

# **SEGRO (Watchmoor) Ltd (formerly Fluor Properties Limited)**

## **Report and Financial Statements**

31 December 2008

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30/10/2009

COMPANIES HOUSE

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# SEGRO (Watchmoor) Ltd (formerly Fluor Properties Limited )

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Registered No: 2388748

## Directors

R Chopra	(resigned 1 March 2008)
K E White	(appointed 1 March 2008, resigned 19 December 2008)
P Flaherty	(resigned 12 February 2008)
I Thomas	(appointed 12 February 2008, resigned 19 December 2008)
G Glasper	(resigned 2 April 2008)
L Martinez	(appointed 1 March 2008, resigned December 2008)
M J H Kuitens	(resigned 19 December 2008)
M J McKee	(resigned 19 December 2008)
M V Morton	(resigned 19 December 2008)
V.K. Simms (nee Critchley)	(appointed 19 December 2008)
G. J. Osborn	(appointed 19 December 2008)
D. C. Bridges	(appointed 19 December 2008)
K. O'Connor	(appointed 19 December 2008, resigned 11 September 2009)

## Secretary

M J H Kuitens	(resigned 19 December 2008)
M J McKee	(resigned 19 December 2008)
E.A Blease	(appointed 19 December 2008)

## Auditors

Deloitte LLP  
Chartered Accountants  
London

## Registered office

234 Bath Road  
Slough  
SL1 4EE

## **Directors' report**

**for the year ended 31 December 2008 (continued)**

The directors present their report and financial statements for the year ended 31 December 2008.

### **Principal activities**

The company's principal activity is to acquire and develop property for onward sale.

### **Business Review**

On 19 December 2008, the entire issued share capital of the company was purchased by SEGRO Properties Ltd, and the company changed its name to SEGRO (Watchmoor) Ltd. From this date, the principal activity of the company is the acquisition and development of commercial property for sale, previously it was to retain leasehold property interests on behalf of the UK undertakings within the Fluor Corporation group, some of which were offered for external letting where the space is surplus to the requirements of the group.

The investment property held was transferred to trading property on 19 December and carrying value was reassessed in line with the trading property accounting policy. Property will be held as trading for development until prevailing market conditions.

### **Future developments**

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

### **Going Concern**

The accounts have been prepared on a going concern basis, as the Directors believe the company will trade profitably in the foreseeable future and based on confirmation of support from the ultimate parent company, SEGRO plc. For further details see the accounting policies note on page 10.

### **Results and dividends**

The loss for the year, after taxation, amounted to £8,395,000 (2007: £217,000).

The directors do not recommend the payment of a dividend (2007:£nil).

### **Financial Risk management objectives and policies**

The Company, as a subsidiary of SEGRO plc, is managed on a unified basis as part of the SEGRO plc group. The principal risks faced by the Company reflect those of the SEGRO plc group and the table below outlines the principal risks and uncertainties faced by the SEGRO plc group in delivering its strategic priorities in 2009.

Financial risks:

- Changes in the Macro-economic environment;
- Liquidity, covenants and availability of credit facilities;
- Interest rate risk; and
- Tax risks.

Real estate investment risks:

- Impact of customer default and reduced demand;
- Inability to dispose of assets at attractive prices; and
- Valuation movements.

## Directors' report

for the year ended 31 December 2008 (continued)

Development risks:

- Letting and end value of development projects;
- Project management risks; and
- Holding excess development land.

Development risks:

- Failure to attract, retain and motivate key employees;
- Failure to comply with legal or regulatory requirements;
- Corporate sustainability;
- Business disruption or IT system failure;
- Business Information System efficiency; and
- Risk of injury or illness or employees or third parties.

These risks and uncertainties are described in greater detail together with mitigating factors on pages 25 to 27 of the SEGRO plc Annual Report and Accounts.

### Directors and their interests

The directors who served during the period 1 January 2008 to the date of this report are as follows:

R Chopra	(resigned 1 March 2008)
K E White	(appointed 1 March 2008, resigned 19 December 2008)
P Flaherty	(resigned 12 February 2008)
I Thomas	(appointed 12 February 2008, resigned 19 December 2008)
G Glasper	(resigned 2 April 2008)
L Martinez	(appointed 1 March 2008, resigned December 2008)
M J H Kuitens	(resigned 19 December 2008)
M J McKee	(resigned 19 December 2008)
M V Morton	(resigned 19 December 2008)
V.K. Simms (nee Critchley)	(appointed 19 December 2008)
G. J. Osborn	(appointed 19 December 2008)
D. C. Bridges	(appointed 19 December 2008)
K. O'Connor	(appointed 19 December 2008, resigned 11 September 2009)

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.

## **Directors' report**

**for the year ended 31 December 2008 (continued)**

### **Directors' Indemnities**

Directors of the company are entitled to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute.

The contracts of employment of the directors of the company do not provide for compensation for the loss of office that occurs because of takeover.

### **Statement as to disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

### **Auditors**

Following the acquisition of the company by SEGRO Properties Limited, Ernst & Young LLP resigned as auditors and Deloitte LLP were appointed to fill this vacancy.

Pursuant to Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Deloitte LLP shall be deemed to be reappointed as auditors.

On behalf of the Board



V.K. Simms

Director

Date 30/10/09

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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 (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgments 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 proper accounting records that 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

On behalf of the Board



V.K. Simms

Director

Date 30/10/09

# **INDEPENDENT AUDITORS' REPORT**

## **TO THE SHAREHOLDERS OF SEGRO (WATCHMOOR) LIMITED (FORMERLY FLUOR PROPERTIES LIMITED)**

We have audited the company's financial statements of SEGRO (Watchmoor) Limited (formerly Fluor Properties Limited), for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

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

### **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.

# **INDEPENDENT AUDITORS' REPORT**

## **TO THE SHAREHOLDERS OF SEGRO (WATCHMOOR) LIMITED (FORMERLY FLUOR PROPERTIES LIMITED)**

### **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 2008 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.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
Date 30/10/09



## Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
<b>Turnover</b>	2	11,280	11,353
Other operating expenses		(19,682)	(11,603)
<b>Operating loss</b>	3	(8,402)	(250)
Interest receivable and similar income	5	7	33
<b>Loss on ordinary activities before taxation</b>		(8,395)	(217)
Tax on loss on ordinary activities	6	–	–
<b>Retained loss for the financial year</b>	12	(8,395)	(217)

All activities derive from continuing operations

There is no difference between the reported result on ordinary activities after taxation and the equivalent historical cost amount.

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £8,395,000 in the year ended 31 December 2008 and the loss of £217,000 in the year ended 31 December 2007 and accordingly no statement of total recognised gains and losses is presented.

## Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	7	-	14,489
<b>Current assets</b>			
Trading Properties	8	5,500	-
Debtors	9	-	1,979
<b>Creditors: amounts falling due within one year</b>	10	-	(3,988)
<b>Net current assets / ( liabilities)</b>		5,500	(2,009)
<b>Total assets less current liabilities</b>		5,500	12,480
<b>Provisions for liabilities and charges</b>	11	-	(913)
		5,500	11,567
<b>Capital and reserves</b>			
Called up share capital	12	7,327	5,000
Share premium account	13	19,901	19,901
Profit and loss account	14	(21,728)	(13,334)
<b>Equity shareholder's funds</b>		5,500	11,567

The financial statements of SEGRO (Watchmoor) Limited (formerly Fluor Properties Limited) registered number 2388748 on pages 8 to 16 were approved by the Board of Directors and authorised for issue on 30 October 2009 and signed on its behalf by:



V.K. Simms  
Director

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies

#### Basis of preparation

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

#### Going Concern

The Directors have prepared the accounts on a going concern basis as the company has received confirmation of support from the ultimate parent company for the foreseeable future and at least one year from the date of these accounts.

#### Rental income

Rental income is recognised on a straight line basis over the lease term having accounted for the effect of any lease incentives given. Any incentives are amortised over the period to the date of the next rent review.

#### Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term, except where evidence exists that a lease is onerous. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

#### Statement of cash flows

The company is a wholly owned subsidiary of SEGRO Properties Ltd, whose ultimate parent undertaking is SEGRO Plc. As SEGRO Plc, prepares consolidated financial statements, the company has taken advantage of the exemption provided under FRS1 (Revised) not to prepare a statement of cash flows.

#### Trading Properties

The company's trading properties are reviewed at each reporting date to assess impairment. Where indication of impairment exists, the asset's recoverable amount is estimated, and if found to be lower than its carrying value, it is written down to the recoverable amount. The impairment loss is taken to the income statement. The recoverable amount is the higher of an asset's net selling price and its value-in-use (i.e. the net present value of its future cash flows, discounted at a pre-tax interest rate that reflects the borrowing costs and risks for the asset).

An impairment loss is reversed if estimates for the recoverable amount change, but only to the extent that its carrying amount after reversal does not exceed cost.

#### Depreciation

Up to 19 December depreciation was 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:

Long leasehold buildings	– over 30 years on a straight line basis
Other leasehold improvements	– over length of lease to which improvement relates
Machinery and equipment	– over 10 years on a straight line basis

From 20 December the assets have been classed as trading properties and an impairment review will be carried out (detailed above).

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account .

#### Taxation

Current tax, including UK Corporation Tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

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 taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in the asset is realised or the liability settled, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

### 2. Turnover

Up to 19 December 2008 turnover represented the amounts derived from a single continuing activity, being the rental of leasehold properties (all located in the United Kingdom) stated net of value added tax. From 20 December 2008, turnover represents proceeds from the sale of trading properties.

### 3. Operating loss

This is stated after charging:

	2008 £000	2007 £000
Auditors' remuneration – audit services	7	10
Depreciation	1,137	1,130
Impairment	7,580	-
Unwinding of onerous lease provision	(913)	208
Operating lease rentals – land and buildings	-	4,212
Foreign exchange losses	-	343

A notional charge of £7,000 is deemed payable to Deloitte LLP in respect of the audit of the financial statements. The actual amounts payable to Deloitte LLP are paid at group level by SEGRO plc.

## Notes to the financial statements

at 31 December 2008

### 4. Staff costs

The company did not employ any staff during the year (2007 – nil).

No director received any remuneration during the year (2007 – £nil).

### 5. Interest receivable and similar income

	2008 £000	2007 £000
Other interest receivable	7	33

### 6. Tax on loss on ordinary activities

(a) The tax charge is as follows:

	2008 £000	2007 £000
Current tax charge (see note 6(b))	–	–

(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 28.5% (2007– 30%). The differences are reconciled below:

	2008 £000	2007 £000
Loss on ordinary activities before tax	(8,395)	(217)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(2,393)	(65)
Effects of:		
Depreciation in excess of capital allowances	2,432	182
Utilisation of brought forward tax losses	(39)	(117)
Total current tax charge (note 6(a))	–	–

Brought forward tax losses have not been recognised as a deferred tax asset as there is no persuasive evidence of future profits against which these losses can be offset.

Brought forward tax losses with a value of £4,733,000 (2007: £2,173,000) have not been recognised as a deferred tax asset as there is no persuasive evidence of future profits against which these losses can be offset.

## Notes to the financial statements

at 31 December 2008

### 6. Tax on loss on ordinary activities (continued)

(c) Factors affecting future tax charge

The UK Corporation tax rate was reduced from 30% to 28% with effect from 1 April 2008, therefore the effective rate of 28.5% has been applied for the 2008 year.

### 7. Tangible fixed assets

	<i>Long leasehold land £000</i>	<i>Building and improvements £000</i>	<i>Machinery and equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2008	5,317	9,951	7,781	23,049
Additions	-	4	-	4
Disposals	-	(276)	-	(276)
Transfer to Trading Properties	(5,317)	(9,679)	(7,781)	(22,777)
At 31 December 2008	-	-	-	-
Depreciation:				
At 1 January 2008	-	2,530	6,030	8,560
Provided during the year	-	359	778	1,137
Impairment	3,092	3,987	566	7,645
Released during the year	-	(65)	-	(65)
Transfer to Trading Properties	(3,092)	(6,811)	(7,374)	(17,277)
At 31 December 2008	-	-	-	-
Net book value:				
At 31 December 2008	-	-	-	-
At 1 January 2008	5,317	7,421	1,751	14,489

### 8. Trading Properties

	<i>2008 £000</i>	<i>2007 £000</i>
Transferred from Investment Property	5,500	-
Closing Balance as at 31 December 2008	5,500	-

## Notes to the financial statements

at 31 December 2008

### 9. Debtors

	2008	2007
	£000	£000
Trade debtors	-	165
Amounts owed by fellow group undertakings	-	899
Prepayments and accrued income	-	915
	<u>-</u>	<u>1,979</u>

There are no amounts falling due after more than one year (2007: £nil). Amounts owed by fellow group undertakings in previous years were considered by the directors to fall due within one year as there were no specific terms as to their settlement.

### 10. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Amounts owed to fellow subsidiary undertakings	-	1,775
Accruals and deferred income	-	2,124
Other creditors	-	89
	<u>-</u>	<u>3,988</u>

There are no amounts falling due after more than one year (2007: £nil).

### 11. Provisions for liabilities and charges

	<i>Onerous leases £000</i>
At 31 December 2007	913
Released during the year	(913)
	<u>-</u>
At 31 December 2008	<u>-</u>

### 12. Share capital

*Authorised*

	2008	2007
	£000	£000
Ordinary shares of £1 each	<u>7,327</u>	<u>5,000</u>

# Notes to the financial statements

at 31 December 2008

## 12. Share capital (continued)

*Allotted, called up and fully paid*

	2008 No.	2007 No.	2008 £000	2007 £000
Ordinary shares of £1 each	7,327,460	5,000,000	7,327	5,000

## 13. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Share premium account £000	Profit loss and account £000	Total share- holder's funds £000
Balance at 31 December 2006	5,000	19,901	(13,117)	11,781
Loss for the year	-	-	(217)	(217)
Balance at 31 December 2007	5,000	19,901	(13,334)	11,567
Issue of shares	2,327	-	-	2,327
Loss for the year	-	-	(8,395)	(8,395)
Balance at 31 December 2008	7,327	19,901	(21,728)	5,500

## 14. Obligations under operating leases

At 31 December 2008, the company had nil (2007: £5,125,000) annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	2008	2007
	£000	£000
Operating leases which expire:		
In one year	-	-
In two to five years	-	2,074
In over five years	-	3,051
	-	5,125



## **Notes to the financial statements**

**at 31 December 2008**

### **15. Related party transactions**

Up to 19 December 2008 this entity was a wholly owned subsidiary of Fluor Enterprises Inc where all activities derived from trading with other entities within the Fluor Group and the exemption has been taken under FRS8.

From 19 December 2008 the company is a wholly owned subsidiary of SEGRO Properties Ltd , as at 31 December 2008 there were no balances between the Company and SEGRO Plc group companies.

### **16. Parent undertaking and controlling party**

The parent company is SEGRO Properties Limited and the ultimate holding company is SEGRO plc. SEGRO plc is also the smallest and largest group of which the Company is a member to prepare group accounts. Copies of the consolidated accounts of SEGRO plc can be obtained from 234 Bath Road, Slough SL1 4EE, England.