

Fluor Industrial Services Limited

Report and Financial Statements

31 December 2005

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COMPANIES HOUSE

Registered No: 4067010

Directors

R Chopra
P P Flaherty
A A White

Secretary

M J McKee

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

National Westminster Bank plc
PO Box 299
Guildford
Surrey
GU1 3ZU

Solicitors

Raeburn Christie and Co
15 Albyn Place
Aberdeen
AB10 1PS

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 profit for the year ended 31 December 2005, after taxation, amounted to £59,000 (2004 - profit £1,084,000). The directors propose that no dividend be paid and that the profit be transferred to reserves.

Principal activity and review of the business

The company's principal activity is the provision of specialist technical contracted personnel for industrial and commercial clients and Government clients to assist in optimisation of the critical areas of organisation, systems and operations.

The company has traded profitably during the year.

Directors and their interests

The directors who served during the year were as follows:

R Chopra
P P Flaherty
A Steenbakker (resigned 31 August 2005)
A A White

None of the directors had a beneficial interest in any contract to which the company was a party at any time during the period. None of the directors had any disclosable interest in the share capital of the company or of any UK group undertaking at the year end.

Employment policies

The company seeks to ensure that it operates sound and progressive employment policies to the mutual benefit of employees and the company. Considerable importance is placed on consultation and communication with all employees.

The company gives full and fair consideration to applications for employment from people with a disability, having regard to their aptitudes and abilities. Every effort is made to continue the employment of people who become disabled. Opportunities for career development and promotion are available to all employees.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



A A White
Director

21 December 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law 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;
- 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 of Fluor Industrial Services Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. 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

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 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 other transactions 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.

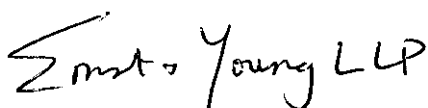
Basis of audit opinion

We conducted our audit in accordance with 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 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, 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Aberdeen

21 December 2006

Profit and loss account

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	2	14,929	19,793
Cost of sales		13,399	17,509
Gross profit		1,530	2,284
Administrative expenses		740	375
Operating profit	3	790	1,909
Interest receivable		57	26
Profit on ordinary activities before taxation		847	1,935
Tax on profit on ordinary activities	6	788	851
Profit for the financial year	13	59	1,084

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £59,000 in the year ended 31 December 2005 and the profit of £1,084,000 in the year ended 31 December 2004.

Balance sheet

at 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	7	505	613
Tangible assets	8	14	12
Investments	9	1,726	1,726
		<u>2,245</u>	<u>2,351</u>
Current assets			
Debtors	10	2,004	3,398
Cash at bank and in hand		1,957	948
		<u>3,961</u>	<u>4,346</u>
Creditors: amounts falling due within one year	11	3,375	3,925
Net current assets		<u>586</u>	<u>421</u>
Total assets less current liabilities		<u>2,831</u>	<u>2,772</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	2,831	2,772
Shareholders' funds	13	<u>2,831</u>	<u>2,772</u>



A A White
Director

21 December 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Accounting convention

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

Consolidation

The company is exempt from the requirement to prepare and deliver group accounts by virtue of section 228 of the Companies Act 1985, and accordingly the accounts present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It has been capitalised and is being amortised over ten years in equal annual instalments over its estimated useful economic life.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Motor vehicles	over 3 – 4 years
Computer equipment	over 2 – 3 years
Furniture and fittings	over 4 – 5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets
- provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- 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 a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reversed, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Leasing and hire purchase commitments (continued)

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss accounts.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the provision of specialist technical personnel.

An analysis of turnover by geographical market is given below:

	2005 £000	2004 £000
Africa	1,263	15,364
United Kingdom	13,300	3,681
Asia	366	747
South America	-	1
	<u>14,929</u>	<u>19,793</u>

3. Operating profit

This is stated after charging/(crediting):

	2005 £000	2004 £000
Depreciation of owned assets	9	16
Amortisation of goodwill	108	121
Auditor's remuneration - audit services	18	12
- non audit services	-	27
Operating lease rentals - plant and machinery	12	19
- land and buildings	77	71
Rent received	-	(9)
(Gain)/loss on foreign exchange	(16)	9
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2005

4. Staff costs

	2005 £000	2004 £000
Wages and salaries	545	564
Social security cost	57	56
Other pension costs	42	47
	<u>644</u>	<u>667</u>

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	2005 No.	2004 No.
Contracting	1	4
Operations	10	10
Administration	5	5
	<u>16</u>	<u>19</u>

5. Directors emoluments

	2005 £000	2004 £000
Emoluments	165	124
	<u>165</u>	<u>124</u>
Company contributions paid to money purchase pension scheme	21	24
	<u>21</u>	<u>24</u>

	2005 No.	2004 No.
Members of money purchase pension scheme	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements

at 31 December 2005

6. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £000	2004 £000
<i>Current tax:</i>		
UK Corporation tax	286	604
Double taxation relief	(269)	(449)
Foreign tax	769	900
Adjustments in respect of prior periods	2	(204)
Total current tax (note 6 (b))	788	851
<i>Deferred tax:</i>		
Origination and reversal of timing differences	3	-
Adjustments in respect of prior periods	(3)	-
Total deferred tax	-	-
Tax on profit on ordinary activities	788	851

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax of 30% (2004 – 30%). The differences are reconciled below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	847	1,935
Profit on ordinary activities multiplied by standard rate of 30% (2003 – 30%)	254	581
Expenses not deductible for tax purposes	34	38
Capital allowances in excess of depreciation	(4)	2
Short term timing differences	2	-
Adjustments in respect of prior periods	2	(204)
Unrelieved foreign taxes	500	434
Total current tax (note 6 (a))	788	851

(c) Factors that may affect future tax charges

There are no factors considered to affect future tax charges.

Notes to the financial statements

at 31 December 2005

6. Tax on profit on ordinary activities (continued)

(d) Deferred tax

There is no deferred tax included in the balance sheet.

The potential deferred taxation asset is as follows:

	2005 £000	2004 £000
Capital allowances in excess of depreciation	4	7
Other timing differences	4	4
Tax losses	6	6
	<u>14</u>	<u>17</u>

7. Intangible fixed assets

	<i>Goodwill</i> £000
Cost:	
At 1 January 2005 and 31 December 2005	1,115
Amortisation:	
At 31 December 2004	502
Provided during the year	108
At 31 December 2005	<u>610</u>
Net book value:	
At 31 December 2005	<u>505</u>
At 31 December 2004	<u>613</u>

Goodwill is being amortised as follows:

Goodwill arising on the acquisition of Brumac Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years.

Goodwill arising on the acquisition of the Operations and Maintenance Business Assets of TA Group Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years.

Notes to the financial statements

at 31 December 2005

8. Tangible fixed assets

	<i>Motor vehicles</i> £000	<i>Computer equipment</i> £000	<i>Furniture and fittings</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2005	42	37	6	85
Additions	-	12	-	12
Disposals	(28)	(9)	-	(37)
At 31 December 2005	14	40	6	60
Depreciation:				
At 1 January 2005	42	27	4	73
Provided during the year	-	8	1	9
Disposals	(28)	(8)	-	(36)
At 31 December 2005	14	27	5	46
Net book value:				
At 31 December 2005	-	13	1	14
At 1 January 2005	-	10	2	12

9. Investments

*Investment in
subsidiary
undertakings
£000*

At 1 January 2005 and 31 December 2005 1,726

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Team-Sel International Limited	Ordinary shares	100%	Intermediate holding company
Fluor Industrial Support Services Limited	Ordinary shares	100% ø	Specialist labour and engineering manpower contractors
TA Engineering Services (Tunisia) Limited	Ordinary shares	100% ø	Non trading

ø Held by Team-Sel International Limited

Notes to the financial statements

at 31 December 2005

10. Debtors

	2005	2004
	£000	£000
Trade debtors	1,617	2,954
Corporation tax	236	323
Prepayments	148	121
Foreign tax	3	-
	<u>2,004</u>	<u>3,398</u>

11. Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Amounts due to subsidiary undertakings	2,546	2,545
Trade creditors	138	228
Other taxes and social security costs	102	185
Accruals and deferred income	573	876
Withholding tax	16	16
Foreign tax	-	75
	<u>3,375</u>	<u>3,925</u>

12. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2005	2004	2005	2004
	No.	No.	£000	£000
<i>Authorised</i>				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£000	£000	£000
At 31 December 2003	-	1,688	1,688
Profit for the year	-	1,084	1,084
At 31 December 2004	<u>-</u>	<u>2,772</u>	<u>2,772</u>
Profit for the year	-	59	59
At 31 December 2005	<u>-</u>	<u>2,831</u>	<u>2,831</u>

Notes to the financial statements

at 31 December 2005

14 Capital commitments

The company had capital commitments at 31 December 2005 of £Nil (2004 - £Nil).

15. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £13,000. At 31 December 2005 £16,000 (2004 - £24,000) of employees and employer contributions payable to the scheme were outstanding.

16. Cash flow statement

The company has utilised the exemptions provided under Financial Reporting Standard No. 1 (Revised) as a wholly owned subsidiary of a parent undertaking incorporated within the European Community and has not presented a cash flow statement.

17. Other financial commitments

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

	<i>Land and buildings</i>	
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	-	4
Within two to five years	-	-
In over five years	53	53
	<u>53</u>	<u>57</u>

18. Related parties

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No.8 from disclosing transactions with related parties that are part of the Fluor Corporation group.

19. Ultimate parent undertaking

The ultimate parent undertaking of the group is Fluor Corporation, an undertaking incorporated in Aliso Viejo, California, USA.

The parent undertaking of the largest group of undertakings for which 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 International Limited, an undertaking incorporated in Great Britain.

Copies of Fluor Corporation's financial statements can be obtained from One Enterprise Drive, Aliso Viejo, California 92656.

Copies of Fluor International Limited's financial statements can be obtained from Fluor Centre, Watchmoor Park, Riverside Way, Camberley, Surrey, GU15 3YL.