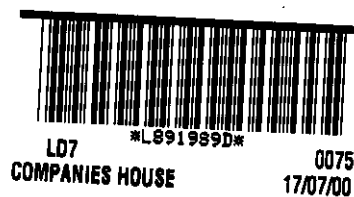


Report and Accounts

Fluor Daniel Properties Limited

24 October 1999



Fluor Daniel Properties Limited

Registered No. 2388748

DIRECTORS

R Chopra
P Flaherty
M J H Kuitems

SECRETARY

M J H Kuitems

AUDITORS

Ernst & Young
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 accounts for the period ended 24 October 1999.

RESULTS AND DIVIDENDS

The loss for the period, after taxation amounted to £557,993, (1998 – loss of £178,066).

The directors do not recommend the payment of a dividend, which leaves a loss of £12,027,858 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. At the end of the year, all except the first floor of the Planet Building is fully let to sub-tenants and the company has been actively pursuing a tenant for the remaining vacant floor.

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

On 31 March 2000, Fluor Daniel Properties Limited acquired the headlease of the property at Watchmoor Park, Camberley, at a cost of £22,389,829.

FUTURE DEVELOPMENTS

The parent undertaking has undertaken to continue to provide sufficient funds to maintain the operations of the company in the twelve months from the date these accounts are approved. The directors are not currently aware of any circumstances that would prevent this continued support in the twelve months from the date these accounts are approved.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

R Chopra

M J H Kuitens

P Wiget (resigned 3 April 2000)

Mr P Flaherty was appointed a director on 3 April 2000.

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 period.

YEAR 2000 COMPLIANCE

Although we are now in 2000, the generic Year 2000 issue remains. As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and other potential problem dates in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to future risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

A company-wide programme, designed to address the impact of the year 2000 on the business, was commissioned by the Board. Resources were allocated and the Board received regular reports on its progress. The company continues to monitor the status of its date reliant systems.

A significant risk analysis was performed to determine the impact of the issue on all our activities. From this, prioritised action plans were developed which were designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority was given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also included a requirement for the testing of system changes, involving the participation of users.

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE (continued)

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers. In appropriate cases we initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The costs associated with the year 2000 programme have not been significant.

AUDITORS

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

On behalf of the Board

Director



Date 30.6.2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS to the members of Fluor Daniel Properties Limited

We have audited the accounts on pages 6 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

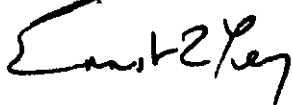
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures in the accounts concerning provision for losses arising from future rental voids and rental guarantees. Although the directors have made their best estimate of these and have included a provision of £1,358,403 ((1998 - £1,358,403), it is not possible to predict whether losses will arise. Details of the circumstances relating to this fundamental uncertainty are in note 10. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 24 October 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditors
London

Date 30/6/00

PROFIT AND LOSS ACCOUNT

for the period from 26 October 1998 to 24 October 1999

		<i>24 October 1999</i>	<i>25 October 1998</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	2,405,993	2,684,513
Other operating expenses		(2,963,986)	(2,862,579)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(557,993)	(178,066)
Taxation on loss on ordinary activities	5	-	-
RETAINED LOSS FOR THE PERIOD	9	(557,993)	(178,066)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

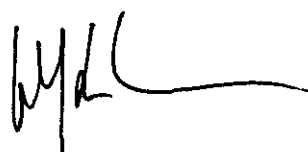
There are no recognised gains or losses other than the loss attributable to shareholders of the company of £557,993 in the period ended 24 October 1999 and a loss of £178,066 in the period ended 25 October 1998.

BALANCE SHEET

at 24 October 1999

		24 October 1999	25 October 1998
	Notes	£	£
CURRENT ASSETS			
Debtors	6	1,220,645	986,255
CREDITORS: amounts falling due within one year	7	(9,248,503)	(8,456,120)
NET CURRENT LIABILITIES		(8,027,858)	(7,469,865)
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,027,858)	(7,469,865)
CAPITAL AND RESERVES			
Called up share capital	8	4,000,000	4,000,000
Profit and loss account	9	(12,027,858)	(11,469,865)
Shareholders' funds		(8,027,858)	(7,469,865)

Director



Date 30.6.2000

NOTES TO THE ACCOUNTS

at 24 October 1999

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on a going concern concept. The directors have obtained confirmation of the intention of Fluor Daniel Inc., the company's parent undertaking, to maintain its financial support to enable the company to meet its liabilities as they fall due.

Accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

Accounting convention

The accounts have been prepared under the historical cost convention.

Leasing commitments

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

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. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	24 October 1999 £	25 October 1998 £
Auditors' remuneration – audit fees	2,500	2,500
– non audit fees	16,875	3,305
Operating lease rentals – buildings	2,656,520	2,699,807

(b) No director received any remuneration during the period (1998 – nil).

4. STAFF COSTS

The company did not employ any staff during the period (1998 – nil).

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

No taxation is payable as the company has sufficient losses brought forward to extinguish any potential liability.

NOTES TO THE ACCOUNTS
at 24 October 1999

6. DEBTORS

	<i>24 October 1999</i>	<i>25 October 1998</i>
	<i>£</i>	<i>£</i>
Amounts owed by fellow subsidiary undertakings	565,304	433,305
Other debtors	413,012	329,085
Prepayments	242,329	223,865
	<u>1,220,645</u>	<u>986,255</u>

7. CREDITORS: amounts falling due within one year

	<i>24 October 1999</i>	<i>25 October 1998</i>
	<i>£</i>	<i>£</i>
Amounts owed to fellow subsidiary undertakings	6,813,756	5,998,865
Other creditors	191,557	76,508
Accruals	2,243,190	2,380,747
	<u>9,248,503</u>	<u>8,456,120</u>

8. SHARE CAPITAL

	<i>1999 No.</i>	<i>Authorised 1998 No.</i>	<i>Allotted, called up and fully paid 1999 £</i>	<i>1998 £</i>
Ordinary shares of £1 each	5,000,000	5,000,000	4,000,000	4,000,000

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Profit loss account £</i>	<i>Share- holders' funds £</i>
Balance at 26 October 1997	4,000,000	(11,291,799)	(7,291,799)
Loss attributable to members of the company	-	(178,066)	(178,066)
Balance at 25 October 1998	4,000,000	(11,469,865)	(7,469,865)
Loss attributable to members of the company	-	(557,993)	(557,993)
Balance at 24 October 1999	4,000,000	(12,027,858)	(8,027,858)

NOTES TO THE ACCOUNTS

at 24 October 1999

10. OBLIGATIONS UNDER OPERATING LEASES

At 25 October 1999 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
In over five year	2,547,763	2,546,630

These commitments include a long term leasehold interest in an office development located in Docklands, Isle of Dogs, on which the company has guaranteed a minimum rental. Included in accruals is a provision of £1,358,403 (1998 – £1,358,403) which represents the directors best estimates of the future losses. The directors are unable to predict whether further losses may arise from future void periods or rental shortfalls over the period of the company's leases.

11. CAPITAL COMMITMENTS

There are no capital commitments at 24 October 1999 (1998 – £nil).

12. RELATED PARTY TRANSACTIONS

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

13. STATEMENT OF CASH FLOW

As the company is a wholly owned subsidiary of Fluor Daniel Inc., which prepares accounts, the company has taken advantage of the exemption provided under FRS1 (Revised) not to prepare a Statement of cash Flow.

14. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which the group accounts 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 Daniel Inc., incorporated in the USA. Copies of Fluor Corporation's accounts can be obtained from One Enterprise Drive, Aliso Viejo, California 92656-2606, U.S.A.