Registered No 4067010

Fluor Industrial Services Limited

Report and Financial Statements

31 December 2006

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Registered No 4067010

Directors
D Bowman
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
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Solicitors
Raeburn Christie Clark & Wallace
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Registered Office
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Surrey
GU15 3YL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year ended 31 December 2006, after taxation, amounted to £76,000 (2005 - profit £59,000) 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 to assist in optimisation of the critical areas of organisation, systems and operations

The company's key financial indicators during the year were as follows

	2006	*2005*	*Change*
	£000	*£000*	*%*
Turnover	11,816	14,929	-21
Total operating profit	623	847	-26
Profit after tax	76	59	+29
Shareholders' funds	2,907	2,831	+3
Current assets as % of current liabilities	121%	117%	+3
Average number of employees	15	16	-6

Turnover decreased by 21% during the year This decrease in turnover during 2006 is directly attributable to a drop in personnel numbers in West Africa and reflects the increased competition that exists in that geographical area The company is, however, well positioned to take advantage of any appropriate opportunities which may arise in the future

Operating profit decreased by 26% during the year as a direct result of the drop in turnover

Shareholders' funds increased by 3% due to the net profit achieved in the year and resultant increase in retained earnings

The group's "quick ratio" (current assets as a percentage of current liabilities) has increased slightly showing a 3% improvement

Principal risks and uncertainties

The principal risks and uncertainties facing the company are grouped as follows

- Competitive risks

The company is reliant on certain major oil companies for contracts which are subject to periodic competitive tender Renewal of these contracts is uncertain and based on financial and performance criteria

The principal competitive risk relates to the possibility of other personnel providers entering into West Africa using a low margin strategy to attract clients and gain a foothold in the expanding market

- Use of derivatives

The company uses forward currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of all foreign currency receipts at the time of issuing the invoice

Directors' report

- Exposure to credit and liquidity risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation The company's policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures Details of the company's debtors are shown in note 10 to the financial statements

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the group Aged debtors are reviewed on a monthly basis to ensure compliance There were no bad debts suffered during the year

Future developments

The directors do not anticipate any major change from the company's trading activities outlined above in the foreseeable future and aim to maintain the management policies which have resulted in the group's continuing profitability since incorporation They consider that 2007 will show similar turnover and profit levels as 2006

Directors and their interests

The directors who served during the year were as follows

R Chopra
P P Flaherty
A A White

In addition to the above, D Bowman was appointed a director on 16 February 2007

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

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of the information

Directors' report

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

D Bowman
Director

19 October 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 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 judgements 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,
- 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 2006 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' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and 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 an 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 2006 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements

Ernst + Young LLP.

Ernst & Young LLP
Registered Auditor
Aberdeen
22 October 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	11,816	14,929
Cost of sales		10,703	13,399
Gross profit		1,113	1,530
Administrative expenses		575	740
Operating profit	3	538	790
Interest receivable		85	57
Profit on ordinary activities before taxation		623	847
Tax on profit on ordinary activities	6	547	788
Profit for the financial year	13	76	59

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £76,000 in the year ended 31 December 2006 and the profit of £59,000 in the year ended 31 December 2005

Balance sheet
at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	7	400	505
Tangible assets	8	18	14
Investments	9	1,726	1,726
		2,144	2,245
Current assets			
Debtors	10	2,331	2,004
Cash at bank and in hand		1,972	1,957
		4,303	3,961
Creditors amounts falling due within one year	11	3,540	3,375
Net current assets		763	586
Total assets less current liabilities		2,907	2,831
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	2,907	2,831
Shareholders' funds	13	2,907	2,831

D Bowman
Director

19 October 2007

Notes to the financial statements

at 31 December 2006

1. Accounting policies

Accounting convention

The financial statements of Fluor Industnal Services Limited were approved for issue by the Board of Directors on 19 October 2007

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
- 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 2006

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 account

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

	2006	*2005*
	£000	*£000*
Africa	9,209	13,300
United Kingdom	1,381	1,263
Asia	571	366
South America	510	-
Middle East	145	-
	11,816	14,929

3. Operating profit

This is stated after charging/(crediting)

		2006	*2005*
		£000	*£000*
Depreciation of owned assets		9	9
Amortisation of goodwill		105	108
Auditor's remuneration	- audit services	11	18
	- non audit services	-	-
Operating lease rentals	- plant and machinery	5	12
	- land and buildings	63	77
Rent received		25	-
Loss/(gain) on foreign exchange		19	(16)

Notes to the financial statements

at 31 December 2006

4. Staff costs

	2006	2005
	£000	£000
Wages and salaries	546	545
Social security cost	54	57
Other pension costs	85	42
	685	644

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

	2006	2005
	No	No
Contracting	1	1
Operations	9	10
Administration	5	5
	15	16

5. Directors emoluments

	2006	2005
	£000	£000
Emoluments	180	165

Only one director received emoluments during the year

Company contributions paid to money purchase pension scheme	62	21

	2006	2005
	No	No
Members of money purchase pension scheme	1	1

Notes to the financial statements

at 31 December 2006

6. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £000	2005 £000
Current tax		
UK Corporation tax	221	286
Double taxation relief	(195)	(269)
Foreign tax	518	769
Adjustments in respect of prior periods	3	2
Total current tax (note 6 (b))	547	788
Deferred tax		
Origination and reversal of timing differences	-	3
Adjustments in respect of prior periods	-	(3)
Total deferred tax	-	-
Tax on profit on ordinary activities	547	788

(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% (2005 – 30%) The differences are reconciled below

	2006 £000	2005 £000
Profit on ordinary activities before tax	623	847
Profit on ordinary activities multiplied by standard rate of 30% (2005 – 30%)	187	254
Expenses not deductible for tax purposes	34	34
Capital allowances in excess of depreciation	-	(4)
Short term timing differences	-	2
Adjustments in respect of prior periods	3	2
Unrelieved foreign taxes	323	500
Total current tax (note 6 (a))	547	788

(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 2006

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

	2006	*2005*
	£000	*£000*
Capital allowances in excess of depreciation	4	4
Other timing differences	5	4
Tax losses	6	6
	15	14

In his Budget on 21 March 2007 the Chancellor of the Exchequer announced a reduction of 2% in the main rate of corporation tax with effect from 1 April 2008, together with changes to the capital allowances regime In accordance with accounting standards the effect of the changes on deferred tax balances has not been reflected in these accounts due to the relevant legislation not having been enacted or substantively enacted at the balance sheet date The changes announced were included in Finance Act 2007 (except for the changes to the capital allowances regime), which was enacted on 19 July 2007

The effect of the reduction in the tax rate on the company's deferred tax position at the balance sheet date would be to reduce the unrecognised amount by £1,000

7. Intangible fixed assets

	Goodwill
	£000
Cost	
At 1 January 2006 and 31 December 2006	1,115
Amortisation	
At 31 December 2005	610
Provided during the year	105
At 31 December 2006	715
Net book value	
At 31 December 2006	400
At 31 December 2005	505

Notes to the financial statements

at 31 December 2006

7. Intangible fixed assets (continued)

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

8. Tangible fixed assets

	Motor vehicles	*Computer equipment*	*Furniture and fittings*	*Total*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2006	14	40	6	60
Additions	-	2	10	12
At 31 December 2006	14	42	16	72
Depreciation				
At 1 January 2006	14	26	5	45
Provided during the year	-	7	2	9
At 31 December 2006	14	33	7	54
Net book value				
At 31 December 2006	-	9	9	18
At 1 January 2006	-	13	1	14

Notes to the financial statements

at 31 December 2006

9. Investments

	Investment in subsidiary undertakings
	£000
At 1 January 2006 and 31 December 2006	1,726

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

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
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

10 Debtors

	2006	*2005*
	£000	*£000*
Trade debtors	2,078	1,617
Corporation tax	137	236
Prepayments	116	148
Foreign tax	-	3
	2,331	2,004

11 Creditors: amounts falling due within one year

	2006	*2005*
	£000	*£000*
Amounts due to subsidiary undertakings	2,546	2,546
Trade creditors	162	138
Other taxes and social security costs	106	102
Accruals and deferred income	686	573
Withholding tax	40	16
	3,540	3,375

Notes to the financial statements
at 31 December 2006

12 Share capital

		Authorised	*Allotted, called up and fully paid*	
	2006	*2005*	*2006*	*2005*
	No	*No*	*£000*	*£000*
Authorised				
Ordinary shares of £1 each	1	1	-	-

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total*
	£000	*£000*	*£000*
At 31 December 2004	-	2,772	2,772
Profit for the year	-	59	59
At 31 December 2005	-	2,831	2,831
Profit for the year	-	76	76
At 31 December 2006	-	2,907	2,907

14 Capital commitments

The company had capital commitments at 31 December 2006 of £nil (2005 - £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 2006 £17,000 (2006 - £16,000) 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 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2006	*2005*
	£000	*£000*
Operating leases which expire		
In over five years	58	53

Notes to the financial statements

at 31 December 2006

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 Inc , an undertaking incorporated in the United States of America

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 Inc , 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 6700 Las Colinas Boulevard, Irving, Texas 75039, USA

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