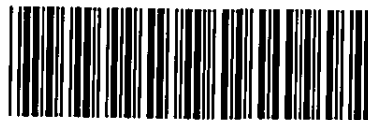


**HERRENKNECHT INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2009

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REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 2009

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

AUDITORS

Deloitte LLP
Chartered Accountants and Registered 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 2009

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

The company has had another reasonably successful year despite a low level of activity in many sectors of the market

The company has considerable financial resources with contracts with a number of customers and suppliers across different geographical areas. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company have adequate reserves to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

DIVIDENDS AND TRANSFER TO RESERVES

An interim dividend of £259,454 (2008 £171,500) per share was paid during the year. The final dividend recommended by the directors is £2,000,000 (2008 £Nil) per share. Profit after tax for the year was £677,805 (2008 £741,299)

DIRECTORS

The directors during the year under review and since are

M Herrenknecht

R T Slocombe

AUDITORS

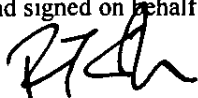
Each of the directors at the date of approval of this report separately confirms that

- 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



Director

Date 24/06/2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

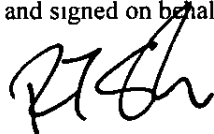
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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.

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



Date 24/06/2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HERRENKNECHT INTERNATIONAL LIMITED**

We have audited the financial statements of Herrenknecht International Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

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 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.

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 2009 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.

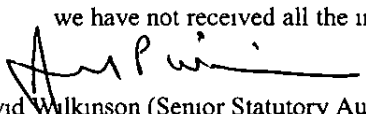
Opinion on other matter prescribed by the Companies Act 2006

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.


David Wilkinson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne, United Kingdom
24 June 2010

HERRENKNECHT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2009

	Note	2009 £	2008 £
TURNOVER	2	3,246,230	3,358,594
Cost of sales		(1,889,543)	(2,232,585)
GROSS PROFIT		1,356,687	1,126,009
Administrative expenses		(812,851)	(639,430)
OPERATING PROFIT	4	543,836	486,579
Profit on sale of fixed assets	4	304,545	365,829
Interest receivable and similar income	5	94,684	171,636
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		943,065	1,024,044
Tax on profit on ordinary activities	6	(265,260)	(282,745)
PROFIT FOR THE FINANCIAL YEAR AFTER TAX	17	677,805	741,299

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.

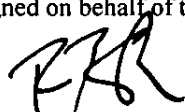
HERRENKNECHT INTERNATIONAL LIMITED

BALANCE SHEET 31 December 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Tangible assets	8		976,798		1,300,653
CURRENT ASSETS					
Stocks	9	54,590		50,231	
Debtors	10	1,633,998		3,661,863	
Cash at bank and in hand		361,403		446,958	
		<u>2,049,991</u>		<u>4,159,052</u>	
CREDITORS: amounts falling due within one year	11	<u>(668,978)</u>		<u>(1,512,090)</u>	
NET CURRENT ASSETS			<u>1,381,013</u>		<u>2,646,962</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,357,811		3,947,615
PROVISIONS FOR LIABILITIES AND CHARGES	12		<u>(123,556)</u>		<u>(131,711)</u>
NET ASSETS			<u>2,234,255</u>		<u>3,815,904</u>
CAPITAL AND RESERVES					
Called up share capital	13,17		1,105		1,105
Capital redemption reserve	17		395		395
Profit and loss account	17		<u>2,232,755</u>		<u>3,814,404</u>
TOTAL SHAREHOLDERS' FUNDS	17		<u>2,234,255</u>		<u>3,815,904</u>

The financial statements of Herrenknecht International Limited, registered number 1796113, were approved by the Board of Directors and authorised for issue on 24 June 2010

Signed on behalf of the Board of Directors



TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

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.

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.

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

1. ACCOUNTING POLICIES (continued)

Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term

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

	2009 £	2008 £
United Kingdom and Europe	3,113,388	3,238,456
United States of America	132,842	120,138
	<u>3,246,230</u>	<u>3,358,594</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £	2008 £
Wages and salaries	564,129	497,588
Social security costs	63,734	57,316
Other pension costs	16,590	15,005
	<u>644,453</u>	<u>569,909</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	10	9
	<u>14</u>	<u>13</u>

Directors' remuneration

	£	£
Emoluments (excluding pension contributions)	94,586	84,000
Pension contributions	3,135	3,000

One director was a member of the defined contribution pension scheme (2008 one)

TRADING PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2009	2008
	£	£
Depreciation – owned assets	240,831	221,557
Auditors' remuneration		
- fees payable to the company's auditors for the statutory audit of the company's annual accounts	9,300	9,000
- fees payable to the company's auditors and their associates for tax services	3,300	2,000
Foreign exchange differences – (profit)/loss	33,286	(88,916)
	<u>33,286</u>	<u>(88,916)</u>

The company made a profit on the disposal of tangible fixed assets amounting to £304,545 during the year (2008 £365,829). In 2009 this includes an element of insurance income less the net book value of fixed assets destroyed.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	£
Bank interest receivable	-	10,653
Other interest receivable – group undertakings	77,336	143,539
Other income	17,348	17,444
	<u>94,684</u>	<u>171,636</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of the tax charge for the year	2009	2008
	£	£
Current Tax		
Tax charge on profit before taxation at the standard rate of corporation tax in the UK of 28% (2008 28.5%)	273,415	236,345
Deferred Tax	273,415	236,345
Timing differences, origination and reversal	(8,155)	47,225
Adjustment in respect of prior years	-	(825)
	<u>265,260</u>	<u>282,745</u>
 (b) Factors affecting the tax charge for the year		
Profit before taxation	943,065	1,024,044
Tax at 28%/28.5% thereon	264,058	291,852
Net of non-taxable income and expenses not deductible for tax purposes	-	5
Depreciation in excess of capital allowances	8,155	(47,225)
Rate differences	-	(8,287)
Prior period adjustments	-	-
Effect of gains (incl. Rollover relief)	1,202	-
Current tax charge for the period (see (a))	<u>273,415</u>	<u>236,345</u>

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

7. DIVIDENDS

	2009	2008
	£	£
Ordinary shares		
Interim paid £234 80 per ordinary share (2008 £155 20)	259,454	171,500
Final paid £1,809 95 per ordinary share (2008 £nil)	2,000,000	-
	<u>2,259,454</u>	<u>171,500</u>

8. TANGIBLE FIXED ASSETS

	Motor vehicles £	Furniture and equipment £	Freehold property £	Plant and machinery £	Tunnelling machinery £	Total £
Cost						
At 1 January 2009	97,477	121,655	585,496	47,830	1,978,607	2,831,065
Additions	18,335	2,509	-	-	-	20,844
Disposals	(39,753)	(35,711)	-	-	(204,582)	(280,046)
At 31 December 2009	<u>76,059</u>	<u>88,453</u>	<u>585,496</u>	<u>47,830</u>	<u>1,774,025</u>	<u>2,571,863</u>
Depreciation						
At 1 January 2009	50,114	108,391	89,114	41,322	1,241,471	1,530,412
Charge for the year	12,081	4,282	8,910	976	214,582	240,831
Disposals	(34,439)	(35,185)	-	-	(106,554)	(176,178)
At 31 December 2009	<u>27,756</u>	<u>77,488</u>	<u>98,024</u>	<u>42,298</u>	<u>1,349,499</u>	<u>1,595,065</u>
Net book value						
At 31 December 2009	<u>48,303</u>	<u>10,965</u>	<u>487,472</u>	<u>5,532</u>	<u>424,526</u>	<u>976,798</u>
At 31 December 2008	<u>47,363</u>	<u>13,264</u>	<u>496,382</u>	<u>6,508</u>	<u>737,136</u>	<u>1,300,653</u>

Included within furniture and equipment and tunnelling machinery are assets with a cost of £1,023,777 (2008 £1,055,341) which are fully depreciated

9. STOCKS

	2009	2008
	£	£
Raw materials & consumables	<u>54,590</u>	<u>50,231</u>

HERRENKNECHT INTERNATIONAL LIMITED

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

10. DEBTORS

	2009 £	2008 £
Trade debtors	293,502	369,652
Amounts owed by parent undertaking	1,291,051	3,154,604
Amounts owed by associated undertaking	21,386	55,951
Prepayments and accrued income	28,059	81,656
	<u>1,633,998</u>	<u>3,661,863</u>

All amounts are due within one year

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	668,978	135,723
Amounts owed to group undertakings	61,824	148,651
Corporation tax	172,403	164,967
Other taxation and social security	18,793	61,312
Other creditors	10,650	3,571
Accruals and deferred income	308,542	997,866
	<u>594,729</u>	<u>1,512,090</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2009 £	2008 £
Deferred taxation	<u>123,556</u>	<u>131,711</u>
		Deferred taxation £
Balance at 1 January 2009		131,711
Movement during the year		(8,155)
Balance at 31 December 2009		<u>123,556</u>
Deferred taxation for which provision has been made in the financial statements are as follows		
	2009 £	2008 £
Accelerated capital allowances	<u>123,556</u>	<u>131,711</u>
	<u>123,556</u>	<u>131,711</u>

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

13. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised		
10,000 ordinary shares of £1 00 each	10,000	10,000
Called up, allotted and fully paid		
1,105 ordinary shares of £1 00 each	1,105	1,105

14. ULTIMATE PARENT COMPANY

At 31 December 2008, 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

15. 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 £16,590 (2008: £15,005).

16. 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.

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

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

	Ordinary share capital £	Capital redemption reserve £	Profit and loss account £	2009 Total £	2008 Total £
1 January 2009	1,105	395	3,814,404	3,815,904	3,246,105
Profit for year	-	-	677,805	677,805	741,299
Dividends paid	-	-	(2,259,454)	(2,259,454)	(171,500)
31 December 2009	<u>1,105</u>	<u>395</u>	<u>2,232,755</u>	<u>2,234,255</u>	<u>3,815,904</u>