

REGISTERED NUMBER: 00937574 (England and Wales)

**Strategic Report, Directors' Report and  
Audited Financial Statements For The Year Ended 31st December 2016**  
**for**  
**Cementation Skanska Limited**



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For The Year Ended 31st December 2016**

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**Company Information**  
**For The Year Ended 31st December 2016**

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**Strategic Report  
For The Year Ended 31st December 2016**

The directors present their strategic report for the year ended 31st December 2016.

**Review of business**

The Company made an Operating profit of £4,885,000 in the year (2015: £2,009,000 operating profit). The company continued to invest in the business during the year to ensure that it continues to build upon its place in the foundations market.

**Transitioned from IFRS to FRS 101**

During the year the company transitioned from EU-adopted IFRS to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. There were no material recognition or measurement differences arising on the adoption of FRS 101.

**Principal risks and uncertainties**

The Company's principal risks and uncertainties are related to the contracts it undertakes to perform. Further details of the Company's principal uncertainties are provided in the notes to these report and accounts 'Judgements and key sources of estimation uncertainty'.

**Market & outlook**

Whilst the market conditions remain challenging, the Board considers that there is scope for development of the Company's activities. The Company is a vehicle for major construction projects and this work is expected to continue.

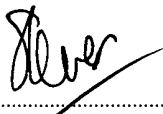
**Key performance indicators**

The Company's key performance indicators are revenue growth and operating margin. This is consistent with Skanska UK Plc and the other principal trading companies within the Group. In addition to these financial measures, the Company also adopts the following qualitative targets: "The 5 Zeros"; Zero loss-making projects, Zero environmental incidents, Zero work site accidents, Zero ethical breaches and Zero defects.

**The environment**

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

**By order of the board:**



.....  
S Leven - Secretary

Date: **02 OCT 2017**  
.....

**Cementation Skanska Limited (Registered number: 00937574)**

**Directors' Report  
For The Year Ended 31st December 2016**

The directors present their report with the financial statements of the Company for the year ended 31st December 2016.

**Principal activity**

The Company's principal activities are to carry out piling and foundation work, including ground engineering, which are sold into the market place.

**Dividends**

No Dividends were distributed for the years ending 31st December 2016 and 31st December 2015.

**Future developments**

Whilst the market conditions remain challenging, the Board considers that there is scope for development of the Company's activities.

**Directors**

The directors shown below have held office during the whole of the period from 1st January 2016 to the date of this report.

J M Dunbar

Other changes in directors holding office are as follows:

C Foley resigned to be a director on 1st June 2017.

J D Morris was appointed as a director on 1st June 2017.

None of the directors at 31st December 2016 had any interests required to be disclosed under Section 182 Companies Act 2006. There were no changes in the directors' interests between 31st December 2016 and the date of this report. No director during the year had a material interest in any contract significant to the Company's business.

**Directors indemnity provisions**

In accordance with the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as at the date of this report, the articles of association contained provisions for third-party qualifying indemnities where the Company had agreed to indemnify the directors in respect of losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company, and this was in force throughout the financial year ended 31st December 2016.

**Policy on payment of creditors**

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

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**Directors' Report**

**For The Year Ended 31st December 2016**

**Employment policies**

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

To reflect society at large, the areas in which the Company works, and its customer profile, the Company needs to increase the diversity of its workforce in terms of educational and occupational background, gender and ethnicity. Therefore, the Company is broadening its recruitment base by attaching greater importance to these issues. In addition, to provide encouragement, support and professional development for women, a new Skanska Female Mentoring Programme has started. Furthermore, the Skanska UK Group is in the process of setting up a Diversity Forum, to ensure a wide range of views on these topics are represented, encouraged, aired and responded to appropriately.

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

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

**Disabled employees**

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

**Going concern**

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

The Company participates in the Group's centralised treasury operations and so shares banking arrangements with its parent and fellow subsidiaries. The Directors, having assessed the responses of the Directors of the Company's parent, Skanska UK Plc, to their enquiries have no reason to doubt the ability of Skanska UK Plc to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Skanska UK Plc, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the Company's financial statements.

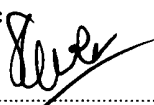
**Statement as to disclosure of information to auditor**

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

**Auditors**

During 2015, Skanska AB, the company's ultimate parent, decided to change its auditors in recognition of good governance. A number of firms were approached to tender for the audit and it has been recommended to the Board that Ernst & Young LLP be proposed as auditor of Skanska AB and its subsidiary companies. As a result of the tender, KPMG LLP's appointment expired on 26th July 2016 and the appointment of Ernst & Young LLP as the company's auditors was made on 13th October 2016 for the financial year ending 31 December 2016 at the company's AGM.

By order of the board:



S Leven - Secretary

Date: 02 OCT 2017

**Statement of Directors' Responsibilities  
For The Year Ended 31st December 2016**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Report of the Independent Auditors to the Members of Cementation Skanska Limited**

We have audited the financial statements of Cementation Skanska Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework."

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

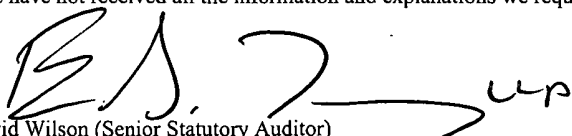
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

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

Date: 12 OCT 2017



**Cementation Skanska Limited (Registered number: 00937574)**

**Statement of Comprehensive Income  
For The Year Ended 31st December 2016**

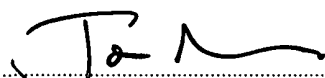
	Notes	2016 £'000	2015 £'000
<b>Turnover</b>	3	87,792	72,226
Cost of sales		<u>(74,848)</u>	<u>(62,430)</u>
<b>Gross profit</b>		12,944	9,796
Administrative expenses		<u>(8,059)</u>	<u>(7,787)</u>
<b>Operating profit</b>		4,885	2,009
Interest payable and similar expenses	5	<u>(55)</u>	<u>(193)</u>
<b>Profit before taxation</b>	6	4,830	1,816
Tax on profit	7	<u>(923)</u>	<u>(269)</u>
<b>Profit for the financial year</b>		3,907	1,547
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>3,907</u></u>	<u><u>1,547</u></u>

The notes on pages 10 to 17 form part of these financial statements

Statement of Financial Position  
31st December 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	9	11,285	10,844
<b>Current assets</b>			
Stocks	10	715	870
Debtors	11	26,255	29,100
Cash at bank		8,646	-
		<u>35,616</u>	<u>29,970</u>
<b>Creditors</b>			
Amounts falling due within one year	12	(26,713)	(24,412)
<b>Net current assets</b>		<u>8,903</u>	<u>5,558</u>
<b>Total assets less current liabilities</b>		<u>20,188</u>	<u>16,402</u>
<b>Provisions for liabilities</b>	14	(319)	(440)
<b>Net assets</b>		<u>19,869</u>	<u>15,962</u>
<b>Capital and reserves</b>			
Called up share capital	15	7,500	7,500
Retained earnings	16	12,369	8,462
<b>Shareholders' funds</b>		<u>19,869</u>	<u>15,962</u>

The financial statements were approved by the Board of Directors on 02 OCT 2017 and were signed on its behalf by:

  
J D Morris - Director

Cementation Skanska Limited (Registered number: 00937574)

**Statement of Changes in Equity  
For The Year Ended 31st December 2016**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1st January 2015</b>	7,500	6,915	14,415
<b>Changes in equity</b>			
Total comprehensive income	-	1,547	1,547
<b>Balance at 31st December 2015</b>	7,500	8,462	15,962
<b>Changes in equity</b>			
Total comprehensive income	-	3,907	3,907
<b>Balance at 31st December 2016</b>	7,500	12,369	19,869

The notes on pages 10 to 17 form part of these financial statements

**Notes to the Financial Statements  
For The Year Ended 31st December 2016**

**1. Statutory information**

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

The presentation currency of the financial statements is the Pound Sterling (£).

All values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

**2. Accounting policies**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and the Companies Act 2006.

The Company transitioned from EU adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.

The Company is a qualifying entity and therefore has taken advantage of disclosure exemptions. These financial statements contain information about the Company as an individual company.

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 39C, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

The results of the Company are included in the consolidated financial statements of Skanska UK Plc.

**Notes to the Financial Statements - continued**  
**For The Year Ended 31st December 2016**

**2. Accounting policies- continued**

**New standards and interpretations**

During the year the IASB issued a new standard, IFRS 16 Leases, which, if adopted by the EU, is not expected to have a significant impact on the Company. In addition, the IASB issued an interpretation, a number of supplements to standards and, within its work on annual improvements to IFRS standards, made adjustments to existing standards. None of these new elements is expected to have a material effect on the company's reporting.

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

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

**New standards and amendments of standards that have not yet begun to be applied**

The future standard IFRS 15 Revenue from Contracts with Customers mainly concerns how revenue from contracts with customers, excluding leases, is to be reported and how payment from customers is to be measured. If a customer contract contains more than one performance obligation, the price for each performance obligation is to be determined and the revenue recognised when the obligation has been satisfied, either over time or at a point in time. The standard will be applied with effect from January 1, 2018 and was adopted by the EU in October 2016. The company's customer contracts rarely include multiple performance obligations. Revenue from construction operations will continue to be recognised according to the percentage-of-completion method. The effect of the new standard on the company's revenue recognition is expected to be marginal.

IFRS 15 requires more detailed disclosures, however the company intends to implement the standard with full retrospective effect.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and will be applied with effect from January 1, 2018. The standard was adopted by the EU in November 2016. The standard is based more on principles than rules, and contains a new model for classification and measurement of financial instruments, a forward-looking impairment model and a revised approach to hedge accounting. In practice, the model for classification and measurement does not result in any significant changes compared with the current standard. The new impairment model means the standard will bring forward reserves for bad debts. The company's credit risk arising from trade accounts receivable is limited, since business relating to construction projects is invoiced on an ongoing basis during the course of the project. The effect on the company's financial reporting is expected to be marginal.

In January 2016, the IASB published the new standard IFRS 16 Leases, which, assuming it is adopted by the EU, will be applied with effect from January 1, 2019. In contrast to the present IAS 17 Leases, the standard means that, as lessee, the company's must report operating leases as well as finance leases in the statement of financial position, unless the lease is short-term or of low value. A preliminary estimate of the effect expects the new standard to be marginal.

**Turnover**

Turnover 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 company 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.

Stage of completion is measured by reference to costs incurred to date as a percentage of total costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

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

**Financial instruments**

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

**Notes to the Financial Statements - continued**  
**For The Year Ended 31st December 2016**

**2. Accounting policies - continued**

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

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

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

**Research and development**

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

**Employee benefit costs**

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

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

**Jointly controlled operations (jcos)**

Jointly controlled operations (JCOs) are those joint arrangements over which joint control exists, established by contractual agreement, which are not legal entities and where the parties have rights to the assets and obligations relating to the arrangement. Where a joint operation exists, then the Company records the assets it controls, the liabilities and expenses it incurs and its share of the income according to the terms of the arrangement.

**Foreign currency translation**

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

**Transactions and balances**

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

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

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant, and equipment, other than land, on a straight line basis over its expected useful life as follows:

P&E      3-10 years

Notes to the Financial Statements - continued  
For The Year Ended 31st December 2016

3. Turnover

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

An analysis of turnover by geographical market is given below:

	2016 £'000	2015 £'000
United Kingdom	84,493	70,002
Europe	3,299	2,224
	<u>87,792</u>	<u>72,226</u>

	2016 £'000	2015 £'000
Rendering of service	87,792	72,226
Finance revenue	-	-
Turnover from continued operations	<u>87,792</u>	<u>72,226</u>

No revenue was derived from exchange of goods or services (2015 :£nil)

4. Employees and directors

	2016 £'000	2015 £'000
Wages and salaries	18,266	13,608
Social security costs	1,502	1,618
Other pension costs	2,304	1,790
	<u>22,072</u>	<u>17,016</u>

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

	2016 £'000	2015 £'000
Management and administration	205	193
Technical	178	160
	<u>383</u>	<u>353</u>

	2016 £	2015 £
Directors' remuneration	<u>346,086</u>	<u>285,000</u>

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

	2016	2015
Defined benefit schemes	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	2016 £	2015 £
Emoluments etc	200,373	169,000
Accrued pension at 31st December 2016	<u>10,113</u>	<u>8,609</u>

Notes to the Financial Statements - continued  
For The Year Ended 31st December 2016

5. Interest payable and similar expenses

	2016	2015
	£'000	£'000
Bank interest	55	193

6. Profit before taxation

The profit before taxation is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation - owned assets	2,560	2,332
Profit on disposal of fixed assets	(471)	(168)
Auditors' remuneration	10	12

7. Taxation

Analysis of tax expense

	2016	2015
	£'000	£'000
Current tax:		
UK Corporation Tax current period	1,090	490
Adjustment in respect of prior period	(46)	(270)
Total current tax	1,044	220
Deferred tax:		
Deferred tax current period	(113)	(103)
Adjustment in respect of prior period	40	191
Change in tax rate	(48)	(39)
Total deferred tax	(121)	49
Total tax expense in statement of comprehensive income	923	269

Factors affecting the tax expense

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

	2016	2015
	£'000	£'000
Profit before income tax	4,830	1,816
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	966	368
Effects of:		
Expenses not deductible for tax purposes	11	6
Prior year adjustments	(6)	(79)
Change in tax rate	(48)	(26)
Tax expense	923	269

The UK corporation tax rate reduced from 21% to 20% from April 2015 and reduced to 19% from April 2017. The rate will reduce to 17% from April 2020. As at the balance sheet date the future tax rate reductions to 19% from April 2017 and to 17% from April 2020 have been substantively enacted and in accordance with Accounting Standards the impact of these reductions have been reflected in the financial statements as at 31st December 2016.



Notes to the Financial Statements - continued  
For The Year Ended 31st December 2016

8. Construction contracts

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

	2016	2015
	£'000	£'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	61,668	7,120
Retentions	40	176

9. Tangible fixed assets

	Plant and machinery £'000
<b>Cost</b>	
At 1st January 2016	36,420
Additions	3,315
Disposals	(9,479)
At 31st December 2016	30,256
<b>Depreciation</b>	
At 1st January 2016	25,576
Charge for year	2,560
Eliminated on disposal	(9,165)
At 31st December 2016	18,971
<b>Net book value</b>	
At 31st December 2016	11,285
At 31st December 2015	10,844

10. Stocks

	2016	2015
	£'000	£'000
Raw materials and consumables	715	870

11. Debtors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade debtors	8,007	7,418
Amounts owed by fellow undertakings	12,750	12,781
Amounts recoverable on contract	3,820	7,152
Other debtors	1,424	1,558
Prepayments and accrued income	254	191
	26,255	29,100

12. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loans and overdrafts (see note 13)	-	5,358
Payments on account	8,357	-
Trade creditors	3,569	9,060
Amounts owed to fellow group undertakings	830	703
Tax	1,044	220
Other creditors	2,226	-
Accruals and deferred income	10,687	9,071
	26,713	24,412

Notes to the Financial Statements - continued  
For The Year Ended 31st December 2016

13. Financial liabilities - borrowings

	2016 £'000	2015 £'000
Current:		
Bank overdrafts	-	5,358

14. Provisions for liabilities

	2016 £'000	2015 £'000
Deferred tax		
Accelerated capital allowances	319	447
Other timing differences	-	(7)
	<u>319</u>	<u>440</u>

	Deferred tax £'000
Balance at 1st January 2016	440
Credit to the income statement	(161)
Prior year adjustment	40
Balance at 31st December 2016	<u>319</u>

15. Called up share capital

Allotted, issued and fully paid:			2016 £	2015 £
Number:	Class:	Nominal value:		
7,500,000	Ordinary	£1	<u>7,500,000</u>	<u>7,500,000</u>

16. Reserves

	Retained earnings £'000
At 1st January 2016	8,462
Profit for the year	3,907
At 31st December 2016	<u>12,369</u>

17. Ultimate parent company

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

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

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

18. Contingent liabilities

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

**Notes to the Financial Statements - continued**  
**For The Year Ended 31st December 2016**

**19. Capital commitments**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Contracted but not provided for in the financial statements	-	225

**20. Jointly controlled operations**

The company 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 company are as follows:

<b>Name of JCO</b>	<b>Address</b>	<b>JCO Partner</b>	<b>Control</b>
Cementation Skanska Balfour Beatty Ground Engineering Joint Venture	1,2	Balfour Beatty Ground Engineering	50%
Cementation Skanska Zublin JV	1,3	Ed Zublin AG (UK Branch)	50%

**The addresses of these JCOs are as follows:**

**1** Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9SW

**2** Pavilion 2, Ashwood Park, Ashwood Way, Basingstoke, Hampshire, RG23 8BG

**3** Albstadtweg 1, 70567 Stuttgart, Germany

**21. Retirement benefit obligations**

**The Skanska Pension Fund**

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

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

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

**23. First year adoption**

The company transitioned from IFRS to FRS 101 for all periods. There was no material amendments in adaption of FRS 101.