

FLUOR DANIEL PROPERTIES LIMITED

Report and Financial Statements

31 December 2001



Fluor Daniel Properties Limited

Registered No. 2388748

DIRECTORS

R Chopra
P Flaherty
M J H Kuitema

SECRETARY

M J H Kuitema

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

Watchmoor Park
Riverside Way
Camberley
Surrey GU15 3YL

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £246,791 (14 month period ended 31 December 2000 – loss of £288,839).

The directors are unable to recommend the payment of a dividend (14 month period ended 31 December 2000 – £nil), which leaves a retained loss of £12,069,906 (2000 – loss of £12,316,697) to be carried forward.

PRINCIPAL ACTIVITY

The company has a long term leasehold interest in an office development located in the Docklands, Isle of Dogs. Although all the floors were fully let during the period, one of the floors subsequently became vacant in March 2001 on expiry of the lease and the company is vigorously pursuing a new tenant to occupy this vacant floor.

The company also holds a number of other leases on office buildings which were sub-let to fellow subsidiary undertakings.

FUTURE DEVELOPMENTS

The directors are confident that all the leasehold properties will continue to be fully let in the near future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

R Chopra
M J H Kuitema
Mr P Flaherty

None of the directors had a beneficial interest in any contract to which the company was a party nor any disclosable interest in the share capital of any UK group company at any time during the year.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditors, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. At the Annual General Meeting of the company held on 15 October 2001 it was resolved to treat the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

At the Annual General Meeting of the company held on 18 March 1991, it was resolved that pursuant to section 386 of the Companies Act 1985, the company elected to dispense with the obligations to appoint auditors annually. Accordingly, Ernst & Young LLP shall be deemed to be reappointed as auditors 28 days after the accounts are sent to the members.

On behalf of the Board


Director 5 November 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLUOR DANIEL PROPERTIES LIMITED

We have audited the company's financial statements for the year ended 31 December 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

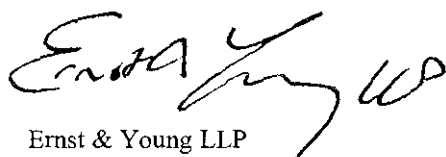
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

Fluor Daniel Properties Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

		<i>Year ended</i> <i>31 December</i> <i>2001</i> £	<i>14 month</i> <i>period ended</i> <i>31 December</i> <i>2000</i> £
	<i>Notes</i>		
TURNOVER	2	6,025,159	4,871,266
Other operating expenses		(5,783,887)	(5,046,638)
OPERATING PROFIT/(LOSS)		241,272	(175,372)
Interest receivable		5,519	-
Interest payable		-	(113,467)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	246,791	(288,839)
Taxation on profit/(loss) on ordinary activities	5	-	-
RETAINED PROFIT/(LOSS) FOR THE YEAR/PERIOD	10	246,791	(288,839)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2001

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £246,791 in the year ended 31 December 2001 and the loss of £288,839 in the period ended 31 December 2000.

Fluor Daniel Properties Limited

BALANCE SHEET at 31 December 2001

		31 December 2001	31 December 2000
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	20,850,631	21,951,386
CURRENT ASSETS			
Debtors	7	1,389,484	1,754,231
CREDITORS: amounts falling due within one year	8	(8,227,689)	(11,121,385)
NET CURRENT LIABILITIES		(6,838,205)	(9,367,154)
TOTAL ASSETS LESS CURRENT LIABILITIES		14,012,426	12,584,232
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for onerous lease	9	(1,181,403)	—
		12,831,023	12,584,232
CAPITAL AND RESERVES			
Called up share capital	10	5,000,000	5,000,000
Share premium account	11	19,900,929	19,900,929
Profit and loss account	11	(12,069,906)	(12,316,697)
EQUITY SHAREHOLDERS' FUNDS		12,831,023	12,584,232

Director

RK Chopra
5 November 2002

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Leasing commitments

Rentals paid under operating leases are charged on a straight line basis over the lease term.

Statement of cash flows

As the company is a wholly owned subsidiary of Fluor Enterprises Inc., which prepares financial statements, the company has taken advantage of the exemption provided under FRS1 (Revised) not to prepare a Statement of Cash Flows.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land where the residual value is deemed to be equal to the market value, 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:

Buildings	-	over 30 years on a straight line basis
Machinery and equipment	-	over 10 years on a straight line basis

2. TURNOVER

Turnover represents the amounts derived from the rental of the leasehold properties in the UK and is stated net of value added tax. Rental income is recognised on a straight line basis over the lease terms.

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	14 month	
	Year ended	period ended
	31 December	31 December
	2001	2000
	£	£
Auditors' remuneration – audit fees	3,500	3,000
– non audit fees	4,626	4,916
Depreciation	1,100,755	825,566
Operating lease rentals – buildings	3,988,365	3,640,023

No director received any remuneration during the period (2000 – £nil).

4. STAFF COSTS

The company did not employ any staff during the period (2000 – £nil).

Fluor Daniel Properties Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax charge due to the availability of brought forward tax losses.

6. TANGIBLE FIXED ASSETS

	<i>Long leasehold land</i>	<i>Building and improvement</i>	<i>Machinery and equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 December 2000	5,316,712	9,679,046	7,781,194	22,776,952
Additions	—	—	—	—
At 31 December 2001	5,316,712	9,679,046	7,781,194	22,776,952
Depreciation:				
At 31 December 2000	—	241,976	583,590	825,566
Provided during the period	—	322,634	778,121	1,100,755
At 31 December 2001	—	564,610	1,361,711	1,926,321
Net book value:				
At 31 December 2001	5,316,712	9,114,436	6,419,483	20,850,631
At 31 December 2000	5,316,712	9,437,070	7,197,604	21,951,386

7. DEBTORS

	<i>31 December 2001</i>	<i>31 December 2000</i>
	£	£
Amounts owed by fellow group undertakings	—	554,958
Other debtors	726,859	797,450
Prepayments	662,625	401,823
	1,389,484	1,754,231

Fluor Daniel Properties Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

8. CREDITORS: amounts falling due within one year

	31 December 2001	31 December 2000
	£	£
Amounts owed to fellow subsidiary undertakings	7,203,511	8,695,475
Other creditors	—	15,659
Accruals	1,024,178	2,410,251
	<u>8,227,689</u>	<u>11,121,385</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

Long term leasehold interest

	Onerous lease £
At 31 December 2000	—
Reclassification from accruals	1,358,403
Utilised in the year	(177,000)
At 31 December 2001	<u>1,181,403</u>

The company has a long term leasehold interest in an office development located in Docklands, Isle of Dogs. The current provision is £1,181,403 (2000 – £1,358,403) which represents the directors best estimate of future losses arising from void periods and rental shortfalls relating to the sub- lease of this premises.

Deferred taxation

No deferred taxation is provided in the financial statements. The amounts not provided are as follows:

	31 December 2001	31 December 2000
	£	£
Accelerated capital allowances	555,728	355,034
Tax losses	(3,545,364)	(3,566,574)
	<u>(2,989,636)</u>	<u>(3,211,540)</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

10. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit loss and account</i>	<i>Total share- holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Balance at 24 October 1999	4,000,000	—	(12,027,858)	(8,027,858)
Loss attributable to members of the company	—	—	(288,839)	(288,839)
Arising from share issue in the period	1,000,000	19,900,929	—	20,900,929
Balance at 31 December 2000	5,000,000	19,900,929	(12,316,697)	12,584,232
Profit attributable to members of the company	—	—	246,791	246,791
Balance at 31 December 2001	5,000,000	19,900,929	(12,069,906)	12,831,023

12. OBLIGATIONS UNDER OPERATING LEASES

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
In two to five years	731,065	—
In over five years	3,473,282	3,214,941
	4,204,347	3,214,941

13. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Fluor Enterprises Inc. and as such has taken advantage of the exemption under FRS8 from disclosing transactions with entities which are 90% owned within the group.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

14. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which the group financial statements are drawn up and of which the company is a member is Fluor Corporation, incorporated in the United States of America and the parent undertaking of the smallest such group is Fluor Enterprises Inc., incorporated in the USA. Copies of Fluor Corporation's financial statements can be obtained from One Enterprise Drive, Aliso Viejo, California 92656-2606, USA.