93,433	69,792
Profit	3,772	3,072
Statement of financial position of associate		
Current assets	32,122	50,084
Current liabilities	(21,899)	(43,633)
Net assets	10,223	6,451
Total equity attributable to the equity holder	10,223	6,451

Company

	Shares in group undertakings £'000
Cost	
At 1st January 2013 and 31st December 2013	107,802
Provisions	
At 1st January 2013 and 31st December 2013	53,043
Net book value	
At 31st December 2013	54,759
At 31st December 2012	54,759

continued

12 **Investments - continued**

Company

Subsidiary

The following subsidiary undertakings all have construction as their principal activity (except where marked*, where the principal activity is to act as a holding company for employees' contracts, and where marked **, where the principal activity is to act as an investment company)

All companies country of registration is in England and Wales except Cementation Skanska Ireland ltd which is registered in Ireland and are 100% controlled by the company

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

Cementation Skanska Limited
Cementation Skanska Ireland Limited
Clark and Fenn Skanska Limited
Skanska Construction Services Limited**
Skanska Construction UK Limited
Skanska J V Projects Limited*
Skanska Major Projects Limited
Skanska Rashleigh Weatherfoil Limited*
Skanska Technology Limited
Skanska Utilities Limited*
Skanska Project Development Limited
SPDL (Monument) Ltd
SPD (Bentley) Ltd
66 Queen Square Ltd

continued

13 Inventories

	Group	
	2013	2012
	£'000	£'000
Stocks	8,761	6,733
Properties	27,207	19,012
	35,968	25,745

14 Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Current				
Trade debtors	95,545	119,817	15	-
Amounts owed by group undertakings	108,893	164,236	228,473	271,144
Amounts recoverable on contract	145,889	72,005	-	-
Other debtors	29,009	9,703	7,261	1,684
Prepayments and accrued income	11,724	6,909	1,611	2,321
	391,060	372,670	237,360	275,149

15 Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank accounts	320,663	359,797	70,098	86,830

16 Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £'000	2012 £'000
165,000,000	Ordinary	£1	165,000	165,000

continued

17 Reserves

Group

	Retained earnings £'000
At 1st January 2013	83,862
Profit for the year	30,492
Net actuarial loss on defined pension schemes	(23,815)
Exchange difference	80
Employee share award scheme	2,052
At 31st December 2013	92,671
Profit and loss account excluding pension liability	111,925
Pension deficit	(19,254)
Profit and loss account	92,671

Company

	Retained earnings £'000
At 1st January 2013	(59,467)
Profit for the year	12,487
Net actuarial loss on defined pension schemes	(24,223)
Employee share award scheme	2,052
At 31st December 2013	(69,151)
Profit and loss account excluding pension liability	(48,378)
Pension deficit	(20,773)
Profit and loss account	(69,151)

18 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Payments on account	92,155	94,748	-	3,070
Trade creditors	60,884	49,086	78	437
Amounts owed to group undertakings	20,579	72,480	246,235	285,428
Other creditors	64,062	51,356	13,279	10,921
Accruals and deferred income	245,794	223,004	6,762	8,372
	483,474	490,674	266,354	308,228

continued

18 Trade and other payables - continued

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Contractual obligation to pension scheme	1,047	1,372	-	-

19 Financial liabilities - borrowings

	Group	
	2013	2012
	£'000	£'000
Current		
Hire purchase contracts (see note 20)	3,937	-

Terms and debt repayment schedule

Group

	1 year or less
	£'000
Hire purchase contracts	3,937

20 Leasing agreements

Group

Minimum lease payments fall due as follows

	Hire purchase contracts	
	2013	2012
	£'000	£'000
Net obligations repayable		
Within one year	3,937	-

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 2013, the Group had cash and cash equivalents totalling £320,663,000 (2012 £359,797,000) and no debt Included in this total is £74,491,000 restricted cash held in JCOs (2012 £57,160,000)

Effective interest rates and maturity analysis

As at 31st December 2013, income-earning financial assets of the Group comprised cash and cash equivalents totalling £320,663,000 (2012 £359,797,000) and of the Company £70,098,000 (2012 £86,830,000), 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 2013, interest-bearing financial liabilities of the Company were £Nil (2012 £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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Loans and receivables				
Amounts due from customers for contract work	145,889	72,005	-	-
Trade receivables	95,545	119,817	15	-
Amounts owed by fellow group undertakings	108,893	164,236	228,473	271,144
Other receivables	29,009	9,703	7,261	1,684
Financial assets				
Cash and cash equivalents	320,663	359,797	70,098	86,829
Total financial assets	699,999	725,558	305,847	359,657
Financial liabilities				
Payments received on account	(92,155)	(94,748)	-	(3,070)
Trade payables	(60,884)	(49,086)	(78)	(437)
Amounts owed to fellow group undertakings	(20,579)	(72,480)	(246,235)	(285,428)
Other payables	(64,062)	(51,356)	(13,279)	(10,921)
Total financial liabilities	(237,680)	(267,670)	(259,592)	(299,856)

Sensitivity analysis

At 31st December 2013 and 31st December 2012, 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
2013				
At 1 January 2013	19,274	38,466	7,244	64,984
Released in year	(7,448)	(1,760)	(1,221)	(10,429)
Created in year	6,363	26,977	940	34,280
Utilised in year	(3,097)	(14,002)	(3,558)	(20,657)
On Acquisition	4,789	-	2,000	6,789
At 31 December 2013	19,881	49,681	5,405	74,967
2012				
At 1 January 2012	19,659	18,058	4,445	42,162
Released in year	(11,455)	(1,050)	(11,609)	(24,114)
Created in year	14,901	22,778	15,984	53,663
Utilised	(3,831)	(1,320)	(1,576)	(6,727)
At 31 December 2012	19,274	38,466	7,244	64,984

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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Accelerated Capital Allowances	1,201	1,530	609	674
Deferred tax on pension liability	4,065	4,011	4,154	3,711
Unrelieved trading losses	3,705	6,923	-	-
Other	2,702	1,766	358	460
	11,673	14,230	5,121	4,844

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Asset at start of period	14,230	20,899	4,844	8,465
Deferred tax movement in IS	(9,428)	(2,590)	(5,779)	(1,374)
On Acquisition	894	-	-	-
Deferred tax direct to equity	5,977	(4,079)	6,056	(7,247)
	11,673	14,230	5,121	4,844

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

(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 2013, 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 £42,151,000 (2012 £19,500,000) Ultimately the contributions are met by the particular group company for which the employees are working The Group expects to contribute approximately £30 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 2010 but uses a lower rate of return on assets to discount the scheme liabilities IAS 19 Employee Benefits requires that the yield assumption used in the calculation of the accrued liabilities be based on AA-rated corporate bond yields at the calculation date and does not reflect the actual investments held by the Trustee which are set out below

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

	2013	**2012**	**2011**	**2010**
	(%)	**(%)**	**(%)**	**(%)**
Inflation	3 40	2 75	3 00	3 00
Rate of increase of salaries	3 75	3 50	3 75	3 75
Rate of increase of pension	3 30	2 70	3 00	3 00
Rate of increase for deferred pension	2 25	2 25	3 00	3 00
Pre and post retirement rates to discount scheme liabilities	4 70	4 50	4 75	5 25

Life expectancy after age 65 is 24 years for men and 25 years for women (2012 22 years for men and 25 for women)

continued

The financial position of the fund based on the above assumptions

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme Liabilities	(514,423)	(453,582)	(433,736)	(383,004)
Scheme assets	493,650	437,600	405,500	385,300
Total (deficit)/surplus	(20,773)	(15,982)	28,236	2,296
Related deferred tax asset	6,056	3,711	7,130	(620)
Net pension(liability)/asset	(14,717)	(12,271)	(21,106)	1,676

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

	Valuation of assets 2013 £'000	Valuation of assets 2012 £'000	Expected return 2013 £'000	Expected return 2012 £'000
Equity	182,210	144,010	7 25	7 25
Government bonds	20,240	121,200	4 75	4 75
Cooperate bonds	177,210	106,380	4 75	4 75
Hedge funds	59,590	59,000	4 75	4 75
Cash	27,160	-	-	-
Infrasture assets	21,900	-	4 75	-
Other	5,340	7,010	4 75	4 75
Total	493,650	437,600	4 70	4 75

	2013 £'000	2012 £'000
Actual return on fund assets	32,787	30,320

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

	2013 £'000	2012 £'000
Current service cost	14,304	13,917
Employee contribution	(256)	(258)
Total operating charge	14,048	13,659

Analysis of the amount charged to Other Finance Cost

	2013 £'000	2012 £'000
Expected return on pension scheme assets	20,435	20,307
Interest on pension liabilities	(20,076)	20,506
Net finance return	**359**	**(199)**

continued

Notes to the consolidated financial statements - continued
For The Year Ended 31st December 2013

Analysis of amount recognised in Statement of Comprehensive Income

	2013 £'000	2012 £'000
Actual return less expected return on assets	12,352	10,013
Experience gains and losses on liabilities	5,090	2,772
Changes in assumptions	(47,721)	(3,122)
Actuarial loss recognised in statement of comprehensive income	**(30,279)**	**9,663**
Cumulative loss recognised in statement of comprehensive income	**(114,112)**	**(83,833)**

Movement in the present value of defined benefit obligation

	2013 £'000	2012 £'000
Present value of obligation 1st January	453,582	433,736
Service cost	14,304	13,917
Interest cost	20,076	20,506
Benefits paid	(16,170)	(14,927)
Actuarial losses	42,631	350
Obligation at 31st December	514,423	453,582

Changes in fair value of fund assets

	2013 £'000	2012 £'000
Fair value of plan assets, 1st January	437,600	405,500
Expected return on fund assets	20,435	20,307
Employer contribution	39,177	16,449
Member contribution	256	258
Benefits paid	(16,170)	(14,927)
Actuarial gains	12,352	10,013
Fair value at 31st December	493,650	437,600
Scheme (deficit)	(20,773)	(15,982)

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between expected and actual return on scheme assets	12,352	10,013	(7,010)	20,070
Percentage of scheme assets %	2 5	2 5	(1 7)	5 2
Experience gains and losses on scheme liabilities	(42,631)	(350)	(31,911)	12,870
Percentage of scheme liabilities %	(8 3)	(0)	(7 4)	3 4
Total amount recognised in statement of comprehensive income	(30,279)	9,663	(38,921)	21,768
Percentage of scheme liabilities	(5 9)	2 1	(9 0)	5 7

continued

Notes to the consolidated financial statements - continued
For The Year Ended 31st December 2013

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

	2013 £'000	2012 £'000
Total pension liability at 31st December	514,423	453,582
Estimated decrease in pension liability if discount rate increases by 0 25%	(26,130)	(23,405)
Estimated increase in pension liability if discount rate decreases by 0 25%	28,035	21,953
Estimated increase in pension liability if inflation rate increases by 0 25%	19,811	22,861
Estimated decrease in pension liability if inflation rate decreases by 0 25%	(21,650)	(21,545)

(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 2013, 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

	2013	2012	2011	2010
Inflation	3 25	2 75	2 90	3 40
Rate of increase of salaries	3 75	3 50	4 15	4 15
Rate of increase of pension	3 30	2 70	3 40	3 40
Pre-and post-retirement rate to discount scheme liabilities	4 75	4 50	4 40	5 30

Life expectancy after age 65 is 23 years (2012 22 years) for men and 26 years (2012 25 years) for women

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme liabilities	(40,724)	(36,246)	(39,009)	(29,688)
Scheme assets	42,243	36,549	31,621	27,141
Scheme surplus/(deficit)	1,519	303	(7,388)	(2,547)

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

	Valuation of assets 2013 £'000	Valuation of assets 2012 £'000	Expected return 2013 %PA	Expected return 2012 %PA
Equities	28,539	24,378	6 0	6 0
Government bonds	13,704	12,171	4 0	4 0
Total/Weighted returns	**42,243**	**36,549**	**5.3**	**5 3**

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

	2013 £'000	2012 £'000
Current service cost	2,443	2,200
Employee contribution	(380)	(380)
Total operating charge	2,063	1,820

Analysis of amount charged to Other Finance Cost

	2013 £'000	2012 £'000
Expected return on pension scheme assets	1,697	1,618
Interest on pension liabilities	(1,668)	(1,891)
Net finance return	29	(273)

Analysis of amount recognised in statement of comprehensive income

	2013 £'000	2012 £'000
Actual return less expected return on assets	2,176	1,893
Experience gains and losses on liabilities	481	2,024
Changes in assumptions	(2,007)	3,190
Actuarial gain recognised in statement of comprehensive income	650	7,107
Cumulative (loss) recognised in statement of comprehensive income	(3,133)	(3,783)

Movement in the present value of defined benefit obligation

	2013 £'000	2012 £'000
Present value of obligation, 1st January	36,246	39,009
Service cost	2,443	2,200
Interest cost	1,668	1,891
Benefits paid	(1,159)	(1,640)
Actuarial losses/(gains)	1,526	(5,214)
Closing balance, 31st December	40,724	36,246

Changes in the fair value of plan assets

	2013 £'000	2012 £'000
Fair value of plan assets, 1st January	36,549	31,621
Expected return on plan assets	1,697	1,618
Employer contributions	380	380
Benefits paid	(1,159)	(1,640)
Actuarial gains	2,176	1,893
Closing balance, 31st December	39,643	36,549

continued

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Amount (£'000)	2,176	1,893	(385)	1,918
Percentage of scheme assets	5%	6%	(1%)	7%
Experience gains and losses on scheme liabilities				
Amount (£'000)	869	5,214	(5,294)	43
Percentage of scheme liabilities	2%	13%	(14%)	-%
Total amount recognised in statement of comprehensive income				
Amount (£'000)	3,045	7,107	(5,679)	1,961
Percentage of scheme liabilities	8%	20%	(15%)	7%

(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 2013, 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

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

	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Inflation	3 25	2 75	3 00	3 00
Rate of increase of salaries	3 75	3 50	3 75	3 75
Rate of increase of pension	3 30	2 70	3 00	3 00
Rate of increase for deferred pensions	2 75	2 25	3 00	3 00
Pre-and post-retirement rate to discount scheme liabilities	4 75	4 50	4 75	5 00

Life expectancy after age 65 is 23 years (2011 22 years) for men and 26 years (2011 25 years) for women

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme liabilities	(12,764)	(10,796)	(10,953)	(11,198)
Scheme assets	14,575	13,549	12,911	12,032
Less asset ceiling provision	(1,811)	(2,753)	(1,958)	-
Pension surplus/(deficit)	-	-	-	834

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

	Valuation of assets 2013	Valuation of assets 2012	Expected return 2013	Expected return 2012
Equity	6,180	5,320	4 75	6 00
Bonds	8,111	7,440	4 75	6 00
Other assets (inc cash)	284	789	4 75	4 00
Total/Weighted returns	14,575	13,549	4 75	4 90

continued

Notes to the consolidated financial statements - continued
For The Year Ended 31st December 2013

Analysis of the amount charged to the Income Statement

	2013 £'000	2012 £'000
Current service cost	-	-

Analysis of amount charged to Other Finance Cost		
Expected return on pension scheme assets	591	635
Interest on pension liabilities	(477)	(577)
Net finance return	114	58

Analysis of amount recognised in statement of comprehensive income

	2013 £'000	2012 £'000
Actual return less expected return on assets	3,202	(100)
Changes in assumptions	(1,879)	489
Actuarial (loss)/gain recognised in statement of comprehensive income	1,323	389
Cumulative post acquisition gain recognised in statement of comprehensive income	2,807	1,484

Movement in the present value of defined benefit obligation

	2013 £'000	2012 £'000
Present value of obligation, 1st January	10,796	10,953
Interest cost	477	577
Benefits paid	(388)	(245)
Actuarial loss/(gains)	1,879	(489)
Closing balance, 31st December	12,764	10,796

Changes in the fair value of plan assets

	2013 £'000	2012 £'000
Fair value of plan assets, 1st January	10,796	10,953
Expected return on plan assets	591	635
Employer contributions	374	374
Benefits paid	(388)	(271)
Actuarial (losses)/gains	3,202	(100)
Provision for asset ceiling	(1,811)	(795)
Closing balance, 31st December	12,764	10,796

continued

History of experience gains and losses

	2013	2012	2011	2010
Difference between expected and actual return on scheme assets				
Amount (£'000)	3,202	(100)	462	486
Percentage of scheme assets	25%	(1%)	4%	4%
Experience gains and losses on scheme liabilities				
Amount (£'000)	(1,879)	489	160	(769)
Percentage of scheme liabilities	(15%)	5%	1%	(7%)
Total amount recognised in statement of comprehensive income				
Amount (£'000)	1,323	389	622	(283)
Percentage of scheme liabilities	10%	4%	6%	(3%)

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 £40,048,000 (2012 £21,355,000)

27 Capital commitments

	2013 £'000	2012 £'000
Contracted but not provided for in the financial statements	750	1,364

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

	2013 £'000	2012 £'000
Sales to fellow group undertaking	364,893	349,537
Management fee received from fellow group undertaking	65	700

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 movements in shareholders' funds

Group

	2013 £'000	2012 £'000
Profit for the financial year	30,492	35,018
Currency differences-Associate	128	95
Currency differences-foreign operations	(48)	(185)
Net actuarial (loss)/gain pension scheme	(29,792)	17,542
Tax (credit)/charge on the above	5,977	(4,078)
Employees share scheme	2,052	1,729
Net addition to shareholders' funds	8,809	50,121
Opening shareholders' funds	248,862	198,741
Closing shareholders' funds	257,671	248,862

Company

	2013 £'000	2012 £'000
Profit for the financial year	12,487	3,975
Net Actuarial (loss)/gain on pension scheme	(30,279)	9,663
Tax charge	6,056	(2,247)
Employee share scheme	2,052	1,729
Net (reduction)/addition to shareholders' funds	(9,684)	13,120
Opening shareholders' funds	105,533	92,413
Closing shareholders' funds	95,849	105,533

30 Reconciliation of profit before income tax to cash generated from operations

Group

	2013 £'000	2012 £'000
Profit before income tax	44,189	43,446
Depreciation charges	6,384	5,484
Profit on disposal of fixed assets	-	(293)
Increase in provisions	3,195	22,822
Employee ownership scheme	2,052	1,729
Finance costs	22,221	22,974
Finance income	(26,379)	(24,857)
	51,662	61,305
Share of profit of associate	(3,772)	(3,072)
Increase in inventories	(10,223)	(21,024)
Increase in trade and other receivables	(17,296)	(14,463)
Decrease in trade and other payables	(7,117)	(55,208)
Difference between pension charge and cash contributions	(26,040)	(4,021)
Cash generated from operations	(12,786)	(26,483)

continued

30 **Reconciliation of profit before income tax To cash generated from operations - continued**

Company

	2013 £'000	2012 £'000
Profit before income tax	13,976	5,038
Depreciation charges	1,606	1,184
Increase in investment provision	-	(1,466)
Employee share ownership	2,052	1,729
Finance costs	20,076	20,506
Finance income	(34,005)	(31,093)
	3,705	(4,102)
Decrease/(increase) in trade and other receivables	37,789	(80,842)
(Decrease)/increase in trade and other payables	(41,874)	116,279
Difference between pension charge and cash contributions	(25,129)	(2,790)
Cash generated from operations	(25,509)	28,545

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	1,10	Aker Solutions E&C Limited	50%
Balfour Beatty Skanska Joint Venture	1,7	Balfour Beatty Civil Engineering Limited	50%
Skanska Volker Rail P6 Joint Venture	1,8	VolkerRail UK 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	1,9	Franki Grondtechnieken BV	50%
Franki Cementation Joint Venture	1,9	Franki Grondtechnieken BV	50%
Skanska J.V. Projects Limited			
Costain Skanska Joint Venture	1,2	Costain Limited	50%
Costain Skanska Mowlem Joint Venture	1,2,5	Costain Limited and Mowlem Limited	30%
Costain Skanska Bachy Joint Venture	1,2,6	Costain Limited and Bachy Soletanche Limited	33%
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 86 Station Road, Redhill, Surrey, RH1 1PQ
8 Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX
9 Rederijweg 33, Oosterhout, 4906CX, Netherlands
10 Phoenix House, Surtees Business Park, Stockton on Tees, TS18 3HR

continued

32 Acquisition

During the year Skanska UK purchased a highways operations and maintenance business from Atkins for £18 million, of which £2 million is to be deferred and paid subject to future performance Goodwill of £13 1 million was capitalised which reflected that the acquisition gave the group access to a growing market, the expertise of employees and synergies On acquisition, £7 3 million was allocated to intangible assets in the form of contracts

Included in the group's results for 2013 relating to these contracts is revenue of £64 6 million and £0 4 million profit before tax If the acquisition had arisen on 1st January 2013, the Group's revenue would have increased by £178 million and profit before tax by £6 million

The net assets acquired on acquisition and the goodwill arising were as follows,

	Book Value at acquisition date	Fair value adjustments	Fair value of net assets at acquisition date
	£'000	£'000	£'000
Property, plant and equipment	4,604	-	4,604
Intangible assets	-	7,306	7,306
Deferred Tax	-	894	894
Non interest bearing assets	801	320	1,121
Interest bearing liabilities	(4,245)	-	(4,245)
Non interest bearing liabilities	-	(6,789)	(6,789)
Net assets	1,160	1,731	2,891
Consideration			(16,000)
Goodwill			13,109

continued

33 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