

# **Skanska Major Projects Limited**

## **Report and Financial Statements**

**for the year ended**

**31<sup>st</sup> December 2005**



# **Skanska Major Projects Limited**

## **DIRECTORS' REPORT**

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31<sup>st</sup> December 2005.

## **PRINCIPAL ACTIVITIES**

The Company's principal activities are the provision of construction and engineering services.

## **BUSINESS REVIEW**

Skanska Major Projects Limited is a vehicle for major construction projects and this work is expected to continue.

## **ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As disclosed in Note 1, these financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("Adopted IFRSs"). Note 1 also sets out details of significant accounting policies under IFRS. Note 25 sets out the presentational changes arising from the adoption of IFRS. The date of transition to IFRS was 1<sup>st</sup> January 2004.

## **RESULTS AND DIVIDENDS**

The results for the year are set out in the Income Statement on page 6. The retained profit for the year of £891,000 (2004: Loss £2,714,000) has been transferred to reserves.

The directors do not propose to recommend the payment of a dividend on the issued ordinary share capital in respect of the year ended 31<sup>st</sup> December 2005 (2004: £nil).

## **DIRECTORS**

The following persons were directors of the Company during the year:-

D G Fison

P I Carré

I W Luke

W J Hocking

C N Pollard (Appointed 13<sup>th</sup> October 2005)

R S Shed (Appointed 13<sup>th</sup> October 2005)

None of the directors at 31<sup>st</sup> December 2005 had any interests requiring to be disclosed under the Companies Act 1985. There were no changes in the directors' interests between 31<sup>st</sup> December 2005, and the date of this report. No directors during the year had a material interest in any contract significant to the Company's business.

# **Skanska Major Projects Limited**

## **DIRECTORS' REPORT (continued)**

### **DIRECTORS INDEMNITY PROVISIONS**

In April 2005 the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 which amended the provisions of sections 309-310 of the Companies Act 1985 came into effect. As at the date of this report, the articles of association contain indemnities where the Company has 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 31<sup>st</sup> December 2005.

### **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.

The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirements of the Companies Act is 51 days (2004 - 38 days).

### **THE ENVIRONMENT**

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

### **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.

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.

### **DONATIONS**

During the current and preceding year the Company made no charitable or political donations.

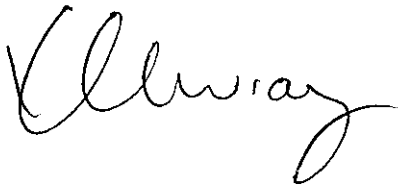
# Skanska Major Projects Limited

## DIRECTORS' REPORT (continued)

### AUDITORS

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed at the Extraordinary General Meeting of the Company held on 28<sup>th</sup> March 2002.

By Order of the Board



Miss K M Murray  
Secretary

**5<sup>th</sup> September 2006**

Registered office:  
Maple Cross House  
Denham Way  
Maple Cross  
Rickmansworth  
Herts. WD3 9SW

# **Skanska Major Projects Limited**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 proper accounting records which 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 1985. 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.

# Skanska Major Projects Limited

## Independent auditor's report to the members of Skanska Major Projects Limited

We have audited the group and parent company financial statements (the 'financial statements') of Skanska Major Projects Limited for the year ended 31<sup>st</sup> December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs adopted by the EU, of the state of the company's affairs as at 31<sup>st</sup> December 2005 and of the company's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

*KPMG LLP*  
**KPMG LLP**  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB

*13 September 2006*

# Skanska Major Projects Limited

## Income Statement for the year ended 31<sup>st</sup> December 2005 Prepared in accordance with IFRS

	Notes	2005 <u>£'000</u>	2004 <u>£'000</u>
<b>REVENUE</b>	2	40,248	29,483
Cost of Sales		(35,730)	(29,483)
<b>GROSS PROFIT</b>		<u>4,518</u>	<u>-</u>
Administrative expenses		(750)	(2,843)
<b>OPERATING PROFIT/(LOSS)</b>		<u>3,768</u>	<u>(2,843)</u>
Finance income	7	-	129
Finance costs	8	(2,877)	-
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<u>891</u>	<u>(2,714)</u>
Tax	9	-	-
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT</b>	18	<u><u>891</u></u>	<u><u>(2,714)</u></u>

The notes on pages 9 to 23 form an integral part of these financial statements.

All results are from continuing operations.

The Company has no recognised income or expense in either year with the exception of the result for each year. Accordingly, a statement of recognised income and expense has not been prepared.

# Skanska Major Projects Limited

## Balance Sheet at 31<sup>st</sup> December 2005 Prepared in accordance with IFRS

	Notes	2005 <u>£'000</u>	2004 <u>£'000</u>
<b>NON CURRENT ASSETS</b>			
Plant and equipment	10	-	-
Investments	11	-	-
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	42,657	16,878
		<u>42,657</u>	<u>16,878</u>
<b>TOTAL ASSETS</b>	2	<u>42,657</u>	<u>16,878</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		-	(17,854)
Trade and other payables	13	(86,674)	(19,853)
		<u>(86,674)</u>	<u>(37,707)</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	15	-	(24,079)
<b>TOTAL LIABILITIES</b>	2	<u>(86,674)</u>	<u>(61,786)</u>
<b>NET LIABILITIES</b>		<u>(44,017)</u>	<u>(44,908)</u>
Called up share capital	17	100	100
Retained earnings	18	(44,117)	(45,008)
<b>TOTAL DEFICIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS</b>		<u>(44,017)</u>	<u>(44,908)</u>

The notes on pages 9 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 5<sup>th</sup> September 2006 and signed on its behalf by:

  
P I Carré  
Director



# Skanska Major Projects Limited

## Cash flow Statement for the year ended 31<sup>st</sup> December 2005

	2005 <u>£'000</u>	2004 <u>£'000</u>
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	891	(2,714)
<i>Adjustments for:</i>		
Loss on disposal of investments	-	27
Finance Costs	2,877	(129)
(Increase)/decrease in trade and other receivables	(25,779)	(4,704)
Increase/(decrease) in trade and other payables	66,821	(4,355)
Increase/(decrease) in other provisions	(24,079)	(15,571)
Cash generated from operations	20,731	(27,446)
Income taxes paid	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>20,731</b>	<b>(27,446)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	-	7
Interest received	-	129
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>136</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,877)	-
<b>Net cash used in financing activities</b>	<b>(2,877)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,854</b>	<b>(27,310)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(17,854)</b>	<b>9,456</b>
<b>Cash and cash equivalents at end of period</b>	<b>-</b>	<b>(17,854)</b>

# Skanska Major Projects Limited

## Notes to the Financial Statements

### 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. The financial statements are presented in pounds sterling (rounded to the nearest thousand), being the functional currency of the company.

#### (a) **Accounting conventions**

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and under the historical cost convention and include the results of activities described in the directors' report all of which are continuing.

The Company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position and performance of the Company is provided in note 25.

#### (e) **Basis of preparation**

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare Group financial statements, because it is a wholly owned subsidiary of Skanska UK Plc, which prepares consolidated financial statements. The financial statements present information about the individual Company and not about its group.

The Directors have prepared the financial statements on a going concern basis as the parent company has indicated that it will provide support to enable the Company to meet its liabilities as they fall due.

#### (c) **Fixed asset investments**

Shares in subsidiary undertakings are stated at amortised cost.

#### (d) **Foreign currencies**

Trading results denominated in foreign currencies are translated into sterling at average rates of exchange. Assets and liabilities are translated into sterling at the rates ruling at the period end except where rates of exchange are fixed under contractual arrangements. Differences on exchange arising from the translation of opening net assets of foreign branches denominated in foreign currencies and any related loans are taken to reserves. Other exchange differences are taken to the income statement when they arise.

#### (e) **Revenue and profit**

Revenue represents the sales value of work done on construction contracts in the period and excludes VAT. Profit on construction contracts is calculated in accordance with IAS 11 'Construction contracts'.

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

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 1. Accounting Policies (continued)

#### **(f) Taxation**

Deferred taxation is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes, except for temporary differences arising on the revaluation of assets and the future remittance of undistributed earnings from subsidiaries, joint ventures and associates. Deferred tax assets are recorded only to the extent that they are considered recoverable.

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

#### **(g) Pre-contract costs**

Costs associated with bidding for contracts are written off as incurred. Once the Company has secured preferred bidder status and it is probable that the contract will be awarded, future costs are capitalised in the balance sheet.

#### **(h) Construction contracts**

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 benefits 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.

#### **(i) Employee benefits**

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 equal to its contribution payable for the period.

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

#### **(j) Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet 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 accounted for on an accruals basis. Trade payables on normal terms are not interest bearing and are stated at their nominal value.

#### **(k) Leased assets**

All leases are operating leases and the annual rentals are charged wholly to the income statement.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 2. Segmental information

The directors are of the opinion that the company has one class of business which is the provision of construction and engineering services all of which is derived within the United Kingdom.

### 3. Construction contracts

The following information relates to all construction contracts in progress at the balance sheet date:

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	41,232	45,223
Advances received	-	-
Retentions	-	-

### 4. Profit/(loss) before tax

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<i>Profit/(loss) before tax is stated after charging:</i>		
Hire costs including operating lease payments:		
Operating lease rentals for hire of land and buildings	132	195
Operating lease rentals for hire of plant and machinery	26	-
Loss on disposal of investments	-	27
Loss on disposal of plant and equipment	-	7

Auditors' remuneration for both years was paid for by another group company, Skanska UK Plc.

### 5. Staff numbers and costs

	<b>2005</b> <b>Number</b>	<b>2004</b> <b>Number</b>
<i>The average monthly number of employees, all of whom were engaged in the United Kingdom on the Company's principal activity:</i>		
Management and administration	75	15
<i>Staff costs including directors' emoluments:</i>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	3,800	610
Social security costs	381	55
Other pension costs (note 19)	565	85
	<b>4,746</b>	<b>750</b>

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 6. Directors' remuneration

Directors' remuneration was as follows:

Directors' emoluments

The remuneration of the highest paid director was

The amount of the highest paid director's accrued pension was

The number of directors who were members of pension schemes was as follows:

Defined Benefit schemes

### 7. Finance income

Interest receivable

### 8. Finance costs

Interest payable

### 9. Taxation

Current tax charge for the year

#### **Reconciliation of profit/(loss) to total tax credit:**

Profit/(Loss) before tax

Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)

*Effects of:*

Losses brought forward

**Total tax charge for the year**

**2005**  
**£'000**

**2004**  
**£'000**

- 173

- 248

- 46

**Number** **Number**

- 1

**2005**  
**£'000**

**2004**  
**£'000**

- 129

**2005**  
**£'000**

**2004**  
**£'000**

2,877 -

**2005**  
**£'000**

**2004**  
**£'000**

- -

891 (2,714)

267 (814)

(267) 814

- -

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 10. Plant and equipment

#### Computer Equipment £'000

#### 2005

##### **Cost:**

At 31<sup>st</sup> December 2004

Additions

At 31<sup>st</sup> December 2005

-

-

-

##### **Accumulated depreciation:**

At 31<sup>st</sup> December 2004

Charge for the year

At 31<sup>st</sup> December 2005

-

-

-

##### **Carrying amount:**

At 31<sup>st</sup> December 2005

-

#### 2004

##### **Cost:**

At 1<sup>st</sup> January 2004

Disposals

At 31<sup>st</sup> December 2004

16

(16)

-

##### **Accumulated depreciation:**

At 1<sup>st</sup> January 2004

Disposals

At 31<sup>st</sup> December 2004

9

(9)

-

##### **Carrying amount:**

At 31<sup>st</sup> December 2004

At 1<sup>st</sup> January 2004

-

7

### 11. Investments

On 28<sup>th</sup> July 2004 the Company sold its investment in Skanska Whessoe Inc for £550,000.

The Company also owns 98% of the issued share capital of Skanska Whessoe SA de CV, a company incorporated in Mexico, which was purchased on 11<sup>th</sup> December 2003. In 2004 the Company reduced the carrying value of its investment in this company to £nil.

The principal activity of these companies is the provision of construction and engineering services.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 12. Trade and other receivables

	2005 £'000	2004 £'000
Amounts due from parent company	-	3,881
Amounts owed by group undertakings	7,214	6,239
Other receivables	29	988
Trade receivables	81	3,675
Prepayments	1,142	-
Amounts recoverable on long term contracts	34,191	2,095
	<u>42,657</u>	<u>16,878</u>

### 13. Trade and other payables

	2005 £'000	2004 £'000
Trade payables	8,275	554
Amounts owed to group undertakings	78,377	7,268
Accruals and deferred income	22	12,031
	<u>86,674</u>	<u>19,853</u>

As part of arrangements with Skanska UK's bankers (Barclays Bank PLC) cash balances are transferred from Skanska Major Projects Ltd to one of the company's fellow group companies on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The Company's sterling bank balance is therefore replaced with an inter-company payable; as such most of the directly held bank balance at the balance sheet date reduces to nil, with a balance of £73.7 million as shown on the balance sheet within "Amounts owed to group undertakings" representing the bank balance at year end.

### 14. Financial instruments

Exposure to credit and interest rate 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 construction contracts and exposure to credit risk is monitored on an ongoing basis. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of trade receivables and amounts due from customers for contract work at the balance sheet date.

#### ***Interest rate risk***

The Company does not seek to reduce exposure to fluctuations in interest rates through the use of derivative financial instruments. As part of arrangements with Skanska UK's bankers (Barclays Bank PLC) cash balances are transferred from subsidiaries to a fellow group company on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 14. Financial instruments - (continued)

#### *Effective interest rates and repricing analysis*

As at 31<sup>st</sup> December 2005, the company had no income-earning financial assets (2004: Nil).

As at 31<sup>st</sup> December 2005, interest-bearing financial liabilities of the company comprising bank overdrafts totalled £nil (2004: £17,854,000), all of which is repayable on demand. Interest is payable on bank overdrafts at floating rates linked to the Bank of England Base rate.

#### *Fair values*

The carrying amounts shown in the balance sheet of all financial assets and financial liabilities are considered to approximate their fair value.

	<b>2005</b>	<b>2004</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<i>Carrying amounts</i>		
Trade receivables	81	3,675
Amounts due from customers for contract work	34,191	2,095
Amounts owed by group undertakings	7,214	6,239
Amounts due from parent undertaking	-	3,881
Other receivables	29	988
Trade payables	(8,275)	(554)
Bank overdraft	-	(17,854)
Amounts owed to group undertakings	<u>(78,377)</u>	<u>(7,268)</u>
	<u>(45,137)</u>	<u>(8,798)</u>

#### *Sensitivity analysis*

At 31<sup>st</sup> December 2005 and 31<sup>st</sup> December 2004, it is estimated that a general rise of one percentage point in interest rates would have no material impact on profit before tax.

### 15. Provisions

#### **Forward loss provision £'000**

#### 2005

As at 31<sup>st</sup> December 2004

24,079

Provision utilised in year

(24,079)

**As at 31<sup>st</sup> December 2005**

-

#### 2004

As at 1<sup>st</sup> January 2004

39,650

Provision utilised in year

(15,571)

**As at 31<sup>st</sup> December 2004**

24,079



# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 16. Obligations under operating leases

At 31<sup>st</sup> December 2005, the Company had outstanding commitments under non-cancellable operating leases as follows:

	2005	2004
	<u>£'000</u>	<u>£'000</u>
<b>Land and Buildings:</b>		
Less than one year	315	315
Between one and five years	1,258	1,258
More than five years	333	648
	<u>1,906</u>	<u>2,221</u>

### 17. Share Capital

	2005	2004
	<u>£'000</u>	<u>£'000</u>
<i>Authorised:</i>		
Equity share capital: 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid:</i>		
Equity share capital: 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 18. Reconciliation of movements in shareholders' deficit

	Share Capital <u>£'000</u>	Retained Earnings <u>£'000</u>	Total Equity <u>£'000</u>
At 1 <sup>st</sup> January 2004	100	(42,294)	(42,194)
Loss for the period	-	(2,714)	(2,714)
At 31 <sup>st</sup> December 2004	<u>100</u>	<u>(45,008)</u>	<u>(44,908)</u>
Profit for the period	-	891	891
As at 31 <sup>st</sup> December 2005	<u>100</u>	<u>(44,117)</u>	<u>(44,017)</u>

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 19. Retirement benefit obligations

The Company, in its capacity as employing company participates in the Skanska Pension Fund, which includes a defined benefit section and a defined contribution section. The assets of the Fund are held separately under Trust from those of the Skanska Group and are invested by the Trustee, having taken appropriate investment advice. As at 31<sup>st</sup> December 2005, in accordance with the Fund rules there were no outstanding contributions. The pension contributions are set by Skanska UK Plc based on the advice of the Fund actuary.

The Company does not contribute to pension arrangements in respect of employees who are eligible but elect not to join the Skanska Pension Fund.

The Company has accounted for its share of the costs of the pension plan on a contribution basis, as the company is not the sponsor and has not been allocated a share of the costs under an agreed group policy. The following is a statement of the Fund's assets and financial position at year-end as detailed in the Skanska UK Plc Financial Statements available from the address in note 24.

This valuation is an update of the actuary's valuation at 31<sup>st</sup> March 2004 but uses a lower rate of return on assets to discount the scheme liabilities. IAS 19 – Employee Benefits requires that the yield assumption used in the calculation of the accrued liabilities be based on AA rated corporate bond yields at the calculation date and does not reflect the actual investments held by the Trustee which are set out overleaf.

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

	2005 (%)	2004 (%)
Inflation	2.50	2.75
Rate of increase of salaries	4.25	4.25
Rate of increase of pension - Pre April 2005	2.50	2.75
- Post April 2005	1.90	N/A
Rate of increase for deferred pensions	2.50	2.75
Pre-retirement and post retirement rate to discount scheme liabilities	4.75	5.50

Life expectancy after age 65 is 21 years for men and 24 years for women (2004: 20 years for men and 23 for women).

*The financial position of the scheme based on the above assumptions*

	2005 £'000	2004 £'000
Scheme liabilities	(286,200)	(221,800)
Scheme assets	242,900	195,300
Total deficit	(43,300)	(26,500)
Related deferred tax asset	12,990	7,950
Net pension liability	(30,310)	(18,550)

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 19. Retirement benefit obligations (continued)

*The fair value of the plan assets and the expected return on those assets*

	Valuation of assets		Expected return	
	2005 £'000	2004 £'000	2005 %	2004 %
Equities	154,800	128,000	7.25	8.00
Government bonds	88,100	21,800	4.25	5.10
Other assets	-	45,500	4.25	5.10
Total present value of assets	242,900	195,300	6.00	7.00

	2005 £'000	2004 £'000
Actual return on plan assets	35,000	21,600

The expected long term returns on assets assumption is assessed by considering the current level of expected risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns for each asset class. The expected return for each asset class is then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

*Analysis of the amount charged to the Income Statement*

	2005 £'000	2004 £'000
Current service cost	15,100	14,000
Total operating charge	15,100	14,000

*Analysis of the amount charged to Other Finance Cost*

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(13,000)	(8,900)
Interest on pension liabilities	12,500	8,800
Net finance return	(500)	(100)

*Analysis of amount recognised in statement of total recognised income and expense (SORIE)*

	2005 £'000	2004 £'000
Actual return less expected return on assets	22,000	12,700
Experience gains and losses on liabilities	(41,300)	(49,600)
Actuarial loss recognised in SORIE	(19,300)	(36,900)

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 19. Retirement benefit obligations (continued)

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<i>Movement in the present value of defined benefit obligation</i>		
Present value of obligation, 1 <sup>st</sup> January	221,800	153,200
Service cost	10,900	10,600
Interest cost	12,500	8,800
Plan participants' contributions	4,200	3,400
Benefits paid	(4,500)	(3,800)
Actuarial losses	41,300	49,600
Obligation at 31 <sup>st</sup> December	<u>286,200</u>	<u>221,800</u>
<i>Changes in the fair value of plan assets</i>		
Fair value of plan assets, 1 <sup>st</sup> January	195,300	119,000
Expected return on plan assets	13,000	8,900
Employer contributions	12,900	55,100
Member contributions	4,200	3,400
Benefits paid	(4,500)	(3,800)
Actuarial gains	22,000	12,700
Fair value at 31 <sup>st</sup> December	<u>242,900</u>	<u>195,300</u>
Net scheme deficit	<u>(43,300)</u>	<u>(26,500)</u>
<i>History of experience gains and losses</i>		
	<b>2005</b>	<b>2004</b>
<u>Difference between expected and actual return on scheme assets:</u>		
Amount (£'000)	22,000	12,700
Percentage of scheme assets	<u>9.1%</u>	<u>6.5%</u>
<u>Experience gains and losses on scheme liabilities:</u>		
Amount (£'000)	(41,300)	(49,600)
Percentage of scheme liabilities	<u>(14.4%)</u>	<u>(22.4%)</u>
<u>Total amount recognised in SORIE:</u>		
Amount (£'000)	(19,300)	(36,900)
Percentage of scheme liabilities	<u>(6.7%)</u>	<u>(16.6%)</u>
<i>Sensitivity of pension obligation at the year- end to changes in assumptions</i>		
		<b>2005</b> <b>£'000</b>
Total pension liability at 31 <sup>st</sup> December 2005		<u>286,200</u>
Estimated decrease in pension liability if the discount rate increases by 0.25 per cent		(6.2)%
Estimated increase in pension liability if the discount rate decreases by 0.25 per cent		5.1%
Estimated increase in pension liability if the inflation rate increases by 0.25 per cent		4.9%
Estimated decrease in pension liability if the inflation rate decreases by 0.25 per cent		(6.0)%

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 20. Contingent liabilities

There are contingent liabilities in respect of actual and potential claims by third parties under contracting and other agreements entered into during the normal course of business. Whilst the outcome of these matters is uncertain, the directors believe that appropriate provision has been made within the financial statements in respect of these matters.

### 21. Related party transactions

Transactions between the company and fellow group undertakings are detailed below. Balances with other group undertakings are disclosed in the debtors and creditors notes.

#### *Trading transactions*

During the year, the following transactions were carried out with related parties:	2005	2004
	<u>£'000</u>	<u>£'000</u>
Management fee from fellow group undertaking	<u>(565)</u>	<u>(85)</u>

#### *Remuneration of key management personnel*

Details of the remuneration of the directors, who are the key management personnel of the Company, are contained in note 6.

### 22. Accounting estimates and uncertainties

The preparation of the financial statements in conformity with Adopted IFRSs 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.

Note 1(h) Accounting Policies, details the principal estimation techniques used in establishing attributable profit on construction contracts.

### 23. Ultimate Parent Company

Skanska UK Plc 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 Plc and Skanska AB financial statements can be obtained from Skanska UK Plc at Maple Cross House, Denham Way, Rickmansworth, Herts WD3 9SW.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 24. Explanation of transition to Adopted IFRSs

As stated in note 1, these are the company's first financial statements prepared in accordance with Adopted IFRSs. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31<sup>st</sup> December 2005, the comparative information presented in these financial statements for the year ended 31<sup>st</sup> December 2004 and in the preparation of an opening IFRS balance sheet at 1<sup>st</sup> January 2004 (the company's date of transition).

Impact of IAS 1 - Presentation of Financial Statements on the income statement for the year ended 31<sup>st</sup> December 2004:

<b>UK GAAP values and format</b>		<b>IAS 1 presentation changes</b>		<b>UK GAAP values in IFRS format Income Statement</b>
<b>Profit and Loss Account</b>	<b>£'000</b>		<b>£'000</b>	
<b>TURNOVER</b>	29,483	-	29,483	<b>REVENUE</b>
Cost of sales	(29,483)	-	(29,483)	Cost of sales
<b>GROSS PROFIT</b>	-	-	-	<b>GROSS PROFIT</b>
Net operating and other administrative expenses	(2,843)	-	(2,843)	Administrative expenses
<b>OPERATING LOSS</b>	(2,843)	-	(2,843)	<b>OPERATING LOSS</b>
Interest receivable and similar income	129	-	129	Finance income
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(2,714)	-	(2,714)	<b>LOSS BEFORE TAX</b>
Tax on loss on ordinary activities	-	-	-	Tax
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	(2,714)	-	(2,714)	<b>LOSS FOR THE YEAR</b>

There were no differences between the income statement for the year ended 31<sup>st</sup> December 2004 under Adopted IFRSs and the profit and loss account prepared in accordance with UK GAAP.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 24. Explanation of transition to Adopted IFRSs - continued

Impact of IAS 1 - Presentation of Financial Statements on the balance sheet at 31<sup>st</sup> December 2004:

UK GAAP values and format	IAS 1 presentation changes		UK GAAP values in IFRS format
Balance sheet			Balance sheet
	£'000		£'000
<b>CURRENT ASSETS</b>			<b>CURRENT ASSETS</b>
Debtors	16,878	-	16,878
	<u>16,878</u>		<u>16,878</u>
			<b>TOTAL ASSETS</b>
<b>Creditors: amounts falling due within one year</b>	(37,707)	37,707	-
		(17,854)	(17,854)
		(19,853)	(19,853)
	<u>(37,707)</u>	-	<u>(37,707)</u>
			<b>CURRENT LIABILITIES</b>
			Bank overdraft
			Trade and other payables
			<b>NON-CURRENT LIABILITIES</b>
Provisions	(24,079)		(24,079)
	<u>(61,786)</u>		<u>(61,786)</u>
			<b>TOTAL LIABILITIES</b>
<b>NET LIABILITIES</b>	<u>(44,908)</u>	-	<u>(44,908)</u>
			<b>NET LIABILITIES</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	100	-	100
Profit and loss account	(45,008)	-	(45,008)
			Share capital
			Retained earnings
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<u>(44,908)</u>	-	<u>(44,908)</u>
			<b>TOTAL DEFICIT</b>

Under UK GAAP the Company was not required to, and did not, prepare a cash flow statement. There are no material differences between the cash flow statement presented under Adopted IFRSs and cash flow statement that would have been prepared under UK GAAP, except that short term deposits with a maturity of less than three months are classified as cash and cash equivalents under Adopted IFRSs but would have been excluded from cash under UK GAAP.

# Skanska Major Projects Limited

## Notes to the Financial Statements (continued)

### 24. Explanation of transition to Adopted IFRSs - continued

Impact of IAS 1 - Presentation of Financial Statements on the balance sheet at 1<sup>st</sup> January 2004:

UK GAAP values and format	IAS 1 presentation changes		UK GAAP values in IFRS format
Balance sheet			Balance sheet
	£'000		£'000
<b>FIXED ASSETS</b>			<b>NON CURRENT ASSETS</b>
Tangible assets	7	-	7
Investments	27	-	27
	34	-	34
<b>CURRENT ASSETS</b>			<b>CURRENT ASSETS</b>
Debtors	12,174	-	12,174
Cash at bank and in hand	9,456	-	9,456
	21,630	-	21,630
	21,664	-	21,664
			<b>TOTAL ASSETS</b>
<b>Creditors: amounts falling due within one year</b>	(24,208)	24,208	-
		(24,208)	(24,208)
	(24,208)	-	(24,208)
			<b>CURRENT LIABILITIES</b>
			Trade and other payables
			<b>NON CURRENT</b>
			<b>LIABILITIES</b>
Provisions	(39,650)	-	(39,650)
	(63,858)	-	(63,858)
			<b>TOTAL LIABILITIES</b>
<b>NET LIABILITIES</b>	(42,194)	-	(42,194)
			<b>NET LIABILITIES</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	100	-	100
Profit and loss account	(42,294)	-	(42,294)
	(42,194)	-	(42,194)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<b>TOTAL EQUITY</b>