

REGISTERED NUMBER: 07283010 (England and Wales)

Directors' Report and Financial Statements

For the year ended 31st December 2020

For

Skanska Residential Development UK Limited



**Contents of the Financial Statements
For the year ended 31st December 2020**

	Page
Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Independent Auditor's Report	4
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9

Skanska Residential Development UK Limited (Registered number: 07283010)

Company information

Directors

C K K Gangotra
C R Lowe

Secretary

S Leven

Registered office

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

Registered number

07283010

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Directors' Report

The directors present their report with the financial statements of the company for the year ended 31st December 2020.

Principal activity and future developments

The company's principal activity is the management of warranty/defects issues in connection with its residential developments, all of which were completed and sold by 31 December 2014. The company will continue to operate until the warranty period has elapsed.

Review of business

The company made an operating profit in the year of £7,000 (2019: operating loss of £8,000).

Market and outlook

The company has no plans to break ground on any future developments of its own for the foreseeable future.

Principal risks and uncertainties

The company's principal risks and uncertainties are related to residential developments undertaken historically, for which provisions have been made.

Directors

The directors who have held office during the year under review and up to the date of this report are as follows:

C K K Gangotra

H K Martin – Resignation 05/01/2021

C R Lowe – Appointed 05/01/2021

Going Concern

The directors have undertaken a detailed assessment of the company's ability to continue as a going concern for the period up to 31 December 2022 ('the going concern review period'). That assessment has taken into consideration: the current financial position of the company; a detailed review of the company's forecast cashflows for the foreseeable future; sensitivities to the key assumptions in the forecast cashflows; and the principal risks and uncertainties facing the company including the impact of COVID-19 on the company. The directors have considered the impact of COVID-19 on the business and note that the principal impact has been on the ability of the company to rectify agreed warranty / defects issues at its former residential developments given the lockdown/ social distancing restrictions issued by the UK government. The directors believe that once these restrictions are withdrawn, the company will continue to be able to meet its warranty and defect rectification obligations in a satisfactory manner.

Following this assessment, the directors are confident that the company will be able to meet its liabilities as they fall due and continue in operational existence for the going concern review period.

Accordingly, the directors continue to adopt the going concern basis in preparing the company's financial statements.

Strategic report


The company has taken the exemption under S414B of the Companies Act 2006 from the requirement to prepare a strategic report for the financial year.

Statement as to disclosure of information to the 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.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board:


C K K Gangotra - Director

Date: 13 August 2021

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare 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 those 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.

Independent Auditor's Report to the Members of Skanska Residential Development UK Limited

Opinion

We have audited the financial statements of Skanska Residential Development UK Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Independent Auditor's Report to the Members of Skanska Residential Development UK Limited (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (the Companies Act 2006 and United Kingdom Accounting Standards including FRS101 'Reduced Disclosure Framework'); as well as Health and Safety legislation; Building Regulations and the relevant direct and indirect tax compliance regulation in the UK.

- We understood how the company is complying with those frameworks by making enquiries of management to understand how the company maintains its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also obtained and read correspondence with relevant authorities, where applicable.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming the valuation of the warranty / defects provision to be a significant risk. In response, we performed audit procedures including: incorporating data analytics into our testing of manual journals; and assessing the appropriateness of key assumptions utilised to derive the warranty/defects provision via; analysis of the nature and costs of works undertaken to date; inspection of correspondence in relation to issues identified; as well as consideration of management's forecast rectification spend and the impact of discounting.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: inquiries of senior management, and where applicable, those charged with governance; review of board minutes; review of warranty / defects claims correspondence with residential homeowners; testing journals identified by specific risk criteria; and obtaining written representations from the directors of the company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

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

Date: 13 August 2021

Statement of Comprehensive Income
For the year ended 31st December 2020

		2020	2019
	Notes	£'000	£'000
Revenue		--	--
Cost of sales		<u>11</u>	<u>--</u>
Gross profit/result		11	--
Administrative expenses		<u>(4)</u>	<u>(8)</u>
Operating profit/(loss)		7	(8)
Interest receivable and similar income	4	15	44
Interest payable and similar expenses	5	<u>(11)</u>	<u>(21)</u>
Profit before taxation	6	11	15
Tax on profit	7	<u>(5)</u>	<u>(2)</u>
Profit for the financial year		6	13
Other comprehensive income		<u>--</u>	<u>--</u>
Total comprehensive income for the year		<u><u>6</u></u>	<u><u>13</u></u>

The notes on pages 9 to 12 form part of these financial statements.

Skanska Residential Development UK Limited (Registered number: 07283010)


**Statement of Financial Position
As at 31 December 2020**

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	8	26	32
Cash at bank		4,258	5,625
		4,284	5,657
Creditors			
Creditors: amounts falling due within one year	9	(13)	(737)
Net current assets		4,271	4,920
Total assets less current liabilities		4,271	4,920
Creditors			
Provision for liabilities	10	(1,121)	(1,776)
Net assets		3,150	3,144
Capital and reserves			
Called up share capital	11	5,000	5,000
Retained deficit		(1,850)	(1,856)
Shareholder's funds		3,150	3,144

The notes on pages 9 to 12 form part of these financial statements.

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the board of directors on 13 August 2021 and were signed on its behalf by:



C K K Gangotra - Director

Statement of Changes in Equity
For the year ended 31 December 2020

	Called up share capital	Retained deficit	Total equity
	£'000	£'000	£'000
Balance at 1st January 2019	5,000	(1,869)	3,131
Changes in equity			
Profit for the year	--	13	13
Other comprehensive income for the year	--	--	--
Balance at 31st December 2019	<u>5,000</u>	<u>(1,856)</u>	<u>3,144</u>
Changes in equity			
Profit for the year	--	6	6
Other comprehensive income for the year	--	--	--
Balance at 31st December 2020	<u><u>5,000</u></u>	<u><u>(1,850)</u></u>	<u><u>3,150</u></u>

The notes on pages 9 to 12 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31st December 2020

1. Statutory information

Skanska Residential Development UK Limited is a private company, limited by shares, incorporated, registered 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" in accordance with applicable accounting standards and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirement of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Taxation

UK corporation tax is provided at amounts expected to be paid or recovered, using the tax rates and laws enacted or substantively enacted by the statement of financial position date.

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.

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Trade receivables and other receivables do not attract any interest and are stated at their invoiced value, reduced by appropriate allowances for estimated unrecoverable amounts. Overdrafts are stated at their amortised cost using the effective interest rate. Trade payables on normal terms are not interest bearing and are stated at their invoiced value.

Going Concern

The directors have undertaken a detailed assessment of the company's ability to continue as a going concern for the period up to 31 December 2022 ('the going concern review period'). That assessment has taken into consideration: the current financial position of the company; a detailed review of the company's forecast cashflows for the foreseeable future; sensitivities to the key assumptions in the forecast cashflows; and the principal risks and uncertainties facing the company including the impact of COVID-19 on the company.

The directors have considered the impact of COVID-19 on the business and note that the principal impact has been on the ability of the company to rectify agreed warranty / defects issues at its former residential developments given the lockdown/ social distancing restrictions issued by the UK government. The directors believe that once these restrictions are withdrawn, the company will continue to be able to meet its warranty and defect rectification obligations in a satisfactory manner.

Following this assessment, the directors are confident that the company will be able to meet its liabilities as they fall due and continue in operational existence for the going concern review period.

Accordingly, the directors continue to adopt the going concern basis in preparing the company's financial statements.

Notes to the Financial Statements (continued)
For the year ended 31st December 2020

3. Employees and directors

The company has no employees and hence there were no staff costs for the year ended 31st December 2020 (2019: £nil). The Directors did not receive any remuneration during the year in respect of their services provided to the company (2019: £nil). The Directors were remunerated by other Skanska Group companies for their services provided to those entities.

4. Interest receivable and similar income

	2020 £'000	2019 £'000
Bank interest	<u>15</u>	<u>44</u>

5. Interest payable and similar expenses

	2020 £'000	2019 £'000
Unwinding of discount on provisions (note 10)	<u>11</u>	<u>21</u>

6. Profit before taxation

The profit before taxation is stated after charging:

	2020 £'000	2019 £'000
Auditor's remuneration	<u>4</u>	<u>7</u>

7. Taxation

Analysis of tax charge:

	2020 £'000	2019 £'000
Current tax:		
UK Corporation tax current year	2	3
Adjustment in respect of prior year	3	(1)
Total tax charge in statement of comprehensive income	<u>5</u>	<u>2</u>

Factors affecting the total tax charge

The tax assessed for the year is higher than (2019: is lower than) the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before income tax	<u>11</u>	<u>15</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	2	3
Effects of:		
Adjustment to tax charge in respect of prior period	3	(1)
Total tax charge	<u>5</u>	<u>2</u>

Notes to the Financial Statements (continued)
For the year ended 31st December 2020

7. Taxation (continued)

Changes in corporation tax rate

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date.

8. Debtors: amounts falling due within one year

	2020 £'000	2019 £'000
Other debtors	<u>26</u>	<u>32</u>

9. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	--	606
Tax creditor	5	2
Accruals and deferred income	<u>8</u>	<u>129</u>
	<u>13</u>	<u>737</u>

10. Provision for liabilities

	2020 £'000
	Warranty/ defects provision
As at 1st January 2020	1,776
Utilised	(655)
Addition	708
Released	(719)
Unwinding of discounting	<u>11</u>
As at 31st December 2020	<u>1,121</u>

A provision is recognised for warranty/ defects claims in relation to residential development sales in 2013/2014, for which the company has contractual warranty obligations up to 2026. With known issues, most of the provision is expected to be utilised over the next 4 years.

Notes to the Financial Statements (continued)
For the year ended 31st December 2020

11. Called up share capital

Authorised, allotted, issued and fully paid

Number	Class	Nominal value	2020 £'000	2019 £'000
5,000,000	Ordinary	£1.00	<u>5,000</u>	<u>5,000</u>

12. Ultimate parent company

Skanska Kraft AB is the company's immediate 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 Skanska AB financial statements can be obtained from Skanska UK Plc at Maple Cross House, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9SW.