Cooling tower installation for the Monongahela Power Company, Aliquippa, West Virginia.

Officers:

DONALD W. DARNELL, chairman of the board
J. SIMON FLUOR, president
J. ROBERT FLUOR, executive vice-president
JAMES P. WISEMAN, vice-president
MELVIN A. ELLSWORTH, vice-president
FRANCIS E. FISCHER, secretary-treasurer
JOHN T. SCHULER, assistant secretary
C. H. DIETER, vice-president, western area sales
W. P. DOWNEY, vice-president, construction division
J. W. ELEZARIS, jr., vice-president, Mid-Continent area sales
J. P. ESMOND, vice-president, research division
J. G. EBBERT, vice-president, general engineering division
E. L. KIEPE, vice-president, engineering office
HARRIET MARCHNER, vice-president, Mid-Continent division
F. M. STEPHENS, vice-president, products division
LEE VAN HORN, vice-president, process engineering and development division

Directors:

DONALD W. DARNELL, chairman of the board
J. SIMON FLUOR, president, The Fluor Corporation, Ltd.
J. ROBERT FLUOR, executive vice-president, The Fluor Corporation, Ltd.
JAMES P. WISEMAN, president, The Fluor Corporation of Canada, Ltd.
FRANCIS E. FISCHER, secretary-treasurer, The Fluor Corporation, Ltd.
DARRELL D. BROWNE, comptroller, Lockheed Aircraft Corporation
SHELLEY E. HENDERSON, senior partner, Meserve, Mumper, and Hughes
JAN OOSTERMEYER, formerly president, Shell Chemical Corporation
DONALD ROYCE, president, William R. Staats and Company
FRANKLIN E. WADE, chairman of the board, Southern California Gas Company

General Counsel: Meserve, Mumper, and Hughes, Los Angeles, California
Auditors: Alexander Grant & Company, Los Angeles, California
Stock Transfer Agent: Security-First National Bank, Los Angeles, California
Stock Registrar: California Trust Company, Los Angeles, California

Executive offices and home plant: 2500 South Atlantic Boulevard, Los Angeles 22, California

ANNUAL MEETING: The annual shareholders' meeting of The Fluor Corporation, Ltd., is held on the second Monday in January at 10 a.m. at the executive offices of the home plant.

THE FLUOR CORPORATION, LTD. ANNUAL REPORT: 1954

for the fiscal year ended October 31

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64 YEARS OF PROGRESS: 1890-1954
To Our Employees and Shareholders:

As is customary, this Report will reach you following the annual shareholders' meeting held at the home plant on the second Monday in January, at which time we will be well into a new fiscal year—our 69th since John Simon Fluor, Sr., entered the construction business.

Although our expectations were not fulfilled during the fiscal period ended October 31, 1954, company accomplishments were noteworthy in many ways. Activities during 1954 characterize it as a year of expansion, with many of the decisions having been designed to prepare and strengthen our organization for future developments.

Unavoidable strikes and more work stoppages than ever before, coupled with the inability to complete as many major jobs as anticipated, were the principal reasons for a decline in total income.

Net sales for the year amounted to $93,471,420, compared to the $105,683,234 reported in 1953. Although this is a reduction of more than $12,000,000, it is still considerably higher than the $80,681,582 recorded in 1952. Our net operating capital and net assets have increased steadily in recent years, and we particularly call attention to the substantial and continual increase in the net worth of the company as shown in the 10-year comparative chart on pages 12-13. This indicates that Fluor has strengthened its position considerably during the past decade, despite temporary declines.

In 1954, net income after taxes totaled $1,178,025, or $1.96 per share on the 600,000 shares of stock outstanding, as against $2,059,828, or $4.12 per share on the 500,000 shares outstanding in 1953.

THE CORPORATION'S TAXES ON INCOME WERE $1,203,636 in 1954, against the $1,949,219 reported in 1953. THE MINORITY INTERESTS IN THE EARNINGS OF SUBSIDIARIES WERE $64,197 in 1954, against $42,219 in 1953.

A complete percentage breakdown relating to the division of Fluor's gross income and expenditures during the year is given in the chart on page 4.
Expansion in 1954

Looking to the future, your Board of Directors outlined a plan of expansion six years ago that has since resulted in securing additional quarters for company personnel in various areas of operation. The past year saw the plan further materialize with these results:

1. Completion of the $750,000 research and products headquarters at Whittier, Calif., providing (a) nine laboratories and 17,000 square feet of space for research employees; (b) administrative offices, and drafting and engineering facilities for our Products Division; and (c) a two-acre pilot plant for experimental purposes.

2. Completion of another new building to furnish much-needed space for home plant offices.


4. Enlargement of the Corporation’s manufacturing plant at Paola, Kans., including acquisition of additional space for staff offices.

5. Establishment of permanent offices at Martinez, Calif., for Fluor Maintenance, Inc., which engages in maintenance and construction work for oil companies and other firms in the San Francisco Bay area.

6. Acquisition of new sales office facilities in New York City, Denver, and Calgary, Alberta, to improve the sales picture in these localities.

7. Expansion of the Los Angeles model shop to permit the smooth integration of plant layout and model making. The new quarters at the home plant comprise 4000 square feet of space for wood shop, model assembly, and draftsmen associated in the work. This is believed to be the first major-scale attempt to use this method for solving engineering design problems.

New Subsidiary

During the year Fluor purchased a majority interest in the New York firm of Singmaster & Breyer, Inc. The new subsidiary, recognized as one of the outstanding firms in its field, specializes in process engineering services for the chemical and metallurgical industries.

Fluor Shareholders

A total of 3322 shareholders held Fluor stock at the close of the fiscal year, an increase of 1165 since last year.

Cash dividends paid during 1954 amounted to $1.20 per share, continuing the rate of 30 cents a quarter that has been in effect since October, 1952.

Fluor’s present shareholders reside in 39 states of the nation and the District of Columbia, with others living in Canada, Mexico, Puerto Rico, the Virgin Islands, Hawaii, Lebanon, South America, and Saudi Arabia. In the states, California shareholders lead all others with a total of 2325 owning 463,277 shares.

Organizational Changes

Major changes made during the year included the elevation of J. E. Winn, former vice-president of foreign construction and a 30-year employee, to the presidency of Fluor Maintenance, Inc. Responsibilities of W. P. Downey, another veteran employee and former vice-president of domestic construction, were increased to include all foreign and domestic activities under the title of vice-president of the Construction Division.

Fluor’s Gross Income came from:

<table>
<thead>
<tr>
<th>1954</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises rentals</td>
<td>59.84</td>
</tr>
<tr>
<td>Government work</td>
<td>11.15</td>
</tr>
<tr>
<td>Manufacturing products</td>
<td>9.92</td>
</tr>
<tr>
<td>Power plants</td>
<td>4.09</td>
</tr>
<tr>
<td>Chemical plants</td>
<td>10.64</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1.38</td>
</tr>
<tr>
<td>Total Fluor’s Gross Income</td>
<td>99.90</td>
</tr>
</tbody>
</table>

and was spent for:

<table>
<thead>
<tr>
<th>1954</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of materials and services</td>
<td>57.89</td>
</tr>
<tr>
<td>Wages and contributions to employees’ trust funds</td>
<td>31.15</td>
</tr>
<tr>
<td>Interest income</td>
<td>2.62</td>
</tr>
<tr>
<td>Retained for future needs</td>
<td>1.48</td>
</tr>
<tr>
<td>Depreciation and maintenance</td>
<td>1.97</td>
</tr>
<tr>
<td>Dividends to shareholders</td>
<td>0.77</td>
</tr>
<tr>
<td>Total Fluor’s Gross Income Spent</td>
<td>98.29</td>
</tr>
</tbody>
</table>
Fluor also added three vice-presidents, all representing promotions within the company framework. They included Dr. W. R. Hainsworth, former technical advisor, to the post of vice-president of the Research Division; J. G. Marshall, former vice-president of the Fluor Corporation of Canada, Ltd., Toronto, Ontario, as vice-president of the General Engineering Division with headquarters in Los Angeles; and J. P. Kneubuhl, former manager of the New York sales office, as vice-president of eastern area sales with supervision over the New York and Philadelphia district offices and the sales representatives in Pittsburgh and Boston.

A new division of process engineering and development was created, headed by Vice-President Lee Van Horn. This unit combines the activities formerly carried on by process engineering (of the General Engineering Division) and the development department connected with research and development.

Engineering and Construction

Engineering and construction sales for 1954 amounted to $84,900,854. One of the Corporation’s most significant achievements during the year was the obtaining of increased business in the chemical field. Three major ammonia plants were started in Missouri, Alabama, and Canada. Construction also began on a large chlorohydrins plant in Louisiana, and a plant in Kentucky to manufacture acrylonitrile.

To further our position in this field, licensing agreements have been negotiated with the French firms of L’Air Liquide—Grand Paroisse, and St. Gobain covering ammonia synthesis and phosphate fertilizers, respectively. Under arrangements made with the former firm, Fluor has the exclusive right to use their process and know-how to engineer and construct plants for producing synthetic ammonia on the North American continent. The St. Gobain process covers the manufacture of chemical fertilizers.

In our petroleum activities, Fluor was responsible for establishing three major firsts in construction: (1) a 40,000-barrel Model IV catalytic cracker for the Standard Oil Company of California, the largest unit of this type constructed to date (see cover photo); (2) the world’s first fluid coking unit for the Carter Oil Company in Montana; and (3) the world’s largest platform unit for the Gulf Oil Corporation in Texas.

Steam electric power plant installations completed during the year included work for the Kansas Power and Light Company, the Illinois Power Company, and the California Electric Power Company. The latter job entailed the installation of a 40,000-kilowatt turbine generator at the Highgrove (Calif.) plant, the third such to be completed for that company in the past three years.

Installations valued at more than $30,000,000 were completed by our Mid-Continent Division, including plants in Oklahoma, Texas, and New Mexico. Other major projects were started in Louisiana, New Jersey, Texas and at San Juan, Puerto Rico.

The Construction Division purchased nearly $500,000 worth of new...
construction equipment, including a 70-ton crane and various other pieces of heavy equipment to replace that which had become obsolete and add to the jobsite requirements. The division also served as consultants to the Chinese Petroleum Corporation on equipment for use in Formosa, and prepared specifications for some $300,000 worth of tools and equipment purchased by Petroleos Mexicanos for use at the refinery at Minatitlan, Mexico.

Atomic Power
Largely as a result of the cancellation of the Spoon River project in Illinois early in the year, the former Industrial and Government Projects Division of the company was consolidated with the General Engineering Division and all efforts were concentrated in securing additional private contracts.

At present, Fluor's government work is concerned with (1) the continuation of work for the Corps of Engineers, U. S. Army, in Arabia, with company headquarters in New York City as far as State-side activity is concerned; and (2) continuing development work in atomic power in cooperation with the U. S. Atomic Energy Commission. In this connection, Fluor is one of nine firms comprising the Rocky Mountain Nuclear Power Study Group, and the only West Coast representative among the engineering-construction, industrial manufacturing, and electric utility companies. Headquarters for the group is at Idaho Falls, not far from Arco, Idaho, where Fluor completed work on the Materials Testing Reactor for the AEC in 1952.

Canadian Activity
The year was one of intense activity for the Fluor Corporation of Canada, Ltd., and saw completion of projects for Canadian Oil Companies, Limited, at Montreal; major refinery expansion for Imperial Oil, Ltd., at Regina; and new refinery installations for Shell Oil Company of Canada, Ltd., and Standard Oil Company of British Columbia Limited at Vancouver.

Work was also started on an ammonia plant for Dow Chemical of Canada, Ltd., at Sarnia; a catalytic reforming unit and a boiler plant for the British American Oil Company, Ltd., at Calgary, Alberta, and Clarkson, Ontario, respectively; and a petroleum refinery for Wainwright Producers and Refiners, Ltd., at Wainwright, Alberta.

H. G. Acres & Company, Limited, a subsidiary of Fluor of Canada, reports a backlog of about three years of work in its specialty of hydro-electric and steam power plant engineering and development. One of the current studies is related to the Bersimis River development in Quebec, which is expected to result in the construction of one of the largest hydro-electric projects in eastern Canada.

Other Foreign Work
Fluor completed work on a gasoline absorption plant and crude stripping facilities for the Colombian Petroleum Company at Tibli, Colombia, South America, and began a refinery modernization program for Petroleos Mexicanos at Minatitlan, Mexico, in 1954. The latter promises to be an extensive operation and one that may result in additional contracts. Progress is also being made on installations previously reported in the Virgin Islands. In Puerto Rico, where Fluor employees are engaged on a $10,000,000 project for the Caribbean Refining Company, work is expected to be finished in early 1955. Some 300 American and native employees are engaged in the construction of this refinery.

Other foreign work concerns the engineering and procurement of material for a thermal catalytic cracking unit for the Chinese Petroleum Corporation at Taiwan (Formosa); and extensive studies for
Gas Cleaners, a Fluor product.

hydro-electric development and power plant surveys in Pakistan. The Pakistan jobs are being done by H. G. Acres & Company, Limited, under provisions of the Canadian Government Colombo Plan.

**Products Division**

Increased competition, as well as a decrease in market potential, resulted in product sales declining to $9,180,586 in 1954, compared to the $12,980,930 reported last year. Sales of cooling towers, pulsation dampeners, and prefabricated pipe all showed the effect of an inactive market during the third and fourth quarters, while reduced Fin Fan sales reflected completion of the recent expansion programs of the major gas transmission companies.

Consolidation of all Los Angeles and Paola metal product activities at our Kansas location during the coming year will not only give Fluor improved manufacturing facilities, but will enable us to be more competitive in the eastern areas. The expanded Paola plant will continue to provide all manufacturing facilities needed for prefabrication of piping systems and structural steel fabrication, as well as the manufacture of pressure vessels.

Product personnel located at the new development center in Whittier, Calif., will handle product engineering, design, and development, as well as cooling tower material procurement, billing, and estimating.

**Research Division**

Organizational changes during 1954 resulted in the research department acquiring divisional status and complete modern laboratory facilities to meet the needs of the expanding company.

In addition to numerous studies conducted in experimental support of our engineering design operations, considerable effort of the research staff was directed toward improvements in Fluor’s manufactured products and in exploration for new products that may assist in diversifying our manufacturing operations. Particular emphasis has been placed on the development of processes in the synthetic nitrogenous and complex fertilizer fields.

In the interest of several of our customers, cooperative research projects were carried on for the improvement of their processes, as well as the furnishing of design data for plant construction.

New pilot plants were designed and constructed at the Research Center, where two acres are available for such experimental plants. Other active research projects during the year included studies of gas cleaning and treating, evaporative water cooling, and methods for improving cooling tower performance.

**The Coming Year**

Fluor’s business volume should continue at a reasonably high level in 1955, although the outlook is not as promising as that of the past several years. Our backlog of uncompleted orders as of October 31 amounted to $75,000,000, which was $13,000,000 below that of 1953.

New orders were slow in materializing during the last half of the fiscal year, and this trend showed little improvement during the months of November and December. The industries we serve estimate that their capital expenditures will be from five to ten percent less in 1955 than in 1954. This, coupled with keener competition, will make it extremely difficult to maintain the peak production we have enjoyed during the past three years.

With the continued support and cooperation of employees and shareholders, we look forward to a good year in 1955.

Respectfully submitted for the Board of Directors,

Chairman, Board of Directors

President
THE FLUOR CORPORATION, LTD., AND SUBSIDIARIES

COMPARATIVE STATEMENT OF INCOME AND INVESTED CAPITAL

for the years ended October 31, 1945 through 1954

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$84,280,834</td>
<td>$92,702,304</td>
<td>$72,143,015</td>
<td>$62,371,254</td>
<td>$21,030,598</td>
<td>$36,677,993</td>
<td>$24,273,648</td>
<td>$15,720,799</td>
<td>$9,938,505</td>
<td>$11,593,769</td>
</tr>
<tr>
<td>Product sales</td>
<td>9,180,596</td>
<td>12,990,930</td>
<td>8,548,807</td>
<td>9,934,824</td>
<td>7,399,275</td>
<td>8,781,764</td>
<td>9,828,704</td>
<td>6,519,848</td>
<td>5,633,828</td>
<td>5,964,143</td>
</tr>
<tr>
<td>Royalties, discounts and other</td>
<td>291,039</td>
<td>218,481</td>
<td>214,642</td>
<td>238,288</td>
<td>151,632</td>
<td>168,119</td>
<td>141,780</td>
<td>168,720</td>
<td>56,448</td>
<td>8,462</td>
</tr>
<tr>
<td>Total sales and revenue</td>
<td>$93,672,489</td>
<td>$105,991,695</td>
<td>$80,996,664</td>
<td>$92,605,394</td>
<td>$35,897,805</td>
<td>$53,694,789</td>
<td>$31,817,130</td>
<td>$29,949,096</td>
<td>$13,575,579</td>
<td>$14,468,314</td>
</tr>
</tbody>
</table>

which was used for:

Wages and salaries | $34,985,477 | $37,926,239 | $30,516,181 | $17,077,808 | $10,690,411 | $11,701,381 | $11,085,841 | $6,077,679 | $5,297,900 | $6,885,090 |

Materials and services purchased from others | 50,939,128 | 38,076,190 | 65,000,369 | 30,621,364 | 14,164,111 | 19,034,191 | 17,790,289 | 13,531,847 | 6,241,004 | 6,690,332 |

Depreciation, maintenance and repairs on plant and equipment | 1,207,038 | 1,123,444 | 773,991 | 814,253 | 934,864 | 920,885 | 472,633 | 335,126 | 301,396 | 455,123 |

Contributions to employees’ benefit trust funds | 540,877 | 600,879 | 814,325 | 569,501 | 263,708 | 434,573 | 751,562 | 419,917 | 37,126 | 21,033 |

Interest on indebtedness | 137,489 | 139,216 | 108,376 | 79,061 | 83,126 | 13,850 | 2,998 | 14,303 | 33,788 | 25,823 |

State, local and miscellaneous taxes | 242,594 | 272,250 | 215,742 | 114,167 | 158,317 | 112,904 | 9,234 | 17,738 | 25,823 | 34,137 |

Total costs and expenses | $91,298,661 | $101,889,423 | $97,399,491 | $90,605,926 | $25,803,010 | $31,826,584 | $30,100,954 | $29,799,419 | $12,227,074 | $14,079,782 |

This left income from operations before income taxes and minority interests | $3,345,628 | $4,051,268 | $3,596,683 | $2,263,802 | $774,065 | $1,753,092 | $3,006,328 | $1,663,687 | $148,505 | $86,523 |

Percentage of Income to Total Sales | 2.61% | 3.83% | 2.52% | 2.03% | 2.09% | 9.09% | 7.49% | 2.11% | 0.60% | 0.69% |

The Corporation's income taxes | | | | | | | | | | |

Federal income taxes | | | | | | | | | | |

State, local and miscellaneous taxes | | | | | | | | | | |

The corporation also received during this year:

Proceeds from the sale of stock | | | | | | | | | | |

Par Value of the stock | 250,000 | 250,000 | | | | | | | | |

Excess of Sales Price Over Par Value of Stock | 1,004,826 | 1,203,418 | | | | | | | | |

Total earnings and additional capital | $1,477,594 | $2,213,946 | $1,337,784 | $1,016,417 | $547,299 | $1,233,906 | $1,054,907 | $864,708 | $8,608* | $154,254 |

Net worth—Beginning of 10 Year Period—November 1944

End of Each Fiscal Year | $12,507,043 | $11,040,049 | $8,175,803 | $9,038,019 | $6,021,902 | $5,474,303 | $2,420,437 | $2,085,830 | $1,721,032 | $1,729,721 |

Percentage of Net Income to Net Worth | 9.37% | 18.58% | 21.30% | 16.02% | 7.96% | 19.68% | 43.93% | 39.85% | 5.70% | 2.61% |

*Represents Decrease.
### Comparative Consolidated Balance Sheet for the years ended October 31

#### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>October 31, 1954</th>
<th>October 31, 1953</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$3,101,940</td>
<td>$2,180,755</td>
</tr>
<tr>
<td>United States Government securities—at cost</td>
<td>999,912</td>
<td>0</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,606,263</td>
<td>9,708,008</td>
</tr>
<tr>
<td>Unbilled charges on uncompleted contracts</td>
<td>5,226,023</td>
<td>6,616,004</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,338,603</td>
<td>3,185,444</td>
</tr>
<tr>
<td>Prepaid insurance, taxes and deposits</td>
<td>191,876</td>
<td>230,008</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$22,464,417</td>
<td>$22,011,117</td>
</tr>
<tr>
<td><strong>Funds Restricted to Government Contracts</strong></td>
<td>190,874</td>
<td>71,732</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>206,459</td>
<td>140,018</td>
</tr>
<tr>
<td>Buildings and land improvements—net</td>
<td>2,003,006</td>
<td>1,577,522</td>
</tr>
<tr>
<td>Machinery and equipment—net</td>
<td>3,176,164</td>
<td>2,965,416</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$5,385,679</td>
<td>$4,682,978</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>October 31, 1954</th>
<th>October 31, 1953</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>465,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>7,226,387</td>
<td>7,018,887</td>
</tr>
<tr>
<td>Customers' deposits, advance payments and fee adjustments</td>
<td>1,370,452</td>
<td>703,781</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>1,128,798</td>
<td>1,003,733</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>2,137,335</td>
<td>2,742,532</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$12,327,930</td>
<td>$12,685,033</td>
</tr>
<tr>
<td><strong>Advances on Government Contracts</strong></td>
<td>190,874</td>
<td>71,732</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable—noncurrent maturities</td>
<td>2,360,000</td>
<td>2,700,000</td>
</tr>
<tr>
<td><strong>Deferred Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned fees on construction contracts</td>
<td>239,519</td>
<td>342,042</td>
</tr>
<tr>
<td><strong>Minority Interests in Subsidiaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>548,631</td>
<td>262,630</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock—authorized, 1,000,000 shares of $2.50 par value; issued and outstanding: 1954—600,000 shares, 1953—500,000 shares</td>
<td>1,500,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Capital contributed in excess of par value of capital stock</td>
<td>3,155,076</td>
<td>1,883,450</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>7,008,987</td>
<td>7,763,599</td>
</tr>
<tr>
<td><strong>Total capital</strong></td>
<td>$12,567,043</td>
<td>$10,819,049</td>
</tr>
<tr>
<td></td>
<td>$28,223,997</td>
<td>$26,864,386</td>
</tr>
</tbody>
</table>

The Notes to Financial Statements on page 17 are an integral part of this comparative consolidated balance sheet.
THE FLUOR CORPORATION, LTD., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year ended October 31, 1954

Retained earnings—November 1, 1953 .............................................. $8,035,599
Less write-off of portion of goodwill shown on books of H. G. Acres & Company, Limited attributable to investment therein by The Fluor Corporation of Canada, Ltd. ................................................. 270,000
Retained earnings—November 1, 1953, as adjusted ................................ $7,765,599
Add net earnings for the year ended October 31, 1954 ................................ 1,178,025
Less: Dividends paid .................................................................................. $8,943,624
Retained earnings—October 31, 1954 ...................................................... $7,908,967

The Notes to Financial Statements on the following page are an integral part of this consolidated statement of retained earnings.

NOTES TO FINANCIAL STATEMENTS
Year ended October 31, 1954

NOTE A: Principles of Consolidation
The consolidated balance sheet of the company at October 31, 1954 includes the accounts of the following subsidiaries: Fluor Maintenance, Inc., Middle-East, Inc., Middle-East Fluor, S. A., Fluor Perúana, S. A., Fluor International, S. A., The Fluor Corporation of Canada, Ltd., H. G. Acres & Company, Limited and Singmaster & Breyer, Inc. All the subsidiaries are wholly-owned except Singmaster & Breyer, Inc., which is 55% owned by the company and H. G. Acres & Company, Limited which is 40% owned by The Fluor Corporation of Canada, Ltd. The consolidated statement of income and retained earnings for the years ended October 31, 1954 and 1953 includes the operations of these subsidiaries for the respective periods of ownership by the company. All intercompany accounts and transactions have been eliminated in consolidation.

NOTE B: Accounting treatment with respect to construction contracts
In general, the company follows the policy of recognizing income on construction contracts in the proportion that aggregate expenditures incurred bear to the total estimated cost of the work being performed under the contracts. Fees billed in advance to customers under the terms of the contracts are considered to be deferred income and are not recognized as income until earned.

NOTE C: Funds restricted to government contracts
Represents unexpended balance of funds advanced by a government agency for use only on specific contracts.

NOTE D: Federal taxes on income
Federal income tax returns of the company have been examined by government agencies, clearances issued and no funds presently held by the company would involve a payment of federal income tax.

NOTE E: Net Assets of Foreign Subsidiaries
Assets and liabilities of Fluor Peruana, S. A. are included in the consolidated balance sheet at their book value. Also the current assets must not be less than 150% of the current liabilities.

NOTE F: Noncontrolling Interest
The company acquired a 70% interest in the capital stock of Fluor International, S. A. on May 31, 1954.

NOTE G: Contingent Liability
The company is committed to pay cash dividends in excess of approximately $40,000,000 at October 31, 1954.

NOTE H: Renegotiation
The company has made sales under certain contracts with the government which may be subject to the Reorganization Acts of 1940 and 1944 and amendments thereto. Such sales for the year ended October 31, 1954 are estimated at $167,990,000. Reimbursable sales for all periods to October 31, 1953 have been reviewed by government agencies, clauses issued and no funds requested. It is the opinion of the management that no provision for renegotiation is required in respect to the current period.

NOTE I: Commitment
The company is committed to purchase, upon request of the owners thereof, all or any part of the outstanding shares of H. G. Acres & Company, Limited not presently held by the company. The price payable for such shares would be the greater of $18.31 a share or an amount determined by reference to an agreed formula which is based, in part, on the amount of the unattributed earnings of H. G. Acres & Company, Limited accumulated since February 28, 1953. As of October 31, 1954 the purchase of all outstanding shares not presently held by the company would involve a payment of approximately $490,000.
BUILDING ORGANIZATIONAL STRENGTH THROUGH EMPLOYEES

Trust Funds

Fluor employees numbered 4855 at the close of the year, with length of service qualifying a majority for benefits in the company's Trust Fund plan established in 1941. As of October 31, a total of 1632 employees were listed as participants in Trust Fund No. 1, and 2732 in Trust Fund No. 2, yearly contributions for which are shown in the financial statements on pages 3 and 12.

Service Pin Awards

For their long service and satisfactory performance, 188 employees received pins signifying the completion of from five to thirty years of service. The group included 81 men of Fluor Maintenance, Inc. Since 1941, when the custom was inaugurated, a total of 850 employees have received the distinctive pin at anniversary parties.

Industry-Education Program

An increasing number of employees participated in educational activities during 1954, serving on school and college committees, cooperating in curriculum development, and instructing classes during evening hours. The program stresses active participation in industrial workshops, conferences, and clinics held at the university level. Moreover, the company's one-year junior engineer training program was redesigned to encourage selected technical employees to secure practical experience in various company divisions.

In addition to the cooperation accorded schools and colleges, the company extended a series of development conferences to all officers, division heads, and department managers. Twenty-two executives attended the four-week management course conducted in New York by the American Management Association.

Quarterly reports are issued to all Trust Fund participants.
Open House

Research, Products, and Sales Promotion personnel combined to sponsor a highly successful open house event at the new Research Center in October. More than 2000 persons visited the Whittier quarters to witness various laboratory demonstrations and become better acquainted with Fluor products.

Job Evaluation

The company's job evaluation program was completely revised during the year. On a trial basis, regular semi-annual employee performance reviews were initiated, including a counseling interview between the employee and departmental supervisor.

Annual Charity Drive

Believed to be one of the most successful employee-managed charity campaigns in the nation, the drive in 1954 totaled $47,000 in employee and firm pledges.

The first Employees Combined Charities Drive was held in 1949. Contributions, including company donations during the six-year period, exceed $300,000.

Technical Writing

Engineering and research studies during the year resulted in hundreds of requests being received for technical article material. Prepared by employees and processed through a technical coordinating committee, articles dealing with results of the various studies appeared in trade journals, newspapers, and company publications. Papers were also presented before learned societies, and at national conferences and conventions of petroleum, chemical, and power-related organizations.

Contributions to charity: 6-year period

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<th>Year</th>
<th>Total</th>
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<tr>
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Subsidiaries and Affiliates

Fluor Corporation of Canada, Ltd., Toronto, Ontario
Fluor Corporation, Ltd., Paignton, California
Fluor Maintenance, Inc., Martinez, California
Fluor International, S.A., Panama, C.Z.
Fluor Peruana, S.A., Lima, Peru
Middle-East Fluor, S.A., Panama, C.Z.
Middle-East, Inc., Los Angeles, California
Simgma & Breyer, Inc., New York, New York

Sales and Service Offices

Birmingham, London
Boston, Los Angeles
Buffalo, New York
Calgary, Philadelphia
Chicago, Pittsburgh
Denver, San Francisco
Detroit, Toronto
Houston, Texas

Manufacturing Plants

Paola, Kansas
Los Angeles
THE FLUOR CORPORATION, LTD.

Executive offices and home plant: 2500 South Atlantic Boulevard, Los Angeles 22, California