Registered No: 01274885

Fluor Limited

Annual Report and Financial Statements

31 December 2019

Registered No: 01274885

Directors

A G Rees (resigned 3rd April 2019)
S G Mogose (resigned 26th October 2020)
G M Mason
K E White
R Chopra (appointed 13th February 2019, resigned 10th December 2020)
M Landry (appointed 13th February 2019, resigned 25th July 2019)
H H C Breve (appointed 28th August 2019)
A A G Murray (appointed 26th October2020)

Secretaries

M J Kuitems (resigned 19th June 2019)
J F Hooper (appointed 19th June 2019)

Auditors

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

Registered Office

Fluor Centre
140 Pinehurst Road
Farnborough
Hampshire
GU14 7BF

Strategic report

for the year ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Results

The loss for the year, after taxation, amounted to £63,006,000 (2018: loss £54,932,000).

Business Review

The company provides a variety of engineering and construction services, including design, engineering, procurement, project management, construction and technical support to industrial, commercial and government clients in the United Kingdom and worldwide.

As the company is part of a group providing integrated engineering, procurement, construction, fabrication, maintenance and project management services, the company believes that its business model allows it the opportunity to bring to clients, on a global basis, compelling business offerings that combine excellence in execution, safety, cost certainty and experience. In that regard, the company believes that the business strategies, which are based on certain core competencies: excellence in execution, financial strength, safety, global execution platform, market diversity, client relationship and risk management, provide it with some significant competitive advantages.

The company primarily executes projects in the Oil and Gas sector but is also supporting projects in the Infrastructure, Life Sciences, Mining and Nuclear sectors.

The geographic location of the projects has been varied with Oil and Gas endeavours mainly located in the Middle East and central Asia. The company maintains long-established relationships with clients in those regions. New opportunities in Africa, Northern Europe and Asia are also being pursued both with existing and new clients. Infrastructure and Life Sciences projects have been located in the UK, Ireland and continental Europe and this is likely to continue.

The company has access to the worldwide expertise of the Fluor organisation and mutual assistance with those offices. This cooperation in executing projects is expected to continue and grow further.

The company has also executed significant projects through joint ventures with partners in the industry. This strategy has provided added capacity and expertise to Fluor Limited's offerings and is a proven way to add value for clients. This successful, collaborative approach to new project bids will be a continuing feature for the organisation.

The diverse range of project sectors provides protection against fluctuations in client investment spending in any one sector. The increasing geographic spread of project execution also insulates against regional economic movements.

The key financial and other performance indicators during the year were as follows:-

	2019	2018	Change
	£'000	£'000	%
Turnover	1,061,202	1,117,418	(5)%
(Loss) Before Tax	(72,439)	(54,904)	32%
(Loss) After Tax	(63,006)	(54,932)	15%
Equity Shareholders' Fund	(18,883)	(117,394)	(84)%

The decrease in Equity Shareholders' Funds is represented by the current year loss after tax and distributions made.

Strategic report

for the year ended 31 December 2019 (continued)

Principal Risk and Uncertainties

The principal risks and uncertainties facing the company are as follows:

Financial Risk Management

The company's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk and liquidity risk.

The company purchases financial instruments in order to manage the currency risks that arise from operations and from its sources of finance. In addition, the company has various financial instruments, for example trade receivables, trade payables, accruals and prepayments, arising directly from its operations. The company finances its operations through its retained reserves and a mixture of short term bank credit facilities and intercompany borrowings.

Compliance with the company's policies and exposure limits is reviewed periodically.

- Foreign currency risk

The company's revenue and costs are predominately transacted in Sterling, with a percentage being transacted in alternative currencies such as the Euro, US Dollar and Kuwait Dinar. The directors of the company continually monitor exchange rates and will, where deemed appropriate, enter into foreign currency forward contracts in order to mitigate any exchange rate risk. The company does not enter into speculative foreign currency translation.

- Price risk

The risk is monitored both as part of the tender process for an individual contract and throughout the duration of the contract by reference to regular projections of outturn profitability and effective management of contract variations and claims.

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company's policy is to trade only with recognised, creditworthy third parties. It is the policy of the company that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, both at operating unit and company level, with the objective of minimising the company's exposure to bad debts.

Credit risks arising from other financial assets of the company have a maximum exposure equal to the carrying amount of these instruments. Other financial assets consist of cash and cash equivalents.

- Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's objective is to maintain a balance between continuing funding and flexibility through the use of bank overdrafts and intercompany borrowings. The directors continually monitor the company's performance and liquidity profile.

- COVID-19 Pandemic

COVID-19 has introduced increased risk to all areas of the company in 2020. A risk averse culture coupled with open and collaborative relationships with our stakeholders has and will continue to mitigate the impact on delivery and financial performance.

Strategic report

for the year ended 31 December 2019 (continued)

- Competition

Intense competition in the global engineering, procurement and construction industry could reduce market share and profits. Competition can place downward pressure on contract prices and profit margins, and may force the company to accept contractual terms and conditions that are not normal or customary, thereby increasing the risk that there may be losses on such contracts. Such risks are managed through core competencies: excellence in execution, financial strength, safety, global execution platform, market diversity, client relationship and risk management.

Markets

The company is vulnerable to the cyclical nature of the markets that it serves. The demand for services is dependent upon the existence of projects with engineering, procurement, construction and management needs. Capital expenditures by clients may be influenced by factors such as prevailing prices and expectations about future prices, technological advances, the costs of exploration, production and delivery of product, domestic and international political, military, regulatory and economic conditions and other similar factors. The company manages market risks through an ability to selectively accept projects or enter into markets where the company has the ability to assess, understand, gauge and mitigate project risk.

COVID-19

The spread of the COVID-19 outbreak has caused severe disruptions in many economies, including those impacting the company and its customers, which are facing a recession of an undetermined extent and length.

We are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows and have prepared updated projections in light of this. Our top priority remains the health and safety of our employees and customers.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to supply chain and customer investment decisions.

Based on information provided by the Government, the HSE, the WHO and also available publicly, we are taking a number of measures to reduce any potential impact, including adjusting capacity to current demand and preserving cash. Measures have also been taken to ensure operations continue to adhere to current HSE guidelines.

In terms of impact on risks outlined above, the company has financial resources at its disposal with a large cash reserve and has considered, through working with customers and suppliers, the ability of customers to honour their obligations and the availability of appropriate supplier credit terms. As a consequence, the directors believe that the company is well placed to manage the impact of COVID-19 and indeed all of its business risks successfully.

Brexit

With the Brexit-related uncertainty, the board continues to closely monitor the changing economic situation in the UK. Given the company's limited operations in continental Europe, we feel that Brexit will have minimal impact on the business. However, we continue to monitor potential changes that may impact material and equipment deliveries to UK project sites and the mobility of personnel.

Section 172(1) Statement

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its. Decisions taken during the year ended 31 December 2019 have considered:

Strategic report

for the year ended 31 December 2019 (continued)

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment; and
- Desirability of the company maintaining a reputation for high standards of business conduct.

The Company is committed to safety, integrity, teamwork & ethics. By maintaining the highest standards of business conduct, the Company aims to deliver with excellence and maintain a reputation built to secure both new and repeat business.

The Company is committed to effective engagement with all of its stakeholder groups. By understanding each stakeholder group and their views, the Directors can factor into discussions the impact of decisions on each stakeholder group, in accordance with Section 172 of the Companies Act 2006.

The table below documents the Company's key stakeholder groups and captures why they are important to the Company, our understanding of the issues that matter most to each of them, and how the Company engages with them.

Employees	
Why they are important to the Company	The ability of the Company to successfully execute projects relies on a capable and diverse workforce. Excellence in execution is key to maintaining Client relationships, securing repeat business and building the Company's reputation to attract new Clients.
What matters to them	• Competitive pay and benefits • Opportunities for development and progression • Flexible working • Opportunity to work on complex projects • Ability to make a difference • Diversity and inclusion • Health, safety, environment and sustainability
Methods of engagement	• Comprehensive training programme • Support for attaining professional qualifications/chartered status • Internal recognition • Talent development programme • Sports and Social Committee & events programme • GROW Programme • Regular Town Halls with senior leadership • Global, Regional and local internal communications
Customers	
Why they are important to the Company	The Company's success relies on its ability to understand and offer solutions to the challenges our Clients are facing.
What matters to them	• Safety • Capital Efficiency • Quality, Cost and Schedule • Technological advances • Sustainability • Ethics
Methods of engagement	• Key Client account managers

Strategic report

for the year ended 31 December 2019 (continued)

	• Project Sponsors outside project team for oversight • Regular Client feedback surveys with analysis & project debriefs • Value enhancement initiatives
Suppliers and Subcontractors	
Why they are important to the Company	Suppliers and subcontractors are key to enabling the Company to execute its varied portfolio of projects. They bring required materials or expertise that is not otherwise available internally.
What matters to them	• Being paid on time • Timely, accurate and clear communication • Opportunities to grow their business and secure future work
Methods of engagement	• Supplier and Subcontractor due diligence • Key supplier relationships, with regular communication • Frequent project meetings and correspondence • Regular visits to supplier facilities
Shareholder / Parent Company	
Why they are important to the Company	Parent companies, and ultimate shareholders, provide investment, support, governance and guidance for the strategic direction of the Company.
What matters to them	• Safety, ethics and integrity • Financial performance • Strategic planning and a sound business model • Client relationships • Talent development • Reputation
Methods of engagement	• Global Town Halls and communications • Regular reporting and reviews • Programme of internal and external controls audits
Environment and Community	
Why they are important to the Company	The local community provides and supports a large proportion of our workforce. They also influence the local environment in which we operate.
What matters to them	• Employment opportunities • Reduction of environmental impacts • Support of local communities and charities • Safety
Methods of engagement	• Providing employment and work experience • Fundraising for a local charity, selected annually by employees • Meetings with local council/government representatives • Community projects / volunteering

Strategic report

for the year ended 31 December 2019 (continued)

Key Decisions in 2019 – Long term consequences and considerations of Stakeholders

- The Company appointed Graham Mason as Managing Director during 2019. Graham leads the Company's Sales & Business Development teams and has experience across multiple business lines during his long tenure with the Company. This appointment recognised his role as Company representative with our Clients and Suppliers/Subcontractors. He is also a role model for employee development having joined the Company as a graduate.
- The Company appointed Bert Breve to the Board in 2019. His considerable tenure with Fluor globally, broad project experience and existing client relationships were considered an advantage when seeking to replace our late Director, Ashley Rees. Bert also serves as the UK Office General Manager and is keen to look after the interests of our workforce.
- The Company requested additional capital funding from its parent company in December 2019, recognising the value of strengthening the balance sheet to ensure continued pre-qualification for Client bid lists and providing reassurance to our supply chain.
- The Company provided an intercompany loan to its immediate parent/shareholder, providing cashflow support and generating interest income for the Company.

On behalf of the Board

Graham Mason
Director

Date: 15th December 2020

Registered No: 01274885

Directors' report

for the year ended 31 December 2019

The directors present their report and financial statements for the year ended 31 December 2019.

Dividends

The directors do not recommend payment of a dividend (2018: £411,000,000).

Future developments

The Directors do not anticipate any major change in the company's trading activities outlined in the strategic report in the foreseeable future.

In light of the impact of Brexit and COVID-19, as discussed in Principle Risks and Uncertainties above, the company will continue its focus on the control of costs and working capital optimisation.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to foreign currency, price, credit, COVID-19, competition and liquidity risk are described in the Strategic Report on pages 2 to 7.

The directors have considered the company's cashflow projections for the period ended 31 December 2021. Based on the outcome of these considerations, which takes into account the risks and uncertainties arising from the COVID-19 pandemic, the directors have received confirmation that its parent entity will provide financial support to the company for a period of at least 12 months from the date of approval of the company's financial statements. Accordingly, the directors are satisfied that it is appropriate to use the going concern basis in preparing the financial statements.

Directors of the company

The directors who served the company during the period 1 January 2019 to the date of this report are shown on page 1.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training.

Employee involvement

Management, through the communication of relevant information and regular consultation on work-related issues, encourages employees to be involved in the performance of the company.

Further detail on how the company has addressed employee interests and engagement during the reporting period are provided in the Section 172 (1) Statement in the Strategic Report.

Financial risk management

The company's exposure to financial risk is outlined in the Strategic Report on pages 3 and 4.

Events since the balance sheet date

On 23 March 2020, the Government in the UK announced a national lockdown in response to the COVID-19 pandemic. The spread of the COVID-19 outbreak has caused severe disruptions in many economies, including those impacting the company and its customers, which are facing a recession of an undetermined extent and length.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to disruption in supply chains and personnel available for work and or being able to access offices. The potential impact on the company's performance for the year ended 31 December 2020 is still unclear and we are unable to quantify the likely impact on the full year results at this stage.

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Directors' report

for the year ended 31 December 2019 (continued)

The directors have however received confirmation from its parent entity that the company will be financially supported for a period of at least 12 months from the date of approval of the company's financial statements. The directors are therefore confident of the company's ability to survive the challenges of the pandemic and to emerge to a strong position in the market.

Other than in relation to COVID-19, there were no significant events between the balance sheet date and the date of signing of the financial statements, affecting the company, which require adjustment to or disclosure in the financial statements.

Disclosure of information to auditors

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

On behalf of the board

Graham Mason
Director

Date: 15th December 2020

Registered No: 01274885

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standards' (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLUOR LIMITED

Opinion

We have audited the financial statements of Fluor Limited for the year ended 31 December 2019 which comprise Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, Statement of cash flows and the related notes 1 to 24, 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" (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 2019 and of its loss 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.

Emphasis of matter- Effects of COVID-19

We draw attention to note 1 and 22 of the financial statements, which describe the financial and operational disruption the company is facing as a result of COVID-19 which is impacting supply chains, and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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.

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 directors' responsibilities statement set out on page 10, 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.

Use of our report

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

Ernst & Young LLP

David Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 16 December 2020

Registered No: 01274885

Income statement
for the year ended 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Turnover	2	1,061,202	1,117,418
Cost of sales		(1,093,501)	(1,235,523)
Gross loss		(32,299)	(118,105)
Administrative expenses		(37,779)	(35,036)
Other operating (expenses)/income		(4,052)	106,673
		(41,831)	71,637
Operating loss	3	(74,130)	(46,468)
Interest receivable and similar income	6	1,692	1,840
Interest payable and similar charges		-	(29)
Other finance cost	7	(1)	(10,247)
		1,691	(8,436)
Loss on ordinary activities before taxation		(72,439)	(54,904)
Tax on loss on ordinary activities	8	9,433	(28)
Loss for the financial year		(63,006)	(54,932)

The company derived all operating profit from continued operations.

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Statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Loss for the year		(63,006)	(54,932)
Remeasurement loss recognised on defined benefit pension scheme	17	(1)	(9,987)
Exchange difference on translation of foreign operations		(4,648)	74
Fair value adjustment on derivatives and hedging		1,475	2,974
Deferred tax on hedge accounting adjustments	8	(309)	(667)
Total other comprehensive loss for the year		(3,483)	(7,606)
Total comprehensive loss for the year		(66,489)	(62,538)

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Statement of financial position

At 31 December 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Tangible fixed assets	9	28,357	31,264
Investments	10	63	63
		28,420	31,327
Current assets			
Debtors: amounts falling due after more than one year	11	155,140	-
Debtors: amounts falling due within one year	12	700,672	464,391
		855,812	464,391
Cash at bank and in hand		95,388	216,881
		951,200	681,272
Creditors: amounts falling due within one year	13	(991,472)	(821,962)
Net current liabilities		(40,272)	(140,690)
Total assets less current liabilities		(11,852)	(109,363)
Creditors: amounts falling due after more than one year	14	(7,031)	(8,031)
Net liabilities		(18,883)	(117,394)
Capital and reserves			
Called up share capital	15	400	400
Profit and loss account	16	(176,539)	(113,533)
Non distributable reserve	16	(7,744)	(4,261)
Capital Contribution	16	165,000	-
Equity shareholder's funds		(18,883)	(117,394)

These financial statements were approved by the Board of Directors for issue on 15th December 2020 and are signed on their behalf by:

Graham Mason
Director

Registered No: 01274885

Statement of changes in equity

At 31 December 2019

	Capital contribution *£000*	*Share capital* *£000*	*Profit and loss account* *£000*	*Non-distributable reserves* *£000*	*Share-holders' funds* *£000*
At 1 January 2018	-	400	352,399	3,345	356,144
Loss for the financial year	-	-	(54,932)	-	(54,932)
Dividends	-	-	(411,000)	-	(411,000)
Other comprehensive loss	-	-	-	(7,606)	(7,606)
At 31 December 2018	-	400	(113,533)	(4,261)	(117,394)
At 1 January 2019	-	400	(113,533)	(4,261)	(117,394)
Loss for the financial year	-	-	(63,006)	-	(63,006)
Other comprehensive loss	-	-	-	(3,483)	(3,483)
Capital Contribution	165,000	-	-	-	165,000
At 31 December 2019	165,000	400	(176,539)	(7,744)	(18,883)

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Cash flow statement

At 31 December 2019

	Notes	2019 £000	2018 £000
Net cash (outflow)/inflow from operating activities	21	(287,424)	122,804
Investing activities			
Increase in investments	10	-	-
Investment income received		-	319,233
Interest received	6	1,692	1,840
Purchase of fixed assets	9	(797)	(1,987)
Proceeds on disposal of fixed assets		36	60
Net cash inflow from investing activities		931	319,146
Financing activities			
Interest paid		-	(30)
Dividends paid		-	(411,000)
Additional capital injection		165,000	-
Net cash inflow/(outflow) from financing activities		165,000	(411,030)
(Decrease)/increase in net cash		(121,493)	30,920
Cash and cash equivalents at the beginning of the year		216,881	185,961
Cash and cash equivalents at the end of the year		95,388	216,881

Notes to the financial statements

At 31 December 2019

1. Accounting policies

Statement of compliance

Fluor Limited is a private company limited by shares incorporated in England. The Registered Office is 140 Pinehurst Road, Farnborough, Hampshire, GU14 7BF.

The financial statements have been prepared in compliance with UK GAAP including FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2019.

Basis of preparation

The financial statements of Fluor Limited were authorised for issue by the Board of Directors on 15th December 2020.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of company and rounded to the nearest £'000

Under the provisions of FRS 102, the Company is defined as a qualifying entity and has consequently taken advantage of the disclosure exemptions set out in FRS 102 section 1.12 not to:

- provide a reconciliation of the number of shares outstanding at the beginning and end of the year; and
- disclose key management personnel compensation.

The company is a qualifying entity as defined by FRS 102 and share based payments disclosure required in accordance with Section 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102, are included in the consolidated financial statements of Fluor Corporation (the company's ultimate parent undertaking), which can be obtained from 6700 Las Colinas Boulevard, Irving, Texas 75039, USA. Consequently the company has taken advantage of the disclosure exemption set out in Section 1.12 not to provide those share based payment disclosures.

The company recognises in relation to its interest in the jointly controlled operations:

- the assets that it controls,
- the liabilities that it incurs;
- the expenses it incurs, and/or its share of the expenses incurred; and
- the share of the income that it earns

Going Concern

The company has net current liabilities of £195.4 million and net liabilities of £18.8 million. The directors have considered the company's cashflow projections for the period ended 31 December 2021. Based on the outcome of these considerations, which takes into account the risks and uncertainties arising from the COVID-19 pandemic, the directors have received confirmation that its parent entity will provide financial support to the company for a period of at least 12 months from the date of approval of the company's financial statements. Accordingly, the directors are satisfied that it is appropriate to use the going concern basis in preparing the financial statements.

Consolidated financial statements

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of Fluor Corporation.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

At 31 December 2019

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements

Lease commitments

The Company has entered into commercial property leases and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Notes to the financial statements

At 31 December 2019

1. Accounting policies (continued)

Performance on long-term contracts

The company's revenue recognition policy set out below is central to how the company values the work carried out in each financial year. This policy requires forecast to be made in relation to the outcomes of construction contracts, including long-term service contracts, which requires assessment and judgements to be made on costs to complete, scope of work, contract programmes and defects liabilities.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Long-term contracts

Revenue from construction contracts, including long-term services provision contracts, is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is determined by the proportion that contract costs incurred to date bear to the estimated total contract costs. When the outcome of a contract cannot be reliably measured, revenue is recognised only to the extent that contract costs incurred are likely to be recoverable and contract costs are expensed as incurred. Full provision is made for all known or expected losses on all contracts as soon as they are foreseen and is included within creditors as provisions for liabilities and charges.

Variations in contract work, claims and incentive payments are included in revenue from construction contracts when certain criteria are met. Variations are included when the customer has agreed to the variation or acknowledged liability for the variation in principle.

Claims are included when negotiations with the customer have reached an advanced stage such that the customer is certain to accept the claim. .

Incentive payments are included when a contract is sufficiently advanced that it is probable that the performance standards triggering the incentive will be achieved.

The amounts by which recorded turnover are in excess of amounts billed are classified as "amounts recoverable on contracts" and are separately disclosed within debtors.

The amounts by which amounts billed are in excess of recorded turnover are classified as "payments received on account" and are separately disclosed within creditors.

Interest income

Interest income is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividends

Revenue is recognised when the company's right to receive payment is established. Dividend distributions are recognised only when a legal obligation to pay the dividend arises.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

The company provides depreciation on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Furniture and equipment	–	20% – 50%
Motor vehicles	–	25%
Buildings	–	over the term of the lease

Notes to the financial statements

At 31 December 2019

1. Accounting policies (continued)

Tangible fixed assets (continued)

The carrying values of tangible fixed assets are reviewed regularly for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Land and buildings

Land and buildings represent owner occupied properties and are recognised at cost which includes purchase cost and any directly attributable expenditure of a capital nature only.

Investments

Investments are stated at cost less any provision for impairment. The carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

Provisions for liabilities

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

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoices. The effect of the time value of money is not material and therefore the provisions are not discounted.

Taxation

Current taxation including UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that 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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Foreign currencies

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

The assets and liabilities of the overseas branch and jointly controlled operations are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at an average rate. All resulting exchange differences are recognised in other comprehensive income.

Derivative instruments

The company uses forward currency contracts to reduce exposure to foreign exchange rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Further details are contained in note 20.

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the company's operations.

Notes to the financial statements

At 31 December 2019

1. Accounting policies (continued)

Derivative instruments (continued)

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in OCI are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the firm commitment it met.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument classified consistent with the classification of the underlying hedged item. Further details are contained in note 20.

Cash at bank and in hand

Cash in the balance sheet comprises cash at bank and in hand, and is stated net of outstanding bank overdrafts.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

Leasing commitments

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the assets, even if that right is not explicitly specified in the arrangement.

Company as a leasee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Notes to the financial statements

At 31 December 2019

1. Accounting policies (continued)

Pensions

The company operates both a defined benefit pension scheme, the Fluor Daniel Retirement Plan, (which was closed to accrual of service and salary increases on 1 April 2011) and a defined contribution pension scheme.

The amount charged to the profit and loss account in respect of the defined contribution scheme represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

The defined benefit scheme provides benefits based on final pensionable salary. The assets are held in a separately administered fund and contributions are paid to this fund. In accordance with FRS 102 section 28.18, defined benefit pension scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bond of equivalent term and currency to the liability. The movement in the pension scheme surplus or deficit during the financial year is recognised in accordance with FRS 102 section 28.23-25 as follows:

- The service cost of providing retirement benefits to employees during the year is included in the operating profit or loss for the year.
- The full cost of providing amendments to benefits in respect of past service is also charged to the profit and loss account.
- The expected return / cost on financing the net scheme surplus / deficit during the year (based on market value of scheme assets at the start of the financial year) is included in the profit and loss account within interest income or expense. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment.
- Differences between actual and expected returns on assets during the year, changes in assumptions and experience gains or losses are recognised in the statement of comprehensive income in the year.
- The surplus / deficit on the defined benefit pension scheme net of deferred tax is reported separately in the balance sheet.

Loans and borrowings

All loans and borrowings which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided which fall within the company's ordinary activities (stated net of value added tax) and, in the case of long-term contracts, the value of the work done during the year.

Turnover includes costs in respect of furnished materials of £14,418,000 (2018: £14,603,000) which are entirely funded by clients.

Turnover is attributable to one continuing activity, which is the provision of engineering and construction services including design, engineering, procurement, project management, construction and technical support to industrial, commercial and government clients.

Notes to the financial statements

At 31 December 2019

2. Turnover (continued)

An analysis of turnover by geographical market is given below:

	2019	*2018*
	£000	*£000*
UK	530,180	423,394
Europe	33,069	36,706
Middle East	511,777	627,253
Asia	(17,144)	20,237
Africa	2,603	9,441
Other	45	194
USA	672	194
	1,061,202	1,117,419

3. Operating loss

This is stated after (crediting)/charging:

	2019	*2018*
	£000	*£000*
Auditor's remuneration – audit of the company	242	222
Depreciation of owned fixed assets	3,662	3,813
(Gain) on disposal of owned fixed assets	-	(2)
Operating lease rentals – land and buildings	5,308	5,353
– plant and machinery	64	346
Foreign exchange loss/(gains)	4,636	(12,722)

4. Directors' remuneration

	2019	*2018*
	£000	*£000*
Emoluments for qualifying services	841	1,003
Aggregate payments to pension schemes	-	-
	841	1,003

The aggregate emoluments of the highest paid director were £312,000 (2018: £446,000) excluding employer defined contribution pension scheme contributions of £Nil (2018: £Nil).

	2019	*2018*
	No.	*No.*
Number of directors accruing benefits under defined contribution scheme	-	-
Number of directors who receive shares in respect of qualifying services	2	2

Notes to the financial statements

At 31 December 2019

5. Staff costs

	2019	*2018*
	£000	*£000*
Wages and salaries	61,541	61,264
Social security costs	6,690	6,846
Other pension costs	3,872	3,825
	72,103	71,935

Included in other pension costs are £Nil (2018: £Nil) in respect of the defined benefit scheme and £3,872,000 (2018: £3,825,000) in respect of the defined contribution scheme.

The average monthly number of employees, including directors, during the year was made up as follows:

	2019	*2018*
	No.	*No.*
Office and management	52	50
Engineering	634	668
	686	718

6. Interest receivable and similar income

	2019	*2018*
	£000	*£000*
Bank interest	1,113	1,517
Interest receivable on intercompany loan note	140	-
Other interest	439	323
	1,692	1,840

7. Other finance cost

	2019	*2018*
	£000	*£000*
Interest on pension scheme liabilities	1	(148)
Pension scheme costs	-	10,395
	1	10,247

Notes to the financial statements

At 31 December 2019

8. Tax

(a) The tax charge is as follows:	*2019*	*2018*
	£000	*£000*
UK Corporation tax:		
Current tax charge	-	-
Adjustment in respect of previous years	(9,484)	-
Consideration for prior year losses surrendered	-	-
	(9,484)	-
Foreign tax		
Current year	18	(8,265)
Adjustment in respect of previous years	33	-
	(9,433)	(8,265)
Deferred tax:		
Recognised in respect of timing differences	-	8,293
Tax charge on profit on ordinary activities (note 8(c))	(9,433)	28

b) Tax included in statement of comprehensive income

The tax charge is as follows:	*2019*	*2018*
	£000	*£000*
Deferred tax:		
Hedge accounting adjustments	(309)	(667)
Total tax charge on other comprehensive income	(309)	(667)

Notes to the financial statements

At 31 December 2019

8. Tax (continued)

(c) Factors affecting the current tax charge

The tax assessed on the (loss) on ordinary activities for the year is different than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	*2018*
	£000	*£000*
(Loss) on ordinary activities before tax	(72,439)	(54,904)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	(13,763)	(10,432)
Effects of:		
Expenses not deductible for tax purposes	53	3,829
Accumulated capital allowances	(20)	(150)
Losses utilised in the year	-	-
Losses carried forward	13,682	29,151
Exempt sale of subsidiary	-	(18,307)
Loss on sale of fixed assets	1	-
Research and development	47	-
Foreign tax payable	18	28
Adjustments in respect of previous years – UK tax	(9,484)	-
Adjustments in respect of previous years – foreign tax	33	-
Consideration due for losses surrendered to other group companies	-	-
Pension contributions	-	(4,091)
Total tax charge (note 8(a))	(9,433)	28

(d) Factors affecting future tax charge

The UK corporation tax rate reduced from 20% to 19% from April 2017. Accordingly, the Company's profit for the accounting period is taxed at an effective rate of 19% (2018: 19%).

(e) Deferred tax

The deferred tax asset included in the balance sheet is as follows:

	2019	*2018*
	£000	*£000*
At 1 January	(8,031)	929
Hedge accounting adjustments	(309)	(667)
Foreign deferred tax provision	1,309	(8,293)
At 31 December (note 14)	(7,031)	(8,031)

Notes to the financial statements

At 31 December 2019

8. Tax (continued)

As at 31 December 2019 there are unrecognised deferred tax assets in respect of trading losses of £49,583,000 (2018: £49,611,000), depreciation in excess of capital allowances of £(1,149,687) (2018: £(968,666)) and other timing differences of £521,000 (2018: £456,000). This is due to there being no persuasive and reliable evidence of profits or taxable capital profits in the future of offset against these losses.

In addition, no deferred tax asset has been recognised in respect of foreign tax credits with a value of £Nil (2018: £Nil), on the basis that there will be no foreign tax earnings available to offset this amount.

9. Tangible fixed assets

	Land and buildings £000	*Furniture and equipment £000*	*Total £000*
Cost:			
At 1 January 2019	30,229	26,167	56,396
Additions	-	797	797
Disposals	-	(445)	(445)
At 31 December 2019	30,229	26,519	56,748
Depreciation:			
At 1 January 2019	8,401	16,731	25,132
Provided during the year	1,000	2,662	3,662
Disposals	-	(403)	(403)
At 31 December 2019	9,401	18,990	28,391
Net book value:			
At 31 December 2019	20,828	7,529	28,357
At 31 December 2018	21,828	9,436	31,264

10. Investments

	Total £000
At 1 January 2019	63
Additions	-
Disposals	-
At 31 December 2019	63

Notes to the financial statements

At 31 December 2019

10. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Nature of business*	*Proportion of voting rights and shares held*
FPMM LLC	Ordinary shares	Engineering & construction	100%

The above holding of ordinary shares is held directly by Fluor Limited. The company is registered in Mongolia.

11. Debtors: amounts falling due after more than one year

	2019 *£000*	*2018* *£000*
Intercompany loan notes receivable	155,140	-

Intercompany loan has a maturity date of 20th February 2021 with an interest rate of 3 month GBP Libor Rate plus 2.5% per annum.

12. Debtors: amounts falling due within one year

	2019 *£000*	*2018* *£000*
Trade debtors	312,577	256,403
Amounts owed by parent and fellow subsidiary undertakings	18,546	25,825
Amounts recoverable on contracts	183,434	53,340
Prepayments and accrued income	131,147	111,675
Corporation tax	29,236	15,810
Other debtors	2	1,338
Intercompany loan notes receivable	25,730	-
	700,672	464,391

Amounts owed by parent and fellow subsidiary undertakings have no specified terms of settlement and are therefore considered current.

The intercompany loan note receivable is repayable on demand and the interest rate is the Central Bank of Kuwait rate plus 1%.

Notes to the financial statements

At 31 December 2019

13. Creditors: amounts falling due within one year

	2019	*2018*
	£000	*£000*
Trade creditors	314,510	310,152
Amounts owed to fellow group undertakings	132,912	132,532
Payments received on account	504,937	351,908
Other taxes and social security costs	3,074	2,988
Value added tax	10,225	13,574
Accruals and deferred income	6,754	10,808
Intercompany loan note payable	19,060	-
	991,472	821,962

Amounts owed to fellow group undertakings relate to intercompany trading. They are non-interest bearing and repayable on demand.

The intercompany loan note payable is repayable on demand and the interest rate is the Central Bank of Kuwait rate plus 1%.

14. Creditors: amounts falling due after more than one year

	2019	*2018*
	£000	*£000*
Deferred tax (Note 8)	7,031	8,031
	7,031	8,031

15. Share capital

Authorised, allotted, called up and fully paid

	2019	*2018*	*2019*	*2018*
	No.	*No.*	*£000*	*£000*
Ordinary shares of £1 each	400,000	400,000	400	400

Notes to the financial statements

At 31 December 2019

16. Reserves

Non-distributable reserve

This is a non-distributable reserve and represents exchange differences on translation of the branch.

Capital contributions

Capital contributions represent amounts received from the immediate parent undertaking with no repayment terms.

Profit and loss account

The profit and loss account relates to retained profits that are available for distribution.

17. Pension commitments

The company operates a funded pension scheme (closed to new joiners) providing defined benefits based on final pensionable earnings, the assets of which are held in a separate trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations. As the scheme is closed to new members, under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

Under the pension scheme rules any surplus within the pension fund will be retained by it and not returned to the company. Therefore to the extent that the pension fund is in a net pension asset position an asset cap will be utilised to reduce the net pension asset to nil.

On 4 October 2010, the company informed members of the proposal to close the defined benefit section of the Fluor Limited Retirement Benefit Scheme to future accrual with effect from 1 April 2011. Employee consultation concluded on 10 January 2011 when members were asked to consent to the change and to accept that pension benefits will now fall under the defined contribution section of the scheme. Having obtained consent the defined benefit section of the Fluor Limited Retirement Benefit Scheme closed to accrual of service and salary increases on 1 April 2011.

A full actuarial valuation was carried out on 5 April 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	2019	*2018*	*2017*	*2016*
Rate of increase in salaries	N/a	N/a	N/a	N/a
Rate of increase in pensions in payment - Pre '97 joiners	3.50%	3.60%	3.60%	3.65%
Rate of increase in pensions in payment - Post '97 joiners	3.50%	3.60%	3.60%	3.65%
Discount rate	2.05%	2.90%	2.50%	2.70%
Inflation assumption	2.95%	3.15%	3.15%	3.25%

Notes to the financial statements

At 31 December 2019

17. Pension commitments (continued)

The assets and liabilities of the scheme are:

	2019	*2018*
	£000	*£000*
Scheme assets at fair value		
Cash and cash equivalents	-	1,383
Debt instruments	-	658
Other	266,041	227,300
	266,041	229,341
Present value of scheme liabilities	(266,041)	(227,300)

Amounts recognised in the Income statement:

	2019	*2018*
	£000	*£000*
Cost (excluding interest)	-	(10,395)
Administrative expenses and/or taxes	(94)	(1,299)
	(94)	(11,694)
Net interest on net defined benefit liability	(1)	148
	(95)	(11,546)

Amounts recognised in Other comprehensive income:

	2019	*2018*
	£000	*£000*
Actual return on scheme assets	38,071	(72,361)
	38,071	(72,361)
Other actuarial gains and losses	(38,072)	62,374
	(1)	(9,987)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2019	*2018*
	£000	*£000*
At 1 January	227,300	280,942
Cost (excluding interest)	-	10,395
Interest expense	6,468	6,404
Benefits paid	(7,899)	(49,534)
Remeasurement	40,172	(20,907)
At 31 December	266,041	227,300

Notes to the financial statements

At 31 December 2019

17. Pension commitments (continued)

Changes in the fair value of plan assets are analysed as follows:

	2019	*2018*
	£000	*£000*
At 1 January	229,341	323,389
Remeasurement		
Actual return on plan assets	38,071	(72,361)
Interest income	6,526	7,613
Benefits paid	(7,899)	(7,212)
Administrative expenses	(94)	(1,299)
Employer contributions	96	21,533
Settlement payments	-	(42,322)
At 31 December	266,041	229,341

18. Obligations under operating leases

At 31 December 2019, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2019	*Land and buildings 2018*	*Other 2019*	*Other 2018*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	3,975	4,858	18	212
In two to five years	14,070	14,609	252	287
In over five years	1,410	4,847	-	-
	19,455	24,314	270	499

19. Contingent liabilities

The company has, in the ordinary course of business, entered into arrangements with third parties in respect of bonds relating to the performance of the company's obligations under certain contracts.

During the normal course of business the company provides certain warranties on its major contracts. A provision for these warranties is made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the financial statements

At 31 December 2019

20. Derivatives and hedging

At 31 December 2019, the fair values of derivatives designated as hedging instruments are as follows:

	2019	*2018*
	£000	*£000*
Financial assets at fair value in amounts owed to parent and fellow group undertakings		
Foreign currency contracts	2,030	2,370
Commodity contracts	27	-
	2,057	2,370
Financial liabilities at fair value in amounts owed to parent and fellow group undertakings		
Foreign currency contracts	-	234
	-	234

As of December 2019, the company had total gross notional amounts of £227,249,000 (2018: £551,944,000) of foreign currency contracts and £1,259,000 (2018: £Nil) of commodity contracts outstanding relating to the management of foreign currency risk on engineering and construction contract obligations and monetary and liabilities denominated in non-functional currencies. The foreign currency contracts are of varying duration, none of which extend beyond December 2021.

During the year an income of £1,475,000 (2018: expense of £2,974,000) was recognised in other comprehensive income and an expense of £543,834 (2018: income of £1,483,888) was recognised in other operating income.

Notes to the financial statements

At 31 December 2019

21. Notes to the cash flow statement

Reconciliation of operating profit to net cash flow from operating activities:

	2019 *£'000*	*2018* *£'000*
Operating loss	(74,130)	(46,468)
(Increase) in debtors – current	(196,122)	(82,357)
(Increase) in debtors – non current	(180,870)	-
Increase in creditors - current	169,510	263,473
(Decrease)/increase in creditors – non current	(1,000)	8,031
Depreciation and amortisation	3,662	3,813
Gain on disposal	-	(2)
Remeasurement loss recognised on defined benefit pensions scheme	(1)	(9,987)
Other finance costs	(1)	(10,247)
Exchange difference on retranslation of foreign operations	(4,647)	74
Fair value adjustment on derivatives and hedging	1,475	2,974
Corporation tax paid (including advance corporation tax)	(5,300)	(6,500)
Total net cash (outflow)/ inflow from operating activities	(287,424)	122,804

22. Events after the reporting period

On 23 March 2020, the Government in the UK announced a national lockdown in response to the COVID-19 pandemic. The spread of the COVID-19 outbreak has caused severe disruptions in many economies, including those impacting the company and its customers, which are facing a recession of an undetermined extent and length.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to disruption in supply chains and personnel available for work and or being able to access offices. The potential impact on the company's performance for the year ended 31 December 2020 is still unclear and we are unable to quantify the likely impact on the full year results at this stage.

The directors have however received confirmation from its parent entity that the company will be financially supported for a period of at least 12 months from the date of approval of the company's financial statements. The directors are therefore confident of the company's ability to survive the challenges of the pandemic and to emerge to a strong position in the market.

Other than in relation to COVID-19, there were no significant events between the balance sheet date and the date of signing of the financial statements, affecting the company, which require adjustment to or disclosure in the financial statements.

23. Related party transactions

The company is a wholly owned subsidiary of Fluor Corporation, and as such has taken advantage of the exemption in FRS 102 section 33.1A related party disclosures, not to disclose related party transactions between two or more members of a Group provided that any subsidiary which is party to the transactions is wholly owned by such member.

Notes to the financial statements

At 31 December 2019

23. Related party transactions (continued)

During the year, Fluor Limited had the following transactions with joint ventures in which the Fluor International Limited group holds an equity interest:

	Sales to		*Year end trade debtors (resulting from sales)*		*Management fee charged*		*Year end debtors (resulting from fee)*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
KDPC Limited	-	-	-	-	-	-	-	-
PFD Limited	-	-	-	-	-	-	-	-
GeneSYS Telecommunications Limited	4	36,219	-	-	-	36	-	-
Kazakh Projects Joint Venture Limited	154,888	332,188	20,759	19,066	-	-	-	-

All of the companies listed above are 50% owned joint ventures by Fluor International Limited, with the exception of GeneSYS Telecommunications Limited where Fluor International Limited owns 45% of the issued share capital.

Fluor Limited recognised the share of its interest in FDH JV, an unincorporated joint venture, by including the following year end balances and transactions within its financial results:

	2019	*2018*
	£000	*£000*
Debtors	310,974	282,707
Cash	12,097	10,589
Creditors	(236,015)	(233,103)
Turnover	458,205	723,836
Cost of sales	(485,916)	(695,886)
Operating income	(2,386)	8,520
Interest receivable	439	380

Notes to the financial statements

At 31 December 2019

23. Related party transactions (continued)

The year end intercompany balances are as follows:

Entity	Relationship	31 December 2019
Fluor Enterprise Inc	By virtue of common control	(4,171,378)
Fluor Canada Ltd	By virtue of common control	271,102
Fluor GmbH	By virtue of common control	928
Fluor BV	By virtue of common control	(598,557)
Fluor Arabia Ltd	By virtue of common control	(240,374)
Fluor Ltd	By virtue of common control	(10,665,785)
Fluor Nigeria Ltd	By virtue of common control	35,439
Fluor Australia Pty Ltd	By virtue of common control	1,669
Fluor Corporation	Ultimate Parent	(60,116)
Fluor S.A.- Headquarters	By virtue of common control	1,150
Fluor Transworld Services, Inc.	By virtue of common control	10,976
Fluor S.A. (Pty) Limited - South Africa	By virtue of common control	603
Fluor Daniel Pacific Inc.	By virtue of common control	46,331
Fluor Daniel International Services Inc.	By virtue of common control	(30,803)
Fluor International Limited - Headquarters	Immediate Parent	(10,727,186)
Fluor Ireland Limited	By virtue of common control	9,372
Fluor Daniel Asia, Inc.	By virtue of common control	856
Fluor Daniel Inc	By virtue of common control	23,880
Fluor Finance International B.V.	By virtue of common control	7,676
FD Technical Services Inc	By virtue of common control	(575,135)
Fluor US Services, Inc.	By virtue of common control	12,603
Fluor Mideast Limited (California) - Abu Dhabi	By virtue of common control	139
Fluor Daniel Eastern, Inc. - Indonesia (Offshore)	By virtue of common control	294,350
Fluor Services International, Inc.	By virtue of common control	(71,433)
Fluor Industrial Services Ltd	By virtue of common control	(55,739)
Fluor Consultants B.V. - Kuwait	By virtue of common control	(93,673,312)
TRS Staffing Solutions (Australia) Pty Ltd	By virtue of common control	(10,384)
Fluor Consultants B.V. - Headquarters	By virtue of common control	(35,157)
TRS Staffing Solutions Limited	By virtue of common control	(483,724)
Fluor Federal Services, Inc.	By virtue of common control	(595)
Fluor Limited - Kuwait	By virtue of common control	10,840,318
Fluor (China) Engineering & Construction Co. Ltd. - Headquarters	By virtue of common control	(732,549)
Fluor Daniel Overseas, Inc. - Italy	By virtue of common control	6,235
TRS Staffing Solutions Limited	By virtue of common control	563

Notes to the financial statements

At 31 December 2019

23. Related party transactions (continued)

The year end intercompany balances are as follows:

Entity	Relationship	31 December 2019
Fluor-Igoda Projects (Proprietary) Limited	By virtue of common control	14,662
Fluor Kuwait Company (Kuwaiti Shareholding Company - Closed)	By virtue of common control	1,621,766
Fluor Engineering N.V.	By virtue of common control	7,093
Fluor Federal Solutions,LLC	By virtue of common control	4,302
Fluor Plant Eng SA	By virtue of common control	848
Fluor Kazakhstan Inc. - Headquarters	By virtue of common control	659,830
Fluor Kazakhstan Inc. - Atyrau	By virtue of common control	167,199
Fluor Enterprises, Inc - Manila GEC	By virtue of common control	811,068
Fluor Enterprises, Inc. - New Delhi GEC	By virtue of common control	(6,192,454)
Fluor Daniel Eastern, Inc. - Korea (Onshore)	By virtue of common control	(402,188)
Fluor Enterprises, Inc. - Gliwice GEC	By virtue of common control	(659,913)
FD Eurasia-Moscow Branch	By virtue of common control	(17,969)
Fluor Project Services B.V. - Denmark	By virtue of common control	2,971
Fluor Daniel Eur-Nzhny Nvgrd	By virtue of common control	(3,779)
Fluor Consultants B.V. - Finland	By virtue of common control	204,227
Fluor Daniel South America, Ltd. - Sucursal Argentina	By virtue of common control	1
Fluor Daniel Global Services Limited	By virtue of common control	(379,169)
Fluor Danial International - Malaysia	By virtue of common control	(116)
Fluor Daniel Caribbean, Inc. - Puerto Rico	By virtue of common control	58
Fluor South Africa Proprietary Limited	By virtue of common control	366,562
Fluor Enterprises Group, Inc. - Moscow	By virtue of common control	(3,468)

24. Parent undertakings and controlling party

The company's immediate parent undertaking is Fluor International Limited, registered in England and Wales. Its registered office is Fluor Centre, 140 Pinehurst Road, Farnborough, Hampshire, GU14 7BF.

The smallest and largest group of undertakings of which the company is a member and for which group financial statements are prepared is Fluor Corporation, a company incorporated in the USA. A copy of Fluor Corporation group financial statements can be obtained from 6700 Las Colinas Boulevard, Irving, Texas 75039, USA.