

Registered number: 01796113

Herrenknecht International Limited

Annual report

31 December 2022

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Herrenknecht International Limited

Company information

Directors	D J Atkinson R J Dexter M Herrenknecht (resigned 17 February 2023)
Company secretary	D J Atkinson
Registered number	01796113
Registered office	Wearfield Sunderland Enterprise Park Sunderland SR5 2TZ
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	HSBC Floor 3 Central Square South Orchard Street Newcastle Upon Tyne NE1 3AZ
Solicitors	Hay & Kilner LLP The Lumen St James' Boulevard Newcastle Helix Newcastle Upon Tyne NE4 5BZ

Herrenknecht International Limited

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Herrenknecht International Limited

Strategic report Year ended 31 December 2022

Introduction

The directors present their strategic report and the financial results for the year ended 31st December 2022.

Business review

Turnover for the year increased from £18.5m in 2021 to £32.8m in 2022. This is due to the growth in tunnelling projects, which all require varying levels of spare and wear parts, expert site personnel and other site services. This led to an increase in pre-tax profit to £1.6m for the year.

Cash management remains strong and we continue to operate without overdraft or loan facilities.

The board feel that the above represents a healthy position for the company at the year-end and that the future continues to look promising.

Future development

Herrenknecht International Limited is the UK subsidiary of Herrenknecht AG and offers sales and support services for tunnelling contracts in the UK and Ireland.

Although traditionally an established market for tunnelling equipment in the utility sector, the region has seen considerable growth in recent years, due to projects for larger-diameter utilities, mining, nuclear and rail, particularly HS2.

We can foresee continued strong levels of business for the existing and upcoming projects through 2023 and 2024.

Principal risks and uncertainties

The company continually assesses risks and regularly reviews our internal control systems to mitigate those risks. The principal risks facing the company are as follows:

Health and Safety

We consider the health and safety of our employees and seconded group personnel to be of huge importance. We regularly monitor and calibrate our processes both internally and externally through the ConstructionLine Gold assurance organisation.

We are greatly aided in our push for safer working by the quality of our customers' jobsites and processes and the considerable experience of our UK-based and worldwide site personnel.

Credit risk

The company's assets mostly comprise debtors and stock. Trade debtors are constantly reviewed with Group and discussed in project meetings with customers, and credit monitoring is performed on the customer base. Doubtful debt provisions are made where necessary. Consignment stocks held at customers' jobsites are checked and customers invoiced for items used, before items are replenished. Site personnel inspect the condition and storage of the items.

Herrenknecht International Limited

Strategic report (continued) Year ended 31 December 2022

Liquidity risk

The company manages this through regular cash forecasting to ensure it is in a position to meet its liabilities and invest in assets, where necessary. This is done in collaboration with the Group's Treasury Department.

Exchange rate risk

The company deals in both GBP and EUR. Through cash forecasting and inter-company billing arrangements, exchange risks are hedged as far as possible to minimise the risk to the company.

General economic conditions

Much of the current project business is based on long-term contracts and so changes in the economy as a whole are unlikely to have a significant effect in the short to mid term, subject to changes in government-funded projects.

Supply chain risk

Much of the company's supply of parts and personnel comes from within the Group, so it is possible to forecast and anticipate demand worldwide and plan accordingly. Skilled technicians become available after finishing other projects and can be reassigned to projects in the UK.

Financial key performance indicators

As a Group, we use a wide variety of reporting and financial and non-financial KPIs to monitor the business.

Key figures for the company are as follows:

	2022	2021
Turnover (£m)	32.8	18.5
Gross Profit (£m)	2.5	1.7
GP (%)	7.8%	9.1%
Profit before Tax (£m)	1.6	0.9
PBT (%)	5.0%	4.9%

This report was approved by the board on 13 July 2023 and signed on its behalf by:



R J Dexter
Director

Herrenknecht International Limited

Directors' report Year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £1,333,830 (2021: £718,888).

Dividends totalling £416,389 (2021: £431,779) were paid in the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year and up to the date of signing of these financial statements were:

D J Atkinson
R J Dexter
M Herrenknecht (resigned 17 February 2023)

Matters covered in the Strategic report

The following information, which would otherwise be disclosed in the directors' report, is instead disclosed in the strategic report, as permitted by s414C(11) of the Companies Act 2006:

- principal risks and uncertainties
- future developments

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 13 July 2023 and signed on its behalf by:



R J Dexter
Director

Herrenknecht International Limited

Directors' responsibilities statement Year ended 31 December 2022

The directors are responsible for preparing the strategic report, the directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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;
- 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 to 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

Opinion

We have audited the financial statements' of Herrenknecht International Limited (the 'company') for the year ended 31 December 2022, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements':

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements' in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Independent auditor's report to the members of Herrenknecht International Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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'; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements' and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements' that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements', the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Herrenknecht International Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements' as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with the laws and regulations. We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we did not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements' is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



**Independent auditor's report to the members of Herrenknecht International Limited
(continued)**

Use of our report

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.

Michael Morris FCA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

13 July 2023

Herrenknecht International Limited

Statement of comprehensive income Year ended 31 December 2022

	Note	2022 £	2021 £
Profit and loss account			
Turnover	4	32,773,649	18,535,045
Cost of sales		(30,232,665)	(16,845,813)
Gross profit		2,540,984	1,689,232
Administrative expenses		(993,361)	(878,598)
Other operating income	5	61,561	72,700
Operating profit	6	1,609,184	883,334
Interest receivable and similar income	9	33,575	31,814
Interest payable and similar expenses	10	(4,461)	(61)
Profit before tax		1,638,298	915,087
Tax on profit	11	(304,468)	(196,199)
Profit for the financial year		1,333,830	718,888

There was no other comprehensive income for 2022 (2021: £nil).

The notes on pages 12 to 24 form part of these financial statements.

Herrenknecht International Limited

Balance sheet At 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	-	-
Tangible assets	14	706,601	677,633
		<u>706,601</u>	<u>677,633</u>
Current assets			
Stocks	15	642,582	937,547
Debtors	16	15,334,757	10,048,918
Cash at bank and in hand		2,486,713	2,485,979
		<u>18,464,052</u>	<u>13,472,444</u>
Creditors: amounts falling due within one year	17	(13,314,947)	(9,236,395)
Net current assets		<u>5,149,105</u>	<u>4,236,049</u>
Total assets less current liabilities		<u>5,855,706</u>	<u>4,913,682</u>
Provisions for liabilities			
Deferred tax	18	(145,100)	(120,517)
Net assets		<u><u>5,710,606</u></u>	<u><u>4,793,165</u></u>
Capital and reserves			
Called up share capital	19	1,105	1,105
Capital redemption reserve	20	395	395
Profit and loss account	20	5,709,106	4,791,665
Total equity		<u><u>5,710,606</u></u>	<u><u>4,793,165</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 July 2023.



R J Dexter
Director

Company registered number: 01796113

The notes on pages 12 to 24 form part of these financial statements.

Herrenknecht International Limited

Statement of changes in equity Year ended 31 December 2022

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2021	1,105	395	4,504,556	4,506,056
Profit and total comprehensive income for the year	-	-	718,888	718,888
Dividends	-	-	(431,779)	(431,779)
At 1 January 2022	1,105	395	4,791,665	4,793,165
Profit and total comprehensive income for the year	-	-	1,333,830	1,333,830
Dividends	-	-	(416,389)	(416,389)
At 31 December 2022	1,105	395	5,709,106	5,710,606

The notes on pages 12 to 24 form part of these financial statements.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

1. General information

Herrenknecht International Limited ('the company') supplies tunnelling equipment and associated spare parts and personnel. The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the company information page of these financial statements.

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

Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest £.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to disclosure of compensation for key management personnel and from the requirement to prepare a cash flow statement and associated notes. The consolidated financial statements of Herrenknecht AG, which can be obtained from the German Bundesanzeiger, Amsterdamer Straße 192, 50735 Cologne, Germany, provide the equivalent disclosures on a group wide basis and include a consolidated cash flow statement and associated notes.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

2. Accounting policies (continued)

2.3 Going concern

The company meets its working capital requirements through its operating cash flows.

The directors have prepared financial forecasts which indicate that the company will maintain sufficient headroom to enable it to continue meeting its liabilities as they fall due in the normal course of business for at least the next twelve months following approval of these financial statements.

The company continued to trade profitably during the year, achieving a profit after tax of £1,333,830 (2021: £718,888). The company has maintained significant cash headroom throughout the year, with a cash balance of £2,486,713 (2021: £2,485,979). The company has net assets of £5,710,606 (2021: £4,793,165).

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.

2.4 Turnover

Turnover represents sales and rentals of tunneling machinery, including associated commissions received and related services and spare parts, 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 in accordance with the contract terms agreed with the customer.

2.5 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

The assets of the plan are held separately from the company in independently administered funds.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

2. Accounting policies (continued)

2.6 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 differences.

2.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on all intangible assets so as to write off the cost of each asset over its estimated useful life as follows:

Computer software	- 20% straight line
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Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

2.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less expected residual value of each asset over its expected useful life as follows:

Freehold property	- 2% on cost
Plant and machinery	- 15% reducing balance
Tunnelling machinery	- 20% or 25% on cost
Motor vehicles	- 25% reducing balance
Furniture and equipment	- 33% on cost or 15% reducing balance

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

2.9 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.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and loans to or from related parties, including fellow group companies. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

2.11 Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the period-end retranslation are recognised in the profit and loss account.

2.12 Dividends

Dividends and other distributions to the company's members are recognised when they become legally payable.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments in applying the entity's accounting policies

Depreciation of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed regularly. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets.

Valuation of stock

An assessment as to the ability of the company to recover the value of all stock for above its original cost is made at each financial year end. A provision is made for any amounts that are not considered to be recoverable due to the net realisable value being less than cost for that stock.

Recoverability of bad debt

An assessment as to the recoverability of debtors balance is made at each financial year end. A provision is made for debtors balances which are not considered to be recoverable, this is based upon their knowledge of the business and relationships with customers.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

4. Turnover

The whole of the turnover is attributable to the principal activity of the company, being the sale of tunnelling equipment and related services.

Analysis of turnover by country of invoice:

	2022 £	2021 £
United Kingdom	31,728,914	16,895,366
Rest of Europe	1,044,735	1,639,679
	<u>32,773,649</u>	<u>18,535,045</u>

5. Other operating income

	2022 £	2021 £
Other operating income	-	9,974
Net rents receivable	<u>61,561</u>	<u>62,726</u>

6. Operating profit

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

	2022 £	2021 £
Depreciation of tangible fixed assets	216,957	84,631
Loss/(gain) on foreign exchange	(149,343)	20,143
Auditor's remuneration	14,150	12,250
Bad debt expense	<u>53,430</u>	<u>7,554</u>

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

7. Employees

	2022 £	2021 £
Wages and salaries	1,563,181	1,026,398
Social security costs	188,616	104,282
Cost of defined contribution pension scheme	94,846	75,290
	<u>1,846,643</u>	<u>1,205,970</u>

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

	2022 No.	2021 No.
Admin	5	4
Sales	1	1
Commercial project management	2	2
Logistics and sourcing	2	2
Service	13	8
	<u>23</u>	<u>17</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	190,217	191,451
Company contributions to defined contribution pension schemes	32,586	28,693
	<u>222,803</u>	<u>220,144</u>

During the year retirement benefits were accruing to 2 directors (2021: 2) in respect of defined contribution pension schemes.

9. Interest receivable

	2022 £	2021 £
Interest receivable from group companies	<u>33,575</u>	<u>31,814</u>

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

10. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	4,461	61

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	279,728	163,185
Adjustments in respect of previous periods	157	62
Total current tax	279,885	163,247
Deferred tax		
Origination and reversal of timing differences	18,683	4,029
Changes to tax rates	5,900	28,924
Prior year adjustment	-	(1)
Total deferred tax	24,583	32,952
Taxation on profit on ordinary activities	304,468	196,199

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>1,638,298</u>	<u>915,087</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	311,277	173,867
Effects of:		
Expenses not deductible for tax purposes	548	513
Adjustments to tax charge in respect of prior periods	157	61
Non-taxable income	(13,414)	(7,166)
Tax rate changes	5,900	28,924
Total tax charge for the year	<u>304,468</u>	<u>196,199</u>

Factors that may affect future tax charges

In the March 2021 Budget, it was announced that the main UK corporation tax rate would remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, then increase to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021. Therefore deferred tax at the balance sheet date has been calculated at 25% (2021: 25%), as this was the tax rate substantively enacted at the year end.

12. Dividends

	2022 £	2021 £
Dividends paid on ordinary shares	<u>416,389</u>	<u>431,779</u>

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

13. Intangible assets

	Computer software £
Cost	
At 1 January 2022 and 31 December 2022	33,976
Amortisation	
At 1 January 2022 and 31 December 2022	33,976
Net book value	
At 31 December 2022	-
	<hr/>
At 31 December 2021	-
	<hr/>

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Tunneling machinery £	Total £
Cost						
At 1 January 2022	585,496	45,911	20,840	43,198	1,570,177	2,265,622
Additions	-	-	-	10,600	235,325	245,925
At 31 December 2022	585,496	45,911	20,840	53,798	1,805,502	2,511,547
Depreciation						
At 1 January 2022	204,940	44,929	14,657	36,643	1,286,820	1,587,989
Charge for the year	8,910	335	1,545	2,830	203,337	216,957
At 31 December 2022	213,850	45,264	16,202	39,473	1,490,157	1,804,946
Net book value						
At 31 December 2022	371,646	647	4,638	14,325	315,345	706,601
At 31 December 2021	380,556	982	6,183	6,555	283,357	677,633

15. Stocks

	2022 £	2021 £
Raw materials and consumables	642,582	937,547

The carrying value of stocks are stated net of impairment losses totalling £143,748 (2021: £117,029). Impairment losses totalling £141,216 (2021: £63,886) were recognised in profit and loss.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

16. Debtors

	2022 £	2021 £
Trade debtors	5,929,134	5,179,502
Amounts owed by group undertakings	7,488,275	3,366,664
Other debtors	125	-
Prepayments and accrued income	1,898,948	1,502,752
Tax recoverable	18,275	-
	<u>15,334,757</u>	<u>10,048,918</u>

Trade debtors are stated after provisions for impairments of £108,916 (2021: £55,486). The impairment charge for the year, included within administrative expenses, totalled £53,430 (2021: £7,554).

Amounts owed from group are interest free and repayable on demand.

17. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	285,160	99,821
Amounts owed to group undertakings	11,454,472	6,684,359
Corporation tax	-	16,685
Other taxation and social security	807,582	1,097,419
Other creditors	1,771	12,500
Accruals and deferred income	765,962	1,325,611
	<u>13,314,947</u>	<u>9,236,395</u>

Amounts owed to group are interest free and repayable on demand.

18. Deferred taxation

	2022 £
At beginning of year	120,517
Charged to the profit or loss	24,583
At end of year	<u>145,100</u>

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	145,543	137,514
Short asset timing differences - trading	(443)	(16,997)
	<u>145,100</u>	<u>120,517</u>

19. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1,105 (2021: 1,105) Ordinary shares of £1.00 each	<u>1,105</u>	<u>1,105</u>

All shares issued are non-redeemable and rank equally in terms of voting rights. There are no restrictions on the payment of dividends and the repayment of capital.

20. Reserves

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve and represents the redemption of paid up share capital.

Profit and loss account

The profit and loss reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

21. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £94,846 (2021: £75,290). Contributions totalling £1,771 (2021: £12,500) were payable to the fund at the balance sheet date and are included in creditors.

Herrenknecht International Limited

Notes to the financial statements Year ended 31 December 2022

22. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	7,809	-
Later than 1 year and not later than 5 years	22,126	-
	<u>29,935</u>	<u>-</u>

23. Related party transactions

The directors have taken advantage of exemption provided by FRS 102 paragraph 33.1A from disclosing transactions entered into between two or more wholly owned members of a group.

In the year, £2,394 was paid to Sunderland Enterprise Park Management Company Limited, a company of which D Atkinson is a common director, for security services provided to the enterprise park.

24. Controlling party

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

The company is 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 smallest and largest group which includes the company, and for which group financial statements are prepared, is Herrenknecht AG, whose registered address is 77963 Schwanau, Germany. The consolidated financial statements are publicly available from the German Bundesanzeiger, Amsterdamer Straße 192, 50735 Cologne, Germany.