

2388748

# **Fluor Properties Limited**

## **Report and Financial Statements**

**31 December 2003**



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 2003.

### Results and dividends

The loss for the year after taxation amounted to £204,587 (2002: loss of £555,209).

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 subsequent to the year end, 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 2004)

M J H Kuitens

M J McKee

J McNicoll (appointed 26 February 2004 and resigned 22 October 2004)

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 28 October 2004

## **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 Fluor Properties Limited**

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 15. These financial statements have been prepared on the basis of 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**

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 misstatements within it.

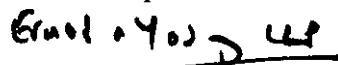
## **Basis of audit opinion**

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

28 October 2004

## Profit and loss account

for the year ended 31 December 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	2	6,697,704	6,777,382
Other operating expenses		(6,875,539)	(7,522,041)
<b>Operating loss</b>	3	(177,835)	(744,659)
Interest payable	5	(14,645)	-
<b>Loss on ordinary activities before taxation</b>		(192,480)	(744,659)
Tax (charge)/ credit on loss on ordinary activities	6	(12,107)	189,450
<b>Retained loss for the year</b>	12	(204,587)	(555,209)

## Statement of total recognised gains and losses

for the year ended 31 December 2003

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £204,587 in the year ended 31 December 2003 and the loss of £555,209 in the year ended 31 December 2002.

## Balance sheet

at 31 December 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	7	18,649,123	19,749,877
<b>Current assets</b>			
Debtors	8	5,618,685	1,155,484
<b>Creditors: amounts falling due within one year</b>	9	(10,555,581)	(6,988,547)
<b>Net current liabilities</b>		(4,936,896)	(5,833,063)
<b>Total assets less current liabilities</b>		13,712,227	13,916,814
<b>Provisions for liabilities and charges</b>			
Provision for onerous leases	10	(1,641,000)	(1,641,000)
		12,071,227	12,275,814
<b>Capital and reserves</b>			
Called up share capital	11	5,000,000	5,000,000
Share premium account	12	19,900,929	19,900,929
Profit and loss account	12	(12,829,702)	(12,625,115)
<b>Equity shareholders' funds</b>		12,071,227	12,275,814

Director

Date: 28 October 2004

## Notes to the financial statements

at 31 December 2003

### 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'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 value 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	–	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.



## Notes to the financial statements

at 31 December 2003

### 3. Operating loss

This is stated after charging:

	2003	2002
	£	£
Auditors' remuneration – audit fees	3,500	3,500
– non audit fees	2,750	8,733
Depreciation	1,100,754	1,100,754
Operating lease rentals – land and buildings	4,454,460	4,128,757

No director received any remuneration during the year (2002 – £nil).

### 4. Staff costs

The company did not employ any staff during the year (2002 – £nil).

### 5. Interest payable

	2003	2002
	£	£
Other interest	14,645	-

### 6. Tax on loss on ordinary activities

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

	2003	2002
	£	£
Group relief at 30%	12,107	(189,450)
Total current tax charge/(credit) (see note 6(b))	12,107	(189,450)

# Notes to the financial statements

at 31 December 2003

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

### (b) Factors affecting current tax charge/(credit)

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% (2002 – 30%). The differences are reconciled below:

	2003 £	2002 £
Loss on ordinary activities before tax	(192,480)	(744,659)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	(57,744)	(223,398)
Effects of:		
Expenses not deductible for tax purposes	1,177	210
Other timing differences	–	(24,589)
Decelerated capital allowances	99,249	58,327
Adjustment to prior year group relief	12,107	–
Utilisation of brought forward tax losses	(42,682)	–
Total current tax charge/(credit) (note 6(a))	12,107	(189,450)

### (c) Deferred tax

Deferred tax provided in the financial statements is as follows:

	2003 £	2002 £
Accelerated capital allowances	644,304	684,325
Tax losses	(644,304)	(684,325)
	–	–

Tax losses with a value of £644,304 (2002 – £684,325) have been used to offset the deferred tax liability in respect of the accelerated capital allowances, while additional tax losses with a value of £2,542,770 (2002 – £2,795,265) have not been recognised as a deferred tax asset as their future use is uncertain.

## Notes to the financial statements

at 31 December 2003

### 7. 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 2003	5,316,712	9,679,046	7,781,194	22,776,952
Additions	—	—	—	—
At 31 December 2003	5,316,712	9,679,046	7,781,194	22,776,952
Depreciation:				
At 1 January 2003	—	887,245	2,139,830	3,027,075
Provided during the year	—	322,635	778,119	1,100,754
At 31 December 2003	—	1,209,880	2,917,949	4,127,829
Net book value:				
At 31 December 2003	5,316,712	8,469,166	4,863,245	18,649,123
At 1 January 2003	5,316,712	8,791,801	5,641,364	19,749,877

### 8. Debtors

	<i>2003 £</i>	<i>2002 £</i>
Amounts owed by fellow group undertakings	4,661,468	254,369
Other debtors	419,231	559,794
Prepayments	537,986	341,321
	5,618,685	1,155,484

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

	<i>2003 £</i>	<i>2002 £</i>
Amounts owed to fellow subsidiary undertakings	8,926,294	6,184,520
Accruals	1,629,287	804,027
	10,555,581	6,988,547

## Notes to the financial statements

at 31 December 2003

### 10. Provisions for liabilities and charges

#### Long term leasehold interests

*Onerous  
leases  
£*

At 31 December 2002 and 31 December 2003

1,641,000

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 as a result of unoccupied space, to which the company is committed within both developments.

Provisions have been calculated after taking into account rent review dates, the extent of sub-lease arrangements, lease terms and other relevant factors. Where appropriate, the present value of relevant cash flows has been discounted at a rate of 7%.

### 11. Share capital

#### Authorised

	2003 £	2002 £
Ordinary shares of £1 each	5,000,000	5,000,000

#### Allotted, called up and fully paid

	2003 No:	2002 No:	2003 £	2002 £
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

## Notes to the financial statements

at 31 December 2003

### 12. 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 2001	5,000,000	19,900,929	(12,069,906)	12,831,023
Loss for the year	-	-	(555,209)	(555,209)
Balance at 31 December 2002	5,000,000	19,900,929	(12,625,115)	12,275,814
Loss for the year	-	-	(204,587)	(204,587)
Balance at 31 December 2003	5,000,000	19,900,929	(12,829,702)	12,071,227

### 13. Obligations under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	<i>2003</i>	<i>2002</i>
	£	£
Operating leases which expire:		
In one year	236,468	80,231
In two to five years	732,436	99,009
In over five years	3,862,880	4,001,219
	<u>4,831,784</u>	<u>4,180,459</u>

### 14. 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.

### 15. 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.