

**HERRENKNECHT INTERNATIONAL  
LIMITED**

**Report and Financial Statements**

**31 December 2011**



**REPORT AND FINANCIAL STATEMENTS 2011**

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**REPORT AND FINANCIAL STATEMENTS 2011**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Herrenknecht  
R T Slocombe

**SECRETARY**

D J Atkinson

**REGISTERED OFFICE**

Wearfield  
Sunderland Enterprise Park  
Sunderland  
Tyne and Wear  
SR5 2TZ

**BANKERS**

HSBC Bank plc  
Fawcett Street  
Sunderland  
Tyne and Wear

**SOLICITORS**

Hay & Kilner  
Merchant House  
30 Cloth Market  
Newcastle upon Tyne  
NE1 1EE

**AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 2011

This directors' report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime

## PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the supply of tunnelling equipment and associated labour

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

An increased level of activity in certain sectors of our market enabled an increase in turnover for the year

Our involvement with a number of traffic tunnelling projects is expected to increase our turnover in this area over the next few years

The Company's forecasts suggest that the Company should be able to operate within the level of the current resources and the directors therefore believe that the Company is well placed to be able to manage the risks and uncertainties associated with the current economic outlook

## DIVIDENDS AND TRANSFER TO RESERVES

An interim dividend of £nil (2010 £nil) was paid during the year. The final dividend recommended by the directors is £30,000 (2010 £170,000). Profit after tax for the year was £339,938 (2010 £119,532)

## DIRECTORS

The directors who held office during the year under review and since are

M Herrenknecht

R T Slocombe

## AUDITORS

Each of the directors at the date of approval of this report separately confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board



R T Slocombe

Director

Date 28 MAY 2012

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and accounting estimates that are reasonable and prudent,
- (c) state whether applicable accounting UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF HERRENKNECHT INTERNATIONAL LIMITED

We have audited the financial statements of Herrenknecht International Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

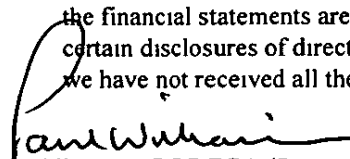
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

  
Paul Williamson BSC FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Newcastle Upon Tyne, United Kingdom

22 May 2012

# HERRENKNECHT INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2011

	Note	2011 £	2010 £
<b>TURNOVER</b>	2	6,495,712	1,843,375
Cost of sales		(5,614,416)	(981,040)
<b>GROSS PROFIT</b>		881,296	862,335
Administrative expenses		(707,943)	(736,686)
<b>OPERATING PROFIT</b>	4	173,353	125,649
Profit on sale of fixed assets	4	309,148	2,272
Interest receivable and similar income	5	47,308	35,682
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		529,809	163,603
Tax on profit on ordinary activities	6	(129,871)	(44,071)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	14	399,938	119,532

All activities derive from continuing operations

The company has no recognised gains and losses in either the current or prior period other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses has been presented.

# HERRENKNECHT INTERNATIONAL LIMITED

## BALANCE SHEET 31 December 2011

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	8		543,035		786,588
<b>CURRENT ASSETS</b>					
Stocks	9	53,155		53,517	
Debtors	10	3,278,151		1,645,551	
Cash at bank and in hand		142,421		241,704	
		<u>3,473,727</u>		<u>1,940,772</u>	
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(1,314,893)</u>		<u>(461,491)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,158,834</u>		<u>1,479,281</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,701,869		2,265,869
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	12		(148,144)		(82,082)
<b>NET ASSETS</b>			<u>2,553,725</u>		<u>2,183,787</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13,14		1,105		1,105
Capital redemption reserve	14		395		395
Profit and loss account	14		2,552,225		2,182,287
<b>TOTAL SHAREHOLDERS' FUNDS</b>	14		<u>2,553,725</u>		<u>2,183,787</u>

The financial statements of Herrenknecht International Limited, registered number 1796113, were approved by the Board of Directors and authorised for issue on 28<sup>th</sup> May 2012

Signed on behalf of the Board of Directors



R T Slocombe

Date 18 MAY 2012



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2011**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently in the current and preceding financial year.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

**Preparation of accounts**

These financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. This is discussed in the Directors' Report under the heading "Review of Developments and Future Prospects".

**Turnover**

Turnover represents net invoiced sales and rentals of tunnelling machinery, excluding value added tax. This represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value.

**Tangible fixed assets**

No depreciation is provided on freehold land. Depreciation is provided at the following rates in order to write off other assets over their estimated useful lives:

Freehold property	- 2% on cost
Plant and machinery	- 15% on reducing balance
Tunnelling machinery	- 25% on cost
Motor vehicles	- 25% on reducing balance
Furniture and equipment	- 33% on cost or 15% on reducing balance

**Stocks**

Stock has been valued on the first in first out basis at the lower of cost and net realisable value, after making due allowance for slow moving and obsolete items.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**Taxation**

Current tax including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on all timing differences arising from the inclusion of gains and losses in tax assessment periods different from those in which they are recognised in the financial statements, that have originated but not reversed at the balance sheet date, calculated at the average rate at which it is expected that the tax will arise. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Pension costs**

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2011**

**1. ACCOUNTING POLICIES (continued)**

**Cash flow statement**

A cash flow statement has not been provided as the company is a subsidiary undertaking of a group that produces publicly available consolidated financial statements in which the company's financial statements are included

**2. TURNOVER**

The turnover and profit before taxation are attributable to the principal activity of the company

An analysis of turnover by geographical market is given below

	2011 £	2010 £
United Kingdom and Europe	6,495,712	1,714,487
United States of America	-	128,888
	<u>6,495,712</u>	<u>1,843,375</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

Their aggregate remuneration of employees during the year was as follows

	2011 £	2010 £
Wages and salaries	411,178	520,225
Social security costs	49,018	58,879
Other pension costs	28,997	15,139
	<u>489,193</u>	<u>594,243</u>

The average monthly number of employees during the year was as follows

	No.	No.
Directors	2	2
Administration	2	2
Engineers and technical support	7	11
	<u>11</u>	<u>15</u>

**Directors' remuneration**

	£	£
Emoluments (excluding pension contributions)	78,680	99,982
Pension contributions	<u>3,252</u>	<u>3,187</u>

One director was a member of the defined contribution pension scheme (2010 One)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2011**

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2011 £	2010 £
Depreciation – owned assets	154,232	221,159
Auditors' remuneration		
- fees payable to the company's auditors for the statutory audit of the company's annual accounts	9,750	9,300
- fees payable to the company's auditors and their associates for tax services	2,625	2,300
Foreign exchange differences – (profit)/loss	30,949	1,447

The company made a profit on the disposal of tangible fixed assets amounting to £309,148 during the year (2010 £2,272)

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2011 £	2010 £
Other interest receivable – group undertakings	33,777	20,057
Other income	13,531	15,625
	<u>47,308</u>	<u>35,682</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

(a) Analysis of the tax charge for the year	2011 £	2010 £
<b>Current Tax</b>		
Tax charge on profit before taxation at the standard rate of corporation tax in the UK of 26.5% (2010 28%)	63,809	85,545
<b>Deferred Tax</b>		
Timing differences, origination and reversal	76,452	(39,736)
Rate Differences	(10,390)	(1,738)
	<u>129,871</u>	<u>44,071</u>
 (b) Factors affecting the tax charge for the year		
Profit before taxation	529,809	163,603
Tax at 26.5% thereon	140,399	45,809
Depreciation in excess of capital allowances	(76,452)	39,736
Effect of gains (incl Rollover relief)	(138)	-
Current tax charge for the period (see (a))	<u>63,809</u>	<u>85,545</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2011**

**7. DIVIDENDS**

	2011 £	2010 £
Ordinary shares		
Interim paid £nil per ordinary share (2010 £nil)	-	-
Final paid £27.15 per ordinary share (2010 £153.85)	30,000	170,000
	<u>30,000</u>	<u>170,000</u>

**8. TANGIBLE FIXED ASSETS**

	Freehold property £	Motor vehicles £	Furniture and equipment £	Plant and machinery £	Tunnelling machinery £	Total £
<b>Cost</b>						
At 1 January 2011	585,496	83,081	90,036	49,328	1,774,025	2,581,966
Additions	-	28,088	1,683	-	-	29,771
Disposals	-	(26,750)	-	-	(423,709)	(450,459)
At 31 December 2011	<u>585,496</u>	<u>84,419</u>	<u>91,719</u>	<u>49,328</u>	<u>1,350,316</u>	<u>2,161,278</u>
<b>Depreciation</b>						
At 1 January 2011	106,934	20,037	82,032	43,221	1,543,154	1,795,378
Charge for the year	8,910	19,491	2,352	916	122,562	154,231
Disposals	-	(13,585)	-	-	(317,781)	(331,366)
At 31 December 2011	<u>115,844</u>	<u>25,943</u>	<u>84,384</u>	<u>44,137</u>	<u>1,347,935</u>	<u>1,618,243</u>
<b>Net book value</b>						
At 31 December 2011	<u>469,652</u>	<u>58,476</u>	<u>7,335</u>	<u>5,191</u>	<u>2,381</u>	<u>543,035</u>
At 31 December 2010	<u>478,562</u>	<u>63,044</u>	<u>8,004</u>	<u>6,107</u>	<u>230,871</u>	<u>786,588</u>

Included within furniture and equipment and tunnelling machinery are assets with a cost of £1,124,596 (2010 £1,023,777) which are fully depreciated

**9. STOCKS**

	2011 £	2010 £
Raw materials & consumables	<u>53,155</u>	<u>53,517</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2011**

**10. DEBTORS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade debtors	501,738	128,640
Amounts owed by parent undertaking	2,493,318	1,405,939
Amounts owed by group undertaking	-	8,583
Prepayments and accrued income	265,527	102,389
Other debtors	17,568	-
	<u>3,278,151</u>	<u>1,645,551</u>

All amounts are due within one year

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade creditors	88,511	118,696
Amounts owed to group undertakings	356,662	109,613
Corporation tax	42,757	52,923
Other taxation and social security	307,908	26,225
Other creditors	7,613	5,677
Accruals and deferred income	511,442	48,454
Payments on account	-	99,903
	<u>1,314,893</u>	<u>461,491</u>

**12. PROVISION FOR LIABILITIES**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Deferred taxation	<u>148,144</u>	<u>82,082</u>

	<b>Deferred taxation £</b>
Balance at 1 January 2011	82,082
Movement during the year	<u>66,062</u>
Balance at 31 December 2011	<u>148,144</u>

Deferred taxation for which provision has been made in the financial statements are as follows

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>148,144</u>	<u>82,082</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2011**

**13. CALLED UP SHARE CAPITAL**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Issued and fully paid</b>		
1,105 ordinary shares of £1.00 each	1,105	1,105

**14. STATEMENT OF MOVEMENT IN RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Ordinary share capital £</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>	<b>2011 Total £</b>	<b>2010 Total £</b>
1 January 2011	1,105	395	2,182,287	2,183,787	2,234,255
Profit for year	-	-	399,938	399,938	119,532
Dividends paid	-	-	(30,000)	(30,000)	(170,000)
31 December 2011	1,105	395	2,552,225	2,553,725	2,183,787

**15. ULTIMATE PARENT COMPANY**

At 31 December 2011, the company was a wholly owned subsidiary of Herrenknecht Schweiz Holding AG, a company incorporated in Switzerland. In the opinion of the directors, the company's ultimate parent company is Herrenknecht AG, a company incorporated in Germany.

The parent undertaking of the largest group which includes the company, and for which group accounts are prepared, is Herrenknecht AG, a company incorporated in Germany. The parent undertaking of the smallest such group is Herrenknecht Schweiz Holding AG, a company incorporated in Switzerland.

Copies of the financial statements for either group are available on application from

Schlehenweg 2  
Schwanau 2  
Germany  
D77961

**16. PENSION CONTRIBUTIONS**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost represents contributions payable by the company to the funds and these amounted to £26,260 (2010: £15,139).

**17. RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY**

The company has taken advantage of the exemption available to subsidiary undertakings in FRS 8 'Related Party Disclosures' which allows it not to disclose transactions with other group entities or investees of the group qualifying as related parties.

The company is controlled by M Herrenknecht, a director, by virtue of his controlling interest in Herrenknecht AG, the ultimate parent company.