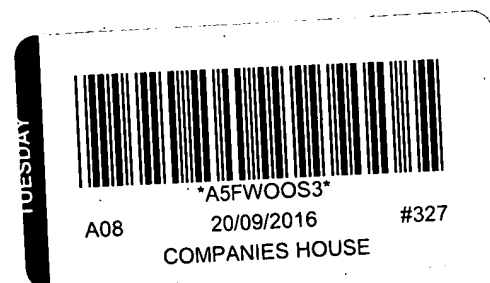


**HERRENKNECHT INTERNATIONAL
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2015



HERRENKNECHT INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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HERRENKNECHT INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Herrenknecht
R T Slocombe

COMPANY SECRETARY

D J Atkinson

REGISTERED OFFICE

Wearfield
Sunderland Enterprise Park
Sunderland
Tyne and Wear
SR5 2TZ

BANKERS

HSBC Bank plc
Maingate
Kingsway North
Team Valley Trading Estate
Gateshead
Tyne and Wear

SOLICITORS

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

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom
NE1 2HF

STRATEGIC REPORT

The directors present their Strategic report, together with the Directors' report, the audited financial statements and auditor's report for the year ended 31 December 2015.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the supply of tunnelling equipment and associated spare parts and personnel.

Together with our core business of small-diameter tunnelling equipment mainly for the utility market, the company continued to participate in contracts for larger-diameter equipment although the last of the eight Crossrail tunnelling machines completed its work in 2015.

By their nature these larger-diameter tunnelling projects are sporadic but the company continues to market the full range of Herrenknecht Group products and advise clients on the latest advances in mechanised tunnelling technology and suitable equipment for future projects.

During the year, turnover increased by 26% to £11.9m (2014: £8.9m). The company made a pre-tax profit of £1.3m (2014: £1.5m) and had net assets of £4.5m (2014: £3.8m) at the year-end.

The Herrenknecht AG Group manages its operations on a centralised basis and for this reason the company's directors believe that disclosure of further key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business.

Apart from the anticipated reduction in workload due to the completion of some traffic tunnelling projects, at the date of this report the directors are not aware of any likely major changes in the company's activities during the next year or of any significant events beyond the control of the company which have occurred or are expected to occur, which could be likely to have a significant impact on earnings or on the course of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks for the company are regularly discussed with Group management and derive from:

- The cyclical nature of the small-diameter business in the utility sectors and the sporadic nature of the large-diameter tunnelling business;
- Payment risks typical in the construction industry; and
- Foreign exchange risk in cross-border trading.

These risks are mitigated by:

- Offering as wide a range of equipment as possible to enable the company to compete for technically-varied projects in all ground conditions and at all sizes;
- Utilising a variety of credit control measures and advance payments to minimise any risk of bad debts and delays to cash flows; and
- Hedging of foreign exchange risk by the Group's Treasury Department.

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



R T Slocombe
Director

Date: 15th September 2016

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2015.

The principal risks and uncertainties and an indication of future developments in the company have been discussed within the Strategic report.

DIVIDENDS AND TRANSFER TO RESERVES

An interim dividend of £356,506 (2014: £487,940) was paid during the year. The final dividend recommended by the directors is £nil (2014: £nil). Profit after tax for the year was £1,009,329 (2014: £1,161,421).

GOING CONCERN

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current resources. As a consequence the directors believe that the company is well placed to manage the risks and uncertainties associated with the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has 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 financial statements.

DIRECTORS

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

M Herrenknecht

R T Slocombe

AUDITOR

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 auditor is 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 auditor is 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 auditor 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: 15th September 2016

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 Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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; and
- 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 2015 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 18. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor's 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

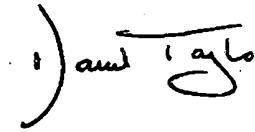
HERRENKNECHT INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERRENKNECHT INTERNATIONAL LIMITED (CONTINUED)

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 Taylor FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne, United Kingdom

15th September 2016

HERRENKNECHT INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	Note	2015 £	2014 £
TURNOVER	3	11,961,936	8,859,181
Cost of sales		(10,213,574)	(6,997,893)
GROSS PROFIT		1,748,362	1,861,288
Administrative expenses		(602,883)	(633,892)
OPERATING PROFIT	5	1,145,479	1,227,396
Profit/ (Loss) on sale of fixed assets	5	382	(2,603)
Interest receivable and similar income	6	111,433	255,933
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,257,294	1,480,726
Tax on profit on ordinary activities	7	(247,966)	(319,305)
TOTAL COMPREHENSIVE INCOME		<u>1,009,328</u>	<u>1,161,421</u>

HERRENKNECHT INTERNATIONAL LIMITED

BALANCE SHEET As at 31 December 2015

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	9		703,059		650,666
CURRENT ASSETS					
Stocks	10	15,304		475,159	
Debtors	11	6,144,712		4,864,568	
Cash at bank and in hand		638,898		402,200	
		6,798,914		5,741,927	
CREDITORS: amounts falling due within one year	12	(2,982,690)		(2,511,438)	
NET CURRENT ASSETS			3,816,224		3,230,489
TOTAL ASSETS LESS CURRENT LIABILITIES			4,519,283		3,881,155
PROVISION FOR LIABILITIES AND CHARGES	13		(54,396)		(69,090)
NET ASSETS			4,464,887		3,812,065
CAPITAL AND RESERVES					
Called up share capital	14		1,105		1,105
Capital redemption reserve			395		395
Profit and loss account			4,463,387		3,810,565
TOTAL SHAREHOLDER'S FUNDS			4,464,887		3,812,065

The financial statements of Herrenknecht International Limited (Company Registration No. 01796113) were approved by the Board of Directors and authorised for issue on 13th September 2016.

Signed on behalf of the Board of Directors



R T Slocombe

Director

Date: 15th September 2016

HERRENKNECHT INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 December 2015

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 31 December 2013	1,105	395	3,136,584	3,138,084
Changes on transition to FRS 102 (see note 18)	-	-	-	-
At 1 January 2014	1,105	395	3,136,584	3,138,084
Profit for the financial year and total comprehensive income	-	-	1,161,421	1,161,421
Dividends paid	-	-	(487,440)	(487,440)
At 31 December 2014	1,105	395	3,810,565	3,812,065
Profit for the financial year and total comprehensive income			1,009,328	1,010,328
Dividends paid	-	-	(356,506)	(356,506)
At 31 December 2015	1,105	395	4,463,387	4,464,887

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Herrenknecht International Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 18.

The functional currency of Herrenknecht International Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Herrenknecht International Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Herrenknecht International Limited is consolidated in the financial statements of its parent, Herrenknecht Schweiz Holding AG, which may be obtained at from the address given in note 15. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current resources. As a consequence the directors believe that the company is well placed to manage the risks and uncertainties associated with the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has 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 financial statements.

Turnover

Turnover represents sales and rentals of tunnelling machinery, excluding value added tax. Rental income 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.

Turnover from the sale of machines is recognised when the goods are physically delivered to the customer.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at the following rates in order to write down other assets to their residual values over their estimated useful lives. Assets under construction are not depreciated.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

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.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

Impairment of receivables

The risk of impairment of receivables is estimated based on prior experience with and the past due status of doubtful debtors, while large receivable balances are assessed individually based on factors that include ability to pay, bankruptcy and payment history. Should the outcome differ from the assumptions and estimates, revisions to the estimated provision would be required.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

3. 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:

	2015	2014
	£	£
United Kingdom	7,227,562	3,960,514
Europe	4,734,374	4,898,667
	<u>11,961,936</u>	<u>8,859,181</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The aggregate remuneration of employees during the year was as follows:

	2015	2014
	£	£
Wages and salaries	382,553	407,655
Social security costs	43,081	46,460
Other pension costs	71,038	54,529
	<u>496,672</u>	<u>508,644</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2015	2014
	No.	No.
Directors	2	2
Administration	2	2
Engineers and technical support	6	6
	<u>10</u>	<u>10</u>
Directors' remuneration and highest paid director	2015	2014
	£	£
Emoluments (excluding pension contributions)	87,262	85,899
Pension contributions	33,740	27,184
	<u>121,002</u>	<u>113,083</u>

One director was a member of the defined contribution pension scheme (2014: one).

HERRENKNECHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Depreciation – owned assets	103,249	108,975
Auditor's remuneration		
- fees payable to the company's auditor for the statutory audit of the company's annual financial statements	16,000	16,500
- fees payable to the company's auditor and their associates for:		
- taxation compliance services	4,950	4,000
- other taxation advisory services	-	2,800
Foreign exchange differences – (profit)/loss	(24,433)	12,833
Operating lease rentals of plant and machinery	189,092	606,152
Cost of stock recognised as an expense	8,267,406	4,695,878
Reversal of impairment of stock	(11,507)	(96,947)

The company made a profit on the disposal of tangible fixed assets amounting to £382 during the year (2014: loss: £2,603).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Other interest receivable:		
- from group undertakings	60,268	41,834
- on consignment stock	33,674	196,846
Other income	17,491	17,253
	<u>111,433</u>	<u>255,933</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £	2014 £
<i>(a) Analysis of the tax charge for the year</i>		
Current Tax		
Tax charge on profit before taxation at the standard rate of corporation tax in the UK of 20.25% (2014: 21.43%)	265,962	324,781
Adjustment in respect of prior years	(3,302)	78
Total current tax charge	<u>262,660</u>	<u>324,859</u>
Deferred Tax		
Timing differences, origination and reversal	(10,810)	(5,897)
Adjustment to tax charge in respect of previous periods	2,028	(67)
Effect of changes in tax rate	(5,912)	410
Total tax charge	<u>247,966</u>	<u>319,305</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of tax applied to reported profit on ordinary activities is 20.25% (2014 21.43%). The applicable tax rate has changed following substantive enactment of the Finance Act 2013. The Finance Act 2013 reduced the main rate of corporation tax to 20% effective from 1st April 2015 and this rate was used when calculating deferred tax assets and liabilities at 31 December 2014. Finance No 2 Act 2015 which was substantively enacted on 26 October 2015 includes provisions to further reduce the corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. Accordingly deferred tax assets and liabilities have been calculated at the rates which will be in force when the timing differences are projected to reverse. The Finance Bill 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. It is expected that the Finance Act 2016 will be substantively enacted in October 2016. As substantive enactment of Finance Act 2016 will be after the balance sheet date the reduction to 17% has been disregarded in calculating the deferred tax position at 31 December 2015.

The difference between the total tax charge shown above and the amount calculated by applying Standard rate of UK Corporation Tax to the profit before tax is as follows:

<i>(b) Factors affecting the tax charge for the year:</i>	2015 £	2014 £
Profit before taxation	1,257,294	1,480,726
Tax at 20.25% (2014: 21.43%) thereon	254,559	318,254
<i>Effects of:</i>		
Expenses not deductible for tax purposes	593	630
Capital allowances in excess of depreciation	15,581	18,549
Movement in short-term timing differences	(4,771)	(12,652)
Adjustment to tax charge in respect of previous periods	(3,302)	78
Total tax charge for the year	262,660	324,859

8. DIVIDENDS

	2015 £	2014 £
Ordinary shares		
Interim paid £322.63 per ordinary share (2014: £441.12)	356,506	487,440

HERRENKNECHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

9. TANGIBLE FIXED ASSETS

	Freehold property £	Motor Vehicles £	Furniture and equipment £	Plant and machinery £	Tunnelling machinery £	Assets under construction £	Total £
Cost							
At 1 January 2015	585,496	85,933	80,956	49,330	1,650,811	-	2,452,526
Additions	-	19,299	411	-	-	141,250	19,710
Disposals	-	(18,301)	-	-	-	-	(18,301)
At 31 December 2015	585,496	86,931	81,367	49,330	1,650,811	141,250	2,595,185
Depreciation							
At 1 January 2015	142,573	38,178	68,142	46,142	1,506,825	-	1,801,859
Charge for the year	8,910	14,803	3,934	478	75,124	-	103,249
Disposals	-	(12,983)	-	-	-	-	(12,983)
At 31 December 2015	151,483	39,998	72,076	46,620	1,581,949	-	1,892,126
Net book value							
At 31 December 2015	434,013	46,933	9,291	2,710	68,862	141,250	703,059
At 31 December 2014	442,923	47,755	12,814	3,188	143,986	-	650,666

Included within tunnelling machinery are assets with a cost of £1,350,317 (2014: £1,350,317) which are fully depreciated.

10. STOCKS

	2015 £	2014 £
Raw materials & consumables	15,304	475,159

11. DEBTORS

	2015 £	2014 £
Trade debtors	1,789,730	1,357,447
Amounts owed by group undertakings	4,270,820	3,102,842
Prepayments and accrued income	84,162	404,279
	6,144,712	4,864,568

All amounts are due within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Trade creditors	261,878	123,653
Amounts owed to group undertakings	1,809,226	1,641,769
Corporation tax	167,162	190,401
Other taxation and social security	440,167	157,465
Other creditors	7,856	43,566
Accruals and deferred income	296,401	354,584
	<u>2,982,690</u>	<u>2,511,438</u>

13. PROVISION FOR LIABILITIES

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

	2015	2014
	£	£
Accelerated capital allowances	56,177	75,782
Short term timing differences	(1,781)	(6,692)
	<u>54,396</u>	<u>69,090</u>
		Deferred taxation
		£
Balance at 1 January 2015		69,090
Movement during the year		14,694
Balance at 31 December 2015		<u>54,396</u>

13. PROVISION FOR LIABILITIES (CONTINUED)

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company. There is no expiry date on timing differences, unused tax losses or tax credits.

During the year beginning 1 January 2016 the net origination of deferred tax assets and liabilities is expected to reduce the corporation tax charge by £7,000 as a result of the projected increase in accelerated capital allowances.

14. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Issued and fully paid		
1,105 ordinary shares of £1.00 each	1,105	1,105

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses net of dividends paid.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

15. ULTIMATE PARENT COMPANY

At 31 December 2015, 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 financial statements 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 £71,038 (2014: £54,529).

17. RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

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

18. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014

As a result there has been no change in the prior year profit or reserves.