Stork Technical Services (RBG) Limited

Annual report and financial statements

Registered number SC161193

31 December 2018

Contents

Directors and officers

Directors:	Mr D A Stewart Mr S Hunt
Company Secretary:	Mr J Findlay
Registered Office:	Norfolk House Pitmedden Road Dyce Aberdeen AB21 0DP
Auditor:	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen AB15 4DT

Strategic report

The directors present their Strategic report of the company for the financial year ended 31 December 2018.

Stork Technical Services (RBG) Limited is a wholly owned subsidiary of the Fluor Corporation, a listed company in the US.

Principal activities

The company's principal activity is the provision of construction support, fabric maintenance and related services to the oil, gas and petrochemical markets.

The company's mission is to help its clients reduce risk, assure safety and improve environmental performance, and to enhance profits through innovative solutions during the lifecycle of the asset.

The company is committed to its core values of:

- Safety - safety is always the company's first priority. A commitment to safety underpins all the company's activities worldwide. The company engages with its employees to provide safe working environments at all times. The company cares for the safety of its clients and employees.
- Excellence - the company is committed to excellence. What the company does is rarely easy, and achieving the best outcome often requires the expertise to unravel complexity.
- Responsiveness - the company responds rapidly to the operational needs of its clients worldwide. The company is flexible, proactive and provides smart solutions for the long term, as well as continually seeking to improve response and service.
- Sustainability - the company uses its resources efficiently to minimise waste. The company has the skills, knowledge and experience necessary to help its clients reduce their environmental emissions and increase their energy efficiency.

Business review

Turnover for the year was £174.4m *(2017: £181.3m)* with profit for the financial year of £6.5m *(2017: £1.7m)*

Gross profit percentage reported across the business in 2018 was 13.3% (*2017: 12.5%*).

EBITDA before exceptional items of £0.1m (*2017: 1.2m*) was £8.6m in 2018 compared to £6.6m in 2017.

Key performance indicators

	2018	2017	Comments
Turnover (£millions)	**174.4**	181.3	Profit and loss account – page 10
Gross profit percentage	**13.3%**	12.5%	Profit and loss account – page 10
Operating profit (£millions)	**5.0**	1.5	Profit and loss account – page 10
EBITDA before exceptional items (£millions)	**8.6**	6.6	Earnings before exceptional items, interest, tax, depreciation and amortisation – (note 3)

Principal risks and uncertainties

The management of the business and the execution of the company's strategies are subject to a number of risks. Key business risks and uncertainties affecting the company are considered to relate to the development of new business opportunities and the enlargement of the existing client base, particularly in relation to overseas operations.

Strategic report *(continued)*

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of liquidity risk, interest rate and cash flow risk, credit risk and foreign currency risk.

- ***Liquidity risk:*** the company ensures it has sufficient available funds for current and planned operations by way of short-term intercompany debt.
- ***Interest rate and cash flow risk:*** the company manages interest rate risk on its borrowings through agreeing a fixed rate with the lender. The directors will revisit the appropriateness of this policy should the company's operations significantly change in size or nature.
- ***Credit risk:*** the company's policies require appropriate credit checks on potential customers before sales are made. The amount of exposure to an individual counterparty is subject to a limit, which is reassessed on a regular basis.
- ***Foreign currency risk:*** the company is exposed to foreign currency risk on the settlement of non-sterling denominated balances. The company manages settlement risk by transacting predominantly in sterling and matching foreign currency receipts and payments whenever possible. The company does not have a significant investment in foreign currency denominated undertakings which would expose it to significant translation risk.

Future outlook

Whilst market conditions continue to be challenging in the North Sea following the reduction in oil price, the directors are satisfied with the activity levels in the business. The company has continued to make investments in additional plant and equipment, systems, processes and personnel to enable future periods of growth.

By order of the board

D A Stewart
Director

28 August 2019

Directors' report

The directors present their annual report and the financial statements of the company for the financial year ended 31 December 2018.

Dividends

A dividend payment of £65.5m was made in respect of the year ended 31 December 2018. *(2017:nil)*.

Political and charitable contributions

The company made no donations *(2017: nil)* during the year for charitable purposes. The company did not make any political donations or incurred any political expenditure during the current or preceding year.

Directors

The directors who held office during the year and at the date of this report are given below:

Mr D A Stewart
Mr E Bijvank (Resigned 7 January 2019)
Mr S Hunt (Appointed 7 January 2019)

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As such, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Corporate governance

The Board of directors is responsible to the shareholders for the management of the company.

The overall company strategy is provided by the board in the form of an annual budget. This is distilled into a set of corporate strategic objectives which includes performance targets which are agreed with the various business unit managers.

Business unit managers are accountable for the performance of their particular business unit against the agreed pre-set financial targets. Incentive arrangements are in place to recognise financial performance, achievement of business and personal objectives.

Employees

During 2018 the company employed an average of 1,600 *(2017:2,074)* people throughout its operations. The company is committed to involving all employees in the performance and development of the organisation and, as such, regular communication is seen as essential in ensuring the company operates effectively as a team. Employees are informed about the company's activities through a number of channels including regular team briefings, employee forums, time out for safety meetings, notice boards and the in-house magazine. All employees are encouraged to give feedback to management on all matters affecting the day to day operation of the company. It is the company's policy to give full consideration to applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

Auditor

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the company.

D A Stewart
Director

28 August 2019

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' report

to the members of Stork Technical Services (RBG) Limited

Opinion

We have audited the financial statements of Stork Technical Services (RBG) Limited for the year ended 31 December 2018, which comprise the Profit and loss account and Other Comprehensive Income, Balance Sheet, Statement of changes in equity and the related notes 1 to 22, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2018 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Independent Auditors' report

to the members of Stork Technical Services (RBG) Limited *(continued)*

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 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 Directors' Report have 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 Strategic Report or 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

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.

Independent Auditors' report

to the members of Stork Technical Services (RBG) Limited *(continued)*

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

Kenneth MacLeod Hall (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

28 August 2019

Profit and Loss account and Other Comprehensive Income

for the year ended 31 December 2018

	Note	**2018** **£000**	2017 £000
Turnover	*2*	**174,409**	181,307
Cost of sales		**(151,227)**	(158,637)
Gross profit		**23,182**	22,670
Administrative expenses		**(18,172)**	(21,168)
Analysis of operating profit			
Operating profit (before exceptional items)		**5,062**	2,655
Exceptional items	*3*	**(52)**	(1,153)
Operating profit		**5,010**	1,502
Interest receivable and similar income	*7*	**2,190**	1,169
Interest payable and similar charges	*8*	**(892)**	(658)
Profit on disposal of tangible fixed assets		**49**	125
Profit on ordinary activities before taxation	*3-8*	**6,357**	2,138
Tax credit / (charge) on profit on ordinary activities	*9*	**94**	(425)
Profit for the financial year		**6,451**	1,713
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**6,451**	1,713

The results for the year are derived from continuing operations.

Balance Sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	*10*		**8,944**		8,224
Intangible assets	*11*		**2,399**		3,215
Investments	*12*		**931**		929
			12,274		12,368
Current assets					
Stocks	*13*	**2,916**		1,888	
Debtors	*14*	**54,410**		101,428	
Cash at bank and in hand		**3,110**		17,369	
		60,436		120,685	
Creditors: amounts falling due within one year	*15*	**(40,815)**		(58,763)	
Net current assets			**19,621**		61,922
Net assets			**31,895**		74,290
Capital and reserves					
Called up share capital	*17*		**10,604**		4,154
Share premium			**16,891**		6,652
Profit and loss account			**4,400**		63,484
Shareholders' funds			**31,895**		74,290

These financial statements were approved by the board of directors on 28 August 2019 and were signed on its behalf by:

D A Stewart
Director

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
Balance as at 1 January 2017	4,154	6,652	61,771	72,577
Total Comprehensive income for the year				
Profit for the year	-	-	1,713	1,713
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	1,713	1,713
Balance as at 31 December 2017	4,154	6,652	63,484	74,290

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
Balance as at 1 January 2018	4,154	6,652	63,484	74,290
Total Comprehensive income for the year				
Profit for the year	-	-	6,451	6,451
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,451	6,451
Issue of shares	6,450	10,239	-	16,689
Dividend paid	-	-	(65,535)	(65,535)
Balance as at 31 December 2018	10,604	16,891	4,400	31,895

Notes

1 Accounting policies

Stork Technical Services (RBG) Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company's parent undertaking, Fluor Corporation a company incorporated in the US, includes the company in its consolidated financial statements. The consolidated financial statements of Fluor Corporation are prepared in accordance with US GAAP Financial Reporting Standards and are available to the public and may be obtained from the Secretary, Stork Technical Services (Holdings) Limited, Norfolk House, Pitmedden Road, Aberdeen, AB21 0DP. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Fluor Corporation include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As such, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies(continued)

1.2 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.3 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Land and Buildings - 50 years
- Assets in course of construction - not depreciated
- Leasehold improvements - 5-15 years
- Plant - 3 to 10 years
- Motor vehicles - 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes (continued)

1 Accounting policies *(continued)*

1.6 Intangible assets (continued)

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets including IT that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.
Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software costs 5 years

The basis for choosing these useful lives is this is estimated useful life of these assets prior to them becoming outdated.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies *(continued)*

1.8 Impairment excluding deferred tax assets (continued)

Non-financial assets

The carrying amounts of the company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1. Accounting policies *(continued)*

1.10 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.11 Turnover and Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable takes into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the entity.

Revenue includes only the gross inflows of economic benefits received and receivable on its own account. It excludes from revenue all amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes.

Revenue is only recognised from the sale of goods when all the following conditions are satisfied:

(a) The company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The company operates a number of cost reimbursable contracts, where agreed costs are billed to customers based on documented actual cost incurred plus an agreed margin.

The company recognises revenue involving the rendering of services when the services are carried out.

Many of the contracts also include Key Performance Indicators (KPIs) entitling the company to performance based remuneration at the end of each quarter based on operational and safety criteria. Revenues for these KPIs are reported in line with the following rules:

(a) The amount of revenue can be measured reliably;

(b) It is probable that the economic benefits associated with the transaction will flow to the entity;

Notes (continued)

1 Accounting policies *(continued)*

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Analysis of turnover

The directors believe that there is only one class of business i.e. the provision of construction support, fabric maintenance and related services to the oil, gas and petrochemical markets. The geographical origin of turnover is as follows:

	2018	2017
	£000	£000
United Kingdom	**174,409**	181,307
	174,409	181,307

	2018	**2017**
	£000	**£000**
The sale of goods	**3,993**	8,934
The rendering of services	**170,416**	172,373
	174,409	181,307

3 Profit on ordinary activities before tax

	2018	2017
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets (Note 10)	**3,009**	3,419
Amortisation of intangible assets (Note 11)	**440**	419
Operating lease rentals:		
Plant and machinery	**3,545**	4,410
Land and buildings	**1,873**	2,028
Foreign Exchange gain	**(171)**	(493)

Exceptional items

Exceptional items relate to the following:

	2018	2017
	£000	£000
Restructuring Costs	**-**	910
Acquisition Bonuses	**52**	243
	52	1,153

Notes (continued)

3. Profit on ordinary activities before tax (continued)

EBITDA pre-exceptional items

EBITDA pre-exceptional items represent earnings before exceptional items, interest, tax, depreciation and amortisation. This non-GAAP measure is used by management on a regular basis to assess the underlying, recurring performance of the business and as a measure of cash generation. The measure can be reconciled to Operating profit as follows:

	2018 £000	2017 £000
Operating profit	**5,059**	1,627
Exceptional items	**52**	1,153
Depreciation	**3,009**	3,419
Amortisation	**440**	419
	8,560	6,618

4 Auditors Remuneration

Auditor's remuneration	2018 £000	2017 £000
Audit of the financial statements	**120**	120

5 Remuneration of directors

	2018 £000	2017 £000
Directors' emoluments	**614**	616
Company contributions to money purchase pension schemes	**12**	22
	626	638

Company contributions to money purchase pension schemes were made on behalf of the 2 directors who held office during the year.

The remuneration of the highest paid director was:

	2018 £000	2017 £000
Aggregate emoluments	**372**	421
Company contributions to money purchase pension schemes	**12**	22
	384	443

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management	**53**	54
Administration	**320**	281
Operations	**1,227**	1,404
	1,600	1,739

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**106,452**	110,279
Social security costs	**12,288**	12,581
Pension costs (note 19)	**2,255**	1,776
	120,995	124,636

7 Interest receivable and similar income

	2018	2017
	£000	£000
Bank and other interest receivable	**5**	43
Interest receivable from group undertakings	**2,185**	1,126
	2,190	1,169

8 Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable on loan from parent undertaking	**562**	634
Other interest payable	**330**	24
	892	658

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account

	£000	2018 £000	£000	2017 £000
UK corporation tax				
Current tax on income for the year	**305**		226	
Adjustment in respect of prior years	**(263)**		233	
Foreign tax relief / other relief	**(243)**		-	
		(201)		459
Foreign tax				
Current tax on income for the year		-		197
Total current tax (credit) / charge		**(201)**		656
Deferred tax (note 16)				
Origination and reversal of timing differences	**120**		178	
Adjustment in respect of previous years	-		(388)	
Effect of changes in tax rates	**(13)**		(21)	
Total deferred tax charge / (credit)		**107**		(231)
Tax on profit on ordinary activities		**(94)**		425

Reconciliation of effective tax rate

The tax credit for the year differs from the standard effective rate of corporation tax in the UK 19% *(2017: 19.25%)*. The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**6,357**	2,138
Tax using the effective rate of 19% (2017: 19.25%)	**1,208**	411
Effects of:		
Expenses not deductible for tax purposes	**75**	642
Income not taxable	**40**	(23)
Transfer pricing adjustment	**25**	(617)
Unrelieved foreign taxes	**(299)**	188
Effects of group relief / other reliefs	**(867)**	-
Adjustments to tax charge in respect of prior years	**(263)**	(155)
Tax rate changes	**(13)**	(21)
Total current tax (credit) / charge included in profit and loss	**(94)**	425

Factors that may affect future current and total tax charges

With effect from 1 April 2017 the UK corporation tax rate was reduced to 19% from 20%. Legislation passed on 15 September 2016 reduces the rate from 19% to 17% with effect from 1 April 2020. These reductions will reduce the company's future tax charges accordingly.

Notes (continued)

10 Tangible fixed assets

	Assets in the course of construction £000	Leasehold improvements £000	Plant £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	90	3,102	43,315	196	46,703
Transfers	448				448
Additions	444	86	2,813	-	3,343
Disposals	-	(35)	(798)	(10)	(843)
At end of year	982	3,153	45,330	186	49,651
Depreciation					
At beginning of year	-	2,363	35,920	196	38,479
Charge for the year	-	175	2,834	-	3,009
Disposals	-	(7)	(764)	(10)	(781)
At end of year	-	2,531	37,990	186	40,707
Net book value					
At 31 December 2018	**982**	**622**	**7,340**	**-**	**8,944**
At 31 December 2017	90	739	7,395	-	8,224

Assets in the course of construction for 448k were transferred from intangible fixed assets to tangible fixed assets.

11 Intangible fixed assets

	Goodwill £000	IT £000	Assets in the course of construction £000	Total £000
Cost				
At beginning of year	3,511	3,133	540	7,184
Transfers	-	-	(448)	(448)
Additions	-	60	12	72
At end of year	3,511	3,193	104	6,808
Amortisation				
At beginning of year	1,216	2,753	-	3,969
Charge for the year	243	197	-	440
At end of year	1,459	2,950	-	4,409
Net book value				
At 31 December 2018	**2,052**	**243**	**104**	**2,399**
At 31 December 2017	2,295	380	540	3,215

Assets in the course of construction for 448k were transferred from intangible fixed assets to tangible fixed assets.

Notes (continued)

12 Fixed asset investments

	Shares in Subsidiary undertakings £000
Cost	
At 1 January 2018	929
Additions	
During the year	2
Net book value	
At 31 December 2018	931
At 1 January 2018	929

The directors believe that the carrying values of the investments are supported by their underlying net assets and anticipated future cash flows.

During the year the company has undertaken an impairment review of the carrying value of the investments in subsidiary undertakings. The review was undertaken on a value in use basis and indicated no impairment provision is required.

The subsidiary undertakings of the company at the year end are listed below.

Name of undertaking	Country of incorporation or registration	Principal nature of business	Address of Registered Office	Proportion of issued ordinary share held
Direct holdings				
Stork Technical Services International Limited	Scotland	Holding investments	Norfolk House, Pitmedden Road, Dyce, Aberdeen, AB21 0DP	100%
Stork Technical Services Trinidad and Tobago Limited	Trinidad	Support services	403 Pacific Avenue, Point Lisas Industrial Estate Savonetta California W.I.T.	100%
RBG Kazakhstan LLP	Kazakhstan	Support services	c/o Grata Law Office 314, Building 79, Microdistrict 12, Aktau, 130000, Republic of Kazakhstan	100%
Stork International Limited	Scotland	Dormant	Norfolk House, Pitmedden Road, Dyce, Aberdeen, AB21 0DP	100%

Stork Technical Services (RBG) Limited holds 91.03% of the ordinary share capital of Stork Technical Services Trinidad and Tobago Limited directly, with a further 8.97% of the share capital held indirectly through a subsidiary, Stork Technical Services International Limited.

In addition, Energy Resourcing Limited transferred ownership to Fluor Industrial Serviced Limited on the 31st January 2018.

Notes (continued)

12 Fixed asset investments *(continued)*

Name of undertaking	Country of incorporation or registration	Principal nature of business	Address of Registered Office	Proportion of issued ordinary share held
Indirect holdings through subsidiaries				
Stork Technical Services International South Africa (Pty) Limited	South Africa	Dormant	2nd Floor The Placei, Sandton Drive Durban Kiwazulu Natal 2196 South Africa	100%
Joint venture				
Elgin RBG (Pty) Limited	Namibia	Dormant	1st Floor LA Chambers, Dr Agostinho Neto Road, Ausspannplatz, Windhoek, Namibia	50%

13 Stocks

	2018	2017
	£000	£000
Raw materials and consumables	**2,916**	1,888

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amount to £11,300,000 (2017: £14,200,000).

Notes (continued)

14 Debtors

	2018	2017
	£000	£000
Trade debtors	23,113	23,674
Amounts owed by group undertakings	9,595	52,002
Other debtors	2,133	2,262
Deferred tax asset (note 16)	2,913	3,065
Prepayments and accrued income	16,656	20,425
	54,410	101,428

Included within prepayments and accrued income is accrued income of £15,879,000 *(2017: £19,071,000)*. It is not expected that the amounts owed by group undertakings will be repaid before 31 December 2019.

15 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	8,141	9,536
Amounts owed to group undertakings	15,052	32,315
Other taxation and social security	4,168	3,274
Other creditors	2,250	4,159
Accruals and deferred income	11,204	9,479
	40,815	58,763

16 Deferred taxation

	£000
At the beginning of year	(3,020)
Adjustment in respect of prior years	-
Deferred tax charge to income statement for the period	107
At end of year	(2,913)

The deferred tax asset recognised at the year end is as follows:

	2018	2017
	£000	£000
Excess of depreciation over capital allowances	2,645	2,732
Other timing differences	268	268
R&D Expenditure Credit	-	65
	2,913	3,065

Notes (continued)

17 Called up share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
4,154,000 Ordinary shares of £1 each	**10,604**	4,154

The company issued 6,450,000 ordinary shares of £1 each at a premium of £1.59 per share, satisfied by the capitalisation of a loan from Stork Technical Services (Holdings) Limited.

18 Dividend Paid

	2018	2017
	£000	£000
Declared and Paid during the year	**65,535**	-

Dividends of £15.77 per share were proposed by the board of directors on 30 November 2018 and approved by the shareholders and paid on the same date.

19 Operating Leases

Future minimum rental payable under non-cancellable operating lease rentals are payable as follows:

	2018 Land and buildings	**Other**	2017 Land and buildings	Other
	£000	**£000**	£000	£000
Less than one year	**2,413**	**49**	1,890	49
Between one and five years	**5,508**	**-**	7,324	-
More than five years	**-**	**-**	69	-
	7,921	**49**	9,283	49

20 Employee Benefits

The company is a member of the Stork Technical Services (RBG) Limited Group Personal Pension Plan which is a defined contribution scheme. The pension cost for the year was £2,255,000 *(2017: £1,776,000)*. Contributions outstanding at the balance sheet date amounted to £327,000 *(2017: £199,000)*.

21 Related party disclosures

The ultimate controlling party of the company as at 31 December 2018 was the Fluor Corporation.

The company has taken advantage of the exemption available to group companies in FRS 102 (Related Party Disclosures) which allows it not to disclose transactions with wholly owned subsidiaries of the group.

Notes (continued)

22 Ultimate Parent Company

The ultimate parent at 31 December 2018 was the Fluor Corporation.

The smallest group in which the results of the company are consolidated is that headed by Fluor Europe BV and the largest is headed by the Fluor Corporation, a company incorporated in the US. The consolidated financial statements of Fluor Corporation are available to the public and may be obtained from the Secretary, Stork Technical Services (Holdings) Limited, Pitmedden Road, Dyce, Aberdeen, AB21 0DP.