

AUDITORS' REPORT TO HERRENKNECHT INTERNATIONAL LIMITED PURSUANT TO PARAGRAPH 24 OF SCHEDULES 8 TO THE COMPANIES ACT 1985

COMPANY NUMBER 1796113

We have examined the abbreviated accounts on page 2 to 5 together with the financial statements of Herrenknecht International Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1994.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 2 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

**Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

**Opinion**

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act, in respect of the year ended 31 December 1994 and the abbreviated accounts on pages 2 to 5 have been properly prepared in accordance with that Schedule.

**Other information**

On 2 June 1995 we Haines & Co reported, as auditors of Herrenknecht International Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1994 and our audit report was as follows:

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 3.

**Respective responsibilities of Directors and Auditors**

As described on page 1 the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1994 and of the results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

*Haines & Co*  
Haines & Co, Registered Auditor  
28/29 Carlton Terrace, Portslade, East Sussex,

2 June 1995



HERRENKNECHT INTERNATIONAL LIMITED

BALANCE SHEET

AT 31 DECEMBER 1994

	<u>Note</u>	1994	1993
FIXED ASSETS			
• Tangible assets	2	699,804	550,009
CURRENT ASSETS			
• Stocks		81,076	138,115
Debtors	3	444,987	788,891
Cash at bank and in hand		316,960	155,225
		<u>843,023</u>	<u>1,082,231</u>
CREDITORS : amounts falling due within one year	4	<u>251,766</u>	<u>507,996</u>
NET CURRENT ASSETS		<u>591,257</u>	<u>574,235</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,291,061	1,124,244
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation		135,571	122,057
		<u>£1,155,490</u>	<u>£1,002,187</u>
CAPITAL AND RESERVES			
Called up share capital	5	1,500	1,500
Profit and loss account		1,153,990	1,000,687
		<u>£1,155,490</u>	<u>£1,002,187</u>

The Directors have taken advantage, in preparing these abbreviated accounts, of the exemptions conferred by Part III of Schedule 8 of the Companies Act 1985 and have done so on the grounds that, in their opinion, the Company is a small company.

Advantage is taken in the preparation of the financial statements of the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985. In the Directors' opinion the company is entitled to those exemptions as a small company.

J D Broomfield ) DIRECTOR

*J D Broomfield*

The accounts were approved by the Board of Directors on 5 April 1995

HERRENKNECHT INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1994

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and incorporate the results of the principal activity which is described in the Directors' report and which is continuing.

\* Turnover is the invoiced value of goods and services, excluding Value Added Tax.

During the year the proportion of turnover exported was 21.07%

Provision is made for deferred taxation using the liability method to the extent that the Directors consider that a liability will arise in the foreseeable future.

Stock has been valued on the first in first out basis at the lower of cost and net realisable value.

The majority of the Company's purchases are from Herrenknecht GmbH, a company registered in Germany. Exchange gains or losses arising on transactions with that company are written off to purchases and are not separately identified.

Depreciation has been provided by the stated method with reference to the expected useful lives of the assets concerned, at the following rates:

Motor vehicles	25% pa reducing balance
Office equipment	15% pa reducing balance
Plant and machinery	15% pa reducing balance
Computer equipment	33.33% pa straight line

Depreciation is calculated by the Directors to accrue at a rate of 0% on long leasehold land and buildings. This rate is calculated by reference to the estimated residual value of land and buildings after 50 years.

The company operates a defined contribution pension scheme. The contributions to this scheme are charged to the profit and loss account when paid in accordance with Statement of Standard Accounting Practice No.24.

The company has taken advantage of the exemption in Financial Reporting Standard No 1. from producing a cash flow statement on the grounds that it is a small company.

HERRENKNECHT INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1994

2 TANGIBLE FIXED ASSETS

COST	Opening Balance	Additions	Disposals	Closing Balance
Freehold land and buildings	445,496	140,000	-	585,496
Plant and machinery	35,058	-	3,750	31,308
Motor vehicles	80,220	47,270	37,835	89,655
Office and computer equipment	46,092	10,986	2,340	54,738
	<u>£606,866</u>	<u>£198,256</u>	<u>£43,925</u>	<u>£761,197</u>
DEPRECIATION	Opening Balance	Provision for Year	Provision on Disposals	Closing Balance
Plant and machinery	7,318	3,861	1,749	9,430
Motor vehicles	33,284	14,089	17,719	29,654
Office and computer equipment	16,256	8,055	2,002	22,309
	<u>£56,858</u>	<u>£26,005</u>	<u>£21,470</u>	<u>£61,393</u>
NET BOOK VALUE	Opening Balance			Closing Balance
Freehold land and buildings	445,496			585,496
Plant and machinery	27,740			21,878
Motor vehicles	46,936			60,001
Office and computer equipment	29,836			32,429
	<u>£550,008</u>			<u>£699,804</u>

HERRENKNECHT INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1994

3. DEBTORS

Trade debtors	345,150	353,439
Other debtors	53,717	790
▪ Tax recoverable	-	166,906
• Prepayments and accrued income	<u>46,120</u>	<u>267,756</u>
	<u>£444,987</u>	<u>£788,891</u>

4. CREDITORS

Trade creditors	61,279	344,006
Corporation tax	56,592	-
Taxation and social security	10,211	-
Value added tax	-	19,802
Other creditors	9,498	26,058
Loans from Group Companies	-	106,707
Directors current accounts	2,243	2,243
Accruals and deferred income	<u>111,943</u>	<u>9,180</u>
	<u>£251,766</u>	<u>£507,996</u>

5. CAPITAL

Authorised:		
10,000 Ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Issued:		
1,500 Ordinary shares of £1 each	<u>£1,500</u>	<u>£1,500</u>