Company No. 04624530

Skanska Infrastructure Investment UK Limited

Report and Financial Statements

For the year ended

31st December 2016

STRATEGIC REPORT

The directors have pleasure in submitting the strategic report together with the directors' report, the audited financial statements and the auditor's report for the year ended 31st December 2016.

PRINCIPAL ACTIVITIES

The company's principal activity has been to invest in projects and divest once the projects are operational and delivering the services. At the balance sheet date of these financial statements, the Company had divested its largest remaining investment, leaving only one investment on its books. The Directors of the Company are currently assessing the future direction of the Company in light of this divestment.

BUSINESS REVIEW

The Company divested one of its projects during 2016. It sold its shares and loans in Connect Plus (M25) Holdings Ltd and Connect Plus (M25) Intermediate Ltd to an external consortium.

FINANCIAL PERFORMANCE

Profit on ordinary activities before tax was £181.2 million (2015: £51.7 million). The principal reason for this increase was due to a profit on divestment of £183.3m from the sale of Connect Plus (M25) Holdings Ltd and Connect Plus (M25) Intermediate Ltd.

FINANCIAL POSITION

Total equity attributable to shareholders at the year end was £249.9 million (2015: £67.9 million).

MARKET AND OUTLOOK

The UK PFI/PPP market has been affected by cutbacks in the British government budget over recent years. However, opportunities are expected in the health, education, and other infrastructure sectors. The Directors are currently evaluating the future of the Company following the divestment of its holdings in Connect Plus (M25) Holdings Ltd and Connect Plus (M25) Intermediate Ltd. The Company is unlikely to make any further investments in the PFI / PPP markets going forward.

PRINCIPAL RISKS AND UNCERTAINTIES

The PFI business is largely about risk management. The ability to identify and manage these risks is crucial to the Company's success and is therefore an important prerequisite for achieving our strategic goals. Unforeseen risks may have a substantial adverse impact on earnings, which is why the Company's risk management system is of key importance.

Well implemented procedures for the identification and management of risks and opportunities during the tendering process lay the groundwork for successful projects. To ensure a systematic and uniform assessment of projects, the Company uses the Skanska AB Operational Risk Assessment (ORA) system for identifying and managing potential risks throughout the Skanska Group.

With the help of the ORA, Skanska evaluates projects continuously, from project selection through tender preparation to completion of the assignment, with regard to technical, commercial, legal and financial risks. The ORA also analyses a number of general public exposure issues, among them ethical, social and environmental aspects.

The ORA process means that tenders are prepared systematically and are analysed in the light of the core strengths of the Skanska Group's businesses, in terms of expertise, geographic market, contract type and size as well as availability of project resources. The core competencies have been mapped for each business. After completing a risk assessment, management will determine whether a tender should be submitted and how the identified risks can be limited or managed by means of specific measures.

The Company's risk management system does not imply avoidance of all risks, but instead aims at identifying, managing and pricing these risks. Further details of the Company's principal risks and uncertainties are provided in the sections on market and outlook above and in note 1 to this report and accounts 'Judgements and key sources of estimation uncertainty'. Financial risks are described in note 13, 'Financial Instruments'.

STRATEGIC REPORT (continued)

The Company is also following the Financial Policy for the Skanska Group issued by Skanska Financial Services. The purpose of the Financial Policy is to establish the overall financial objectives, the allocation of responsibilities and the limits for financial risks within the framework of the strategic and operative financial management of the Skanska Group, Skanska AB and the Business Units.

KEY PERFORMANCE INDICATORS

The company utilises a wide range of operational performance measures across its business activities. However, these are all activity or project specific. The company's directors do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

SUSTAINABILITY AND THE ENVIRONMENT

The Company acts in accordance with the Skanska Group Code of Conduct and this increasingly means acting in a sustainable and responsible manner to meet the long-term demands of the Skanska Group's shareholders, customers and employees, as well as society at large.

The Company is required to pursue policies that comply with the relevant legislation and standards applicable to its particular industries. The Company's Environmental Management System has gained the ISO 14001 accreditation.

GOING CONCERN

Notwithstanding the current ongoing evaluation of the future of the Company, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. As noted below, the company continues to receive support from its parent.

The Company is reliant on the continued support of its ultimate parent company, Skanska AB, which has confirmed that it is its present intention to provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due as well as not to seek repayment of intercompany debt for the foreseeable future, being at least one year from the date of approval of these financial statements.

On behalf of the Board

Paul Bannister
Director

14 December 2017

Registered office:
Maple Cross House,
Denham Way,
Maple Cross,
Rickmansworth,
Hertfordshire WD3 9SW
Registered in England
Registration number: 04624530

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements and auditor's report for the year ended 31st December 2016.

RESULTS AND DIVIDENDS

The results for the period are set out in the statement of comprehensive income on page 7. The directors recommend a payment of £160,000,000 in the form of dividends on the issued ordinary share capital of the Company in respect of the year ended 31st December 2016 (2015: £90m). The proposed dividend payment of £160,000,000 was declared on 31 January 2017 and paid on 7 February 2017.

DIRECTORS

The following persons were directors of the Company during the year and up until the date of approval of the financial statements:-
S J Cooper (resigned 02/03/2016)
H M Wilson
P A Bannister
C James
N A Doherty
JMN Rutland
SRT Beauchamp

There were no changes in the directors' interests between 31 December 2016 and the date of this report, other than those stated above. No directors during the year had a material interest in any contract significant to the Company's business.

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.

AUDITOR

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

On behalf of the Board

Paul Bannister
Director
14 December 2017

Registered office:
Maple Cross House,
Denham Way,
Maple Cross,
Rickmansworth,
Hertfordshire WD3 9SW
Registered in England
Registration number: 04624530

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the 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 IFRSs as adopted by the EU 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 those 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 whether applicable IFRSs as adopted by the EU have been followed subject to any material departures disclosed and explained in the financial statements; 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.

Independent Auditor's Report to the Members of Skanska Infrastructure Investment UK Limited

We have audited the financial statements of Skanska Infrastructure Investment UK 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, the Statement of Cash Flows and the related notes 1 to 17. 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.

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 Statement of Directors' Responsibilities 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 Annual 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 31st December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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.

Ernst + Young LLP

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

Date: 15 December 2017

Statement of comprehensive income for the year ended 31st December 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	1,625	1,353
Cost of sales		(10,095)	(2,206)
Gross loss		(8,470)	(853)
Net other operating and administrative expenses		(1,869)	(2,351)
Profit on sale of investments	10	183,261	39,923
Operating profit	3	172,922	36,719
Finance income	6	7,594	13,316
Finance costs	7	(1,801)	(2,523)
Other income	8	2,434	4,213
Profit before tax on continuing activities		**181,149**	**51,725**
Tax credit / (charge)	9	910	(1,537)
Profit for the year		**182,059**	**50,188**
Other Comprehensive income		-	-
Total Comprehensive income for the year		**182,059**	**50,188**

All results are derived from continuing operations.

The notes on pages 11 to 18 form an integral part of these financial statements.

Statement of financial position at 31st December 2016

	Notes	2016 £'000	2015 £'000
Non- current assets			
Investments	10	899	79,695
Current assets			
Trade and other receivables	11	343,934	82,906
Accrued interest receivable from joint ventures and associates		1,243	7,306
		345,177	90,212
Total assets		346,076	169,907
Current liabilities			
Trade and other payables	12	(95,500)	(98,359)
Corporation tax		(627)	(3,658)
Total liabilities		(96,127)	(102,017)
Net assets		**249,949**	**67,890**
Equity			
Called up share capital	15	100	100
Retained earnings		249,849	67,790
Equity shareholder's funds		**249,949**	**67,890**

The notes on pages 11 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 14 December 2017 and signed on its behalf by:

Paul Bannister
Director

Statement of changes in equity
For the year ended 31st December 2016

	Notes	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 31st December 2014		**100**	**107,602**	**107,702**
Total Comprehensive Income		-	50,188	50,188
Dividends paid during the year to Parent Undertaking		-	(90,000)	(90,000)
Balance at 31st December 2015		**100**	**67,790**	**67,890**
Total Comprehensive Income		-	182,059	182,059
Balance at 31st December 2016		**100**	**249,849**	**249,949**

The notes on pages 11 to 18 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31st December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit before tax	181,149	51,725
Adjustments for:		
Finance income	(7,594)	(13,316)
Finance costs	1,801	2,523
Dividend income	(2,434)	(4,213)
Profit on sale of investments including transaction costs	(186,079)	(39,923)
Increase in trade and other receivables	(123)	(3,890)
Increase in trade and other payables	2,554	152
Cash used in operations	**(10,726)**	**(6,942)**
Income taxes paid	(2,121)	(2,345)
Net cash flows from operating activities	**(12,847)**	**(9,287)**
Cash flows from investing activities		
Proceeds from sale of investments	-	80,000
Finance income received	13,657	13,316
Dividends received	2,434	4,213
Loans to joint venture companies	-	16
Repayment of loans from joint venture companies	607	273
Net cash flows from investing activities	**16,698**	**97,818**
Cash flows from financing activities		
Movements in inter-company balances	(1,188)	3,992
Finance costs paid	(2,663)	(2,523)
Dividend to Parent Company	-	(90,000)
Net cash flows from financing activities	**(3,851)**	**(88,531)**
Net movement in cash	-	-
Cash at the beginning of the year	-	-
Cash at the end of the year	-	-

The notes on pages 11 to 18 form an integral part of these financial statements.

Notes to the financial statements

Statutory Information
Skanska Infrastructure Investment UK Limited is a private company limited by shares, incorporated, registered and domiciled in England and Wales. The Company's registered office address is Maple Cross House, Denham Way, Maple Cross, Rickmansworth, WD3 9SW. The financial statements are presented in pounds sterling (rounded to the nearest thousand), being the functional currency of the company. The financial statements are presented in pounds sterling (rounded to the nearest thousand), being the functional currency of the company

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently in the current year and the preceding year is set out below.

(a) Accounting conventions
The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee and its predecessor the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU.

(b) 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 or 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 1 January 2018 and was adopted by the EU in October 2016.

IFRS 15 requires more detailed disclosures, however is not expected to have a significant impact on the company.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and will be applied with effect from 1 January 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. The effect on the company's financial reporting is expected to be marginal.

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

Notes to the financial statements (continued)

1. Accounting Policies (continued)

(c) Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of Skanska AB. These financial statements present information about the Company as an individual undertaking and not about its group.

Notwithstanding the current ongoing evaluation of the future of the Company, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. As noted below the Company continues to receive support from its parent.

The Company is reliant on the continued support of its ultimate parent company, Skanska AB, which has confirmed that it is its present intention to provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due as well as not to seek repayment of intercompany debt for the foreseeable future, being at least one year from the date of approval of these financial statements.

(d) Revenue and profit

Revenue is recognised at the financial completion of Private Finance Initiative ("PFI") arrangements, when management fees and cost re-imbursements become payable. Where the company has a separate agreement to be paid for its work, regardless of a specific project's outcome, income is accrued as services are provided. Profit arising from the divestment of the company's investments is recognised when substantially all of the risks and rewards of ownership have transferred to the buyer.

(e) Pre-contract costs

Costs associated with bidding for projects are written off as incurred. Once the Company has secured preferred bidder status and it is probable that the contract will be awarded, attributable costs incurred from this point are capitalised in the statement of financial position.

(f) Non- current assets - investments

Investments are stated at cost less impairment.

(g) Related party transactions

The Company is a wholly owned subsidiary of Skanska AB, and undertakes transactions with related parties within the Skanska AB group of companies. These transactions include management charges for services provided and received and amounts payable to group undertakings. Details of the parent company are disclosed in note 17.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Trade receivables and other receivables do not carry any interest and are stated at their invoiced value, reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables on normal terms are not interest bearing and are stated at their invoiced value.

(i) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(j) 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 on 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 (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Notes to the financial statements (continued)

1. Accounting Policies (continued)

(k) Judgements and key sources of estimation uncertainty
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 the impairment of investments.

2. Revenue

The directors are of the opinion that revenue represents one class of business which is the rendering of services to privately financed infrastructure projects. The turnover arises wholly within the United Kingdom.

3. Operating profit

Auditor's remuneration for the year was £21,480 (2015: £13,992).

4. Staff numbers and costs

There were no employees in the year (2015: nil).

All staff costs during both current and prior years were incurred by the fellow subsidiaries of the ultimate parent company.

5. Directors' remuneration

Two of the Directors received remuneration in respect of their qualifying services provided to the Company during the year.

The remuneration of the Directors in respect of their qualifying services to the Company was £96,000 (2015: £257,000).

The emoluments of the highest paid director were £63,000 (2015: £133,000) and the Company made pension contributions of £4,000 (2015: £42,000).

The number of directors who were members of The Skanska Pension Fund scheme was 6 (2015: 7).

6. Finance income

	2016 £'000	**2015 £'000**
Interest receivable from joint ventures	7,332	12,625
Commitment fees from joint ventures	-	6
Interest receivable from group undertakings	262	685
	7,594	13,316

7. Finance costs

	2016 £'000	2015 £'000
Interest payable to group undertakings	(1,801)	(2,523)

8. Other income

	2016 £'000	2015 £'000
Dividends received from investments	2,434	4,213

9. Corporation tax

Analysis of tax credit / (charge) in year	**2016 £'000**	**2015 £'000**
Current tax		
UK Corporation Tax credit / (charge) on profit for the year at 20% (2015:20.25%)	910	(1,537)
Total tax credit / (charge)	910	(1,537)

The tax credit / (charge) for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). It is explained below.

	2016 £'000	**2015 £'000**
Current tax reconciliation		
Profit on ordinary activities before tax	181,149	51,725
Current tax at 20% (2015:20.25%)	(36,230)	(10,474)
Effects of:		
Profit on disposal of investments	36,652	8,084
Dividends received	488	853
Total tax credit / (charge) for year	910	(1,537)

9. Corporation tax (continued)

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 deductions 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 31 December 2016.

10. Investments

	Shares at cost	Loans to joint venture companies	Total
	£'000	£'000	£'000
As at 1st January 2016	-	79,695	79,695
Disposal of sub-debt during the year	-	(78,796)	(78,796)
At 31st December 2016	-	899	899

In the opinion of the directors the aggregate value of investments is not less than that shown in the balance sheet.

The Company disposed of its investment in Connect Plus (M25) Holdings Limited and Connect Plus (M25) Intermediate Limited for £264.3 million on 30 December 2016, on which it realised a profit of £183.3 million. In 2015 the Company disposed of its investment in Capital Hospitals (Holdings) Limited for £80.0 million, on which it realised a profit of £39.9 million.

The company owned investments in the following companies at the year end:

	Percentage held	Nature of business	Country of registration
Skanska RM PSP Limited	87.5%	Project Company	England and Wales

The principal activity of Skanska RM PSP Limited is the development of education and schools projects in the Essex area.

Notes to the financial statements (continued)

11 Trade and other receivables

	2016 £'000	2015 £'000
Due from group undertakings – interest bearing	79,259	82,621
Accrued income	264,675	285
	343,934	82,906

The interest bearing amount due from group undertakings includes an amount receivable from Skanska Financial Services AB of £79,259,099 (2015: £82,621,022) in relation to a UK cash pool account, which bears interest at a variable rate. In 2016 the interest rate was 0.6% (2015: 0.6%).

12. Trade and other payables

	2016 £'000	2015 £'000
Due to group undertakings – non interest bearing	14,526	18,487
Other payables	2,747	194
Due to group undertakings – interest bearing	78,227	79,678
	95,500	98,359

The interest bearing amount due to group undertakings includes various loans from Skanska Financial Services AB totalling £78,226,897 (2015: £78,777,965). These loans accrue interest at a variable rate, based on LIBOR, and are all payable within one year.

13. Financial Instruments

Exposure to credit, interest rate and liquidity risks arises in the normal course of 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 contracts. Every joint investor in a project is required to provide a letter of credit to support its obligations prior to financial close unless payment is made at financial close. The maximum exposure to credit risk is represented by the carrying amount of trade and other receivables. Details of these items are included within note 11.

Interest rate risk

The Company does not seek to reduce exposure to fluctuations in interest rates through the use of derivative financial instruments. At 31 December 2016, the Company has interest bearing loans receivable of £79,259,099 (2015: £82,621,022) and payable of £78,226,897 (2015: £78,777,965) in relation to a UK cash pool account, which bears interest at a variable rate. At 31 December 2016, it is estimated that a general rise of one percentage in interest rates would have a positive impact on profit before tax and equity of £10,332 (2015: positive impact of £38,431).

Liquidity risk

The Company 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.

Fair values

The carrying amounts shown in the balance sheet for trade and other receivables, cash and cash equivalents and trade and other payables are not considered to be materially different from their fair values. Details of these items are included within notes 11 and 12.

14. Dividends to Parent Company

	2016 £'000	2015 £'000
Dividends paid to Parent Company 2016: £nil (2015: £900) per ordinary share	-	90,000

15. Share capital

	2016 £'000	2015 £'000
Allotted, authorised, called up and fully paid:		
100,000 ordinary shares of £1 each	100	100

16. Related Party transactions

Transactions between the Company and fellow group undertakings are detailed below. Balances with other group undertakings are disclosed in notes 11 and 12. By virtue of its equity investment in PFI project companies, the company is also a related party to the project companies outlined in note 10. Transactions with these parties are included within notes 6, 8, 10 and 11, and are also detailed below.

	Transaction values 2016 £'000	Transaction values 2015 £'000	Balance as at 2016 £'000	Balance as at 2015 £'000
Parent				
Management charges	509	568	-	-
Other group undertakings				
Purchase of services	8,507	-	8,507	-
Loan and related interest receivable	262	685	79,259	82,621
Loan, trading balances and related interest payable	1,801	2,523	84,246	98,165
Sale of investments	-	80,000	-	-
Joint ventures				
Sale of services	1,625	1,352	112	285
Loan trading balances and related interest/fees receivable	7,332	12,631	1,243	7,306
Dividends received	2,434	4,213	-	-

Notes to the financial statements (continued)

17. Ultimate Parent Company

Skanska Infrastructure Development AB, a company incorporated in Sweden is the Company's 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 AB financial statements can be obtained from Skanska UK plc at Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9SW.