

2388748

Fluor Properties Limited

Report and Financial Statements

31 December 2005



Fluor Properties Limited

Registered No: 2388748

Directors

R Chopra
P Flaherty
G Glasper
M J H Kuitens
M J McKee

Secretary

M J H Kuitens

Auditors

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

Registered office

Fluor Centre
Watchmoor Park
Riverside Way
Camberley
Surrey GU15 3YL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

Results and dividends

The loss for the year after taxation amounted to £230,497 (2004: profit of £6,306).

The directors are unable to recommend the payment of a dividend.

Principal activity

The company's principal activity is to retain leasehold property interests on behalf of the UK undertakings within the Fluor Corporation group, some of which are offered for external letting where the space is surplus to the requirements of the group.

Interests include an office development in the Isle of Dogs area of London Docklands. The Directors are pleased to report that all the space has now been let.

Future developments

The directors do not anticipate any major change from the company's current trading activities in the foreseeable future.

Directors and their interests

The directors who served during the year and up to the date of this report are as follows:

R Chopra

P Flaherty

G Glasper (appointed 22 October 2005)

M J H Kuitens

M J McKee

J McNicoll (appointed 26 February 2005 and resigned 22 October 2005)

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

Pursuant to section 386 of the Companies Act 1985, the company has elected to dispense with the obligations to appoint auditors annually. Accordingly, Ernst & Young LLP shall be deemed to be reappointed as auditors.

On behalf of the Board



Director

Date 26 OCTOBER 2006 .

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with laws applicable in the United Kingdom and United Kingdom Generally Accepted Accounting Practice.

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 SHAREHOLDERS OF FLUOR PROPERTIES LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, 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 other transactions is not disclosed.

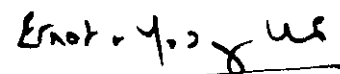
Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP

Registered auditor

London

Date 26 October 2006

Profit and loss account

for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	2	8,664,989	7,691,198
Other operating expenses		(8,913,700)	(7,684,697)
Operating profit / (loss)		(248,711)	6,501
Interest payable	5	–	(195)
Interest receivable	6	18,214	–
Profit / (loss) on ordinary activities before taxation		(230,497)	6,306
Tax (charge)/ credit on profit / (loss) on ordinary activities	7	–	–
Retained profit / (loss) for the year	13	(230,497)	6,306

Statement of total recognised gains and losses

for the year ended 31 December 2005

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £230,497 in the year ended 31 December 2005 and the profit of £6,306 in the year ended 31 December 2004.

Balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	16,447,627	17,548,375
Current assets			
Debtors	9	5,549,566	1,208,298
Creditors: amounts falling due within one year	10	(8,684,433)	(5,120,140)
Net current liabilities		(3,134,867)	(3,911,842)
Total assets less current liabilities		13,312,760	13,636,533
Provisions for liabilities and charges			
Provision for onerous leases	11	(1,465,724)	(1,559,000)
		11,847,036	12,077,533
Capital and reserves			
Called up share capital	12	5,000,000	5,000,000
Share premium account	13	19,900,929	19,900,929
Profit and loss account	13	(13,053,893)	(12,823,396)
Equity shareholders' funds		11,847,036	12,077,533

RK Chopra

Director

26 October 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Basis of preparation

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's parent undertaking publishes a group statement of cash flows the company has taken advantage of the exemption provided under FRS1 (Revised) not to prepare a Statement of Cash Flows in respect of their financial statements.

Fixed assets

Fixed assets are stated at cost less any provision for impairment. 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.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, 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 and improvements	–	over 30 years on a straight line basis
Machinery and equipment	–	over 10 years on a straight line basis

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 substantively enacted at the balance sheet date.

2. Turnover

Turnover represents the amounts derived from a single activity, being 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 term having accounted for the effect of any lease incentives given. These incentives are amortised over the period to the next rent review.

Notes to the financial statements

at 31 December 2005

3. Operating profit / (loss)

This is stated after charging:

	2005 £	2004 £
Auditors' remuneration – audit fees	6,282	4,700
– non audit fees	–	1,500
Depreciation	1,100,748	1,100,748
Operating lease rentals – land and buildings	6,369,465	5,057,995

No director received any remuneration during the year (2004 – £nil).

4. Staff costs

The company did not employ any staff during the year (2004 – £nil).

5. Interest payable

	2005 £	2004 £
Other interest	–	195

6. Interest receivable

	2005 £	2004 £
Other interest	18,214	–

7. Tax on profit / (loss) on ordinary activities

(a) The tax charge/(credit) is as follows:

	2005 £	2004 £
Current tax charge (see note 7(b))	–	–

Notes to the financial statements

at 31 December 2005

7. Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005 £	2004 £
(Loss) / profit on ordinary activities before tax	(230,497)	6,306
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	(69,149)	1,892
Effects of:		
Expenses not deductible for tax purposes	–	152
Depreciation in excess capital allowances	157,535	132,554
Utilisation of brought forward tax losses	(88,386)	(134,598)
Total current tax charge (note 7(a))	–	–

(c) Deferred tax

Deferred tax provided in the financial statements is as follows:

	2005 £	2004 £
Accelerated capital allowances	2,309,347	2,466,881
Tax losses	(2,309,347)	(2,466,881)
	–	–

Tax losses with a value of £2,309,347 (2004 - £2,466,881) have been used to offset the deferred tax liability in respect of the accelerated capital allowances, while additional tax losses with a value of £820,728 (2004 –£751,579) have not been recognised as a deferred tax asset as there is no persuasive evidence that suitable taxable profits will be available for offset in the future.

Notes to the financial statements

at 31 December 2005

8. Tangible fixed assets

	<i>Long leasehold land £</i>	<i>Building and improvements £</i>	<i>Machinery and equipment £</i>	<i>Total £</i>
Cost:				
At 1 January 2005	5,316,712	9,679,046	7,781,194	22,776,952
Additions	—	—	—	—
At 31 December 2005	5,316,712	9,679,046	7,781,194	22,776,952
Depreciation:				
At 1 January 2005	—	1,532,512	3,696,065	5,228,577
Provided during the year	—	322,632	778,116	1,100,748
At 31 December 2005	—	1,855,144	4,474,181	6,329,325
Net book value:				
At 31 December 2005	5,316,712	7,823,902	3,307,013	16,447,627
At 1 January 2005	5,316,712	8,146,534	4,085,129	17,548,375

9. Debtors

	<i>2005 £</i>	<i>2004 £</i>
Amounts owed by fellow group undertakings	4,503,016	502,085
Other debtors	479,497	299,981
Prepayments	567,053	406,232
	5,549,566	1,208,298

10. Creditors: amounts falling due within one year

	<i>2005 £</i>	<i>2004 £</i>
Amounts owed to fellow subsidiary undertakings	5,976,639	3,491,620
Accruals	2,707,794	1,628,520
	8,684,433	10,555,581

Notes to the financial statements

at 31 December 2005

11. Provisions for liabilities and charges

Long term leasehold interests

	<i>Onerous leases £</i>
At 31 December 2004	1,559,000
Utilised during the year	(93,276)
At 31 December 2005	<u>1,465,724</u>

The company has long-term operating lease commitments in respect of two office developments located in the Isle of Dogs area of London Docklands. The provision reflects liabilities in respect of the expected unrecoverable costs arising.

Provisions have been calculated after taking into account rent review dates, the extent of sub-lease arrangements, lease terms and other relevant factors.

12. Share capital

Authorised

	<i>2005 £</i>	<i>2004 £</i>
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>

Allotted, called up and fully paid

	<i>2005 No:</i>	<i>2004 No:</i>	<i>2005 £</i>	<i>2004 £</i>
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

Notes to the financial statements

at 31 December 2005

13. 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>
	£	£	£	£
Balance at 31 December 2003	5,000,000	19,900,929	(12,829,702)	12,071,227
Profit for the year	-	-	6,306	6,306
Balance at 31 December 2004	5,000,000	19,900,929	(12,823,396)	12,077,533
Loss for the year	-	-	(230,497)	(230,497)
Balance at 31 December 2005	5,000,000	19,900,929	(13,053,893)	11,847,036

14. Obligations under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	2005	2004
	£	£
Operating leases which expire:		
In one year	343,645	178,523
In two to five years	844,645	271,694
In over five years	2,766,199	3,961,889
	<u>3,954,489</u>	<u>4,412,106</u>

15. 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.

16. Parent undertaking and controlling party

The company's immediate parent undertaking is Fluor Enterprises Inc, which is incorporated in the USA. It has included the results of the company in its group financial statements, copies of which are available from 6700 Las Colinas Boulevard, Irving, Texas 75039, USA.

The company's ultimate parent undertaking and controlling party is Fluor Corporation Inc, which is incorporated in the USA. Copies of its group financial statements can also be obtained from 6700 Las Colinas Boulevard, Irving, Texas 75039, USA.