

REPORT AND ACCOUNTS

Fluor Daniel Properties Limited

Registered No. 2388748

26 October 1997



Fluor Daniel Properties Limited

Registered No. 2388748

DIRECTORS

R. Chopra
M. Kuitens
P.L. Wiget

SECRETARY

M. Kuitens

AUDITORS

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

REGISTERED OFFICE

3 Shortlands
London
W6 8DD

DIRECTORS' REPORT

The directors submit their report and accounts for the 53 week period ended 26 October 1997.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £562,225 (1996 - loss of £868,359).

The directors do not recommend the payment of a dividend, which leaves a loss of £11,291,799 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 year end this property was fully let to sub-tenants.

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

FUTURE DEVELOPMENTS

The continued support of the parent and ultimate parent undertaking is required for the company to remain a going concern. The directors are not currently aware of any circumstances that would prevent this continued support.

DIRECTORS AND THEIR INTERESTS

The following persons were directors of the company during the period:

M. Strukelj	(resigned 9 June 1997)
B. Thomas	(resigned 2 June 1997)
P.L. Wiget	
R. Chopra	(appointed 2 June 1997)
M. Kuitens	(appointed 9 June 1997)

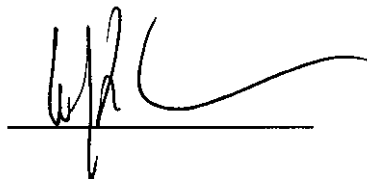
None of the directors had a beneficial interest in any contract to which the company was a party nor any disclosable interest in the share capital of the company during the period.

AUDITORS

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 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.

By order of the Board

M. Kuitems

A handwritten signature in black ink, appearing to be 'M. Kuitems', is written over a horizontal line.

Secretary

Date 25-2-98

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; and
- 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 confirm that the accounts comply with the above requirements.

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 11 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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.

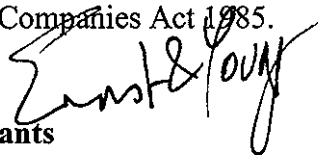
Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosure 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 (1996 - £1,164,212), it is not possible to predict whether further 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 26 October 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London



Date

21/2/98

PROFIT AND LOSS ACCOUNT

for the period from 21 October 1996 to 26 October 1997


	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	2,070,073	325,958
Other operating expenses		<u>(2,632,298)</u>	<u>(1,194,317)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(562,225)</u>	<u>(868,359)</u>
Taxation on loss on ordinary activities	5	-	-
RETAINED LOSS FOR THE PERIOD	9	<u><u>(562,225)</u></u>	<u><u>(868,359)</u></u>

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £562,225 in the period ended 26 October 1997 and loss of £868,359 in the period ended 20 October 1996.

The notes on pages 8 to 11 form part of these accounts

Fluor Daniel Properties Limited**BALANCE SHEET**
at 26 October 1997

	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
CURRENT ASSETS			
Debtors	6	462,944	469,440
CREDITORS: amounts falling due within one year	7	<u>(7,754,743)</u>	<u>(7,199,014)</u>
NET CURRENT LIABILITIES		(7,291,799)	(6,729,574)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,291,799)</u>	<u>(6,729,574)</u>
CAPITAL AND RESERVES			
Called up share capital	8	4,000,000	4,000,000
Profit and loss account	9	<u>(11,291,799)</u>	<u>(10,729,574)</u>
SHAREHOLDERS' FUNDS		<u>(7,291,799)</u>	<u>(6,729,574)</u>

Director 
Date 25.2.98

The notes on pages 8 to 11 form part of these accounts

NOTES TO THE ACCOUNTS
at 26 October 1997

1. ACCOUNTING POLICIES

a) Fundamental accounting concepts

The accounts have been prepared on a going concern basis as 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.

b) Accounting standards

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

c) Accounting convention

The accounts have been prepared under the historical cost convention.

d) Leasing commitments

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

e) 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:

		1997	1996
		£	£
Auditors' remuneration	- audit fees	1,500	1,200
	- non audit fees	4,294	6,098
Operating lease rentals	- buildings	2,339,313	1,081,836
		<hr/>	<hr/>

b) No director received any remuneration during the period (1996 - nil).

NOTES TO THE ACCOUNTS
at 26 October 1997

4. STAFF COSTS

The company did not employ any staff during the period (1996 - 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.

6. DEBTORS

	1997 £	1996 £
Other debtors	235,395	200,367
Prepayments	227,549	269,073
	<hr/>	<hr/>
	462,944	469,440
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7 CREDITORS : amounts falling due within one year

	1997 £	1996 £
Amounts owed to fellow subsidiary undertakings	5,538,660	5,926,960
Accruals	2,216,083	1,272,054
	<hr/>	<hr/>
	7,754,743	7,199,014
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8. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1997 No.	1996 No.	1997 £	1996 £
Ordinary shares of £1 each	5,000,000	5,000,000	4,000,000	4,000,000
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NOTES TO THE ACCOUNTS
at 26 October 1997

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
Balance at 22 October 1995	4,000,000	(9,861,215)	(5,861,215)
Loss attributable to members of the company	-	(868,359)	(868,359)
Balance at 20 October 1996	4,000,000	(10,729,574)	(6,729,574)
Loss attributable to members of the company	-	(562,225)	(562,225)
Balance at 26 October 1997	4,000,000	(11,291,799)	(7,291,799)

10. OBLIGATIONS UNDER OPERATING LEASES

At 26 October 1997 the company had annual commitments under non-cancellable operating leases as follows :

	<i>Land and Buildings</i>	
	<i>1997 £</i>	<i>1996 £</i>
Operating leases which expire:		
in over five years	2,547,765	1,119,821

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 (1996 - £1,164,212) 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 lease.

NOTES TO THE ACCOUNTS
at 26 October 1997

11. CAPITAL COMMITMENTS

There are no capital commitments at 26 October 1997 (1996 - 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. 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 3353 Michelson Drive, Irvine, California 92698.