Polysius Limited

Directors' report and financial statements

Registered number 442739

30 September 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The company designs and supplies plant normally under long term contracts mainly to the cement industry but also to the slag, chemical and related industries.

Business review

Whilst the company anticipates more difficult market conditions in the forthcoming year, the directors are confident that the strong order book will carry the company through to successful results.

Proposed dividend

The directors do not propose a dividend for the year *(2004: £90,000)*.

Directors and directors' interests

The directors who held office during the year were as follows:

J Bauer
D Kupper

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

M J Crump
Secretary

The Brackens
London Road
Ascot
Berkshire
SL5 8BE

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Report of the independent auditors to the members of Polysius Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP 23 October 2006

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 September 2005

	Note	**Year ended 30 September 2005 £000**	Year ended 30 September 2004 £000
Turnover	*2*	**2,956**	2,341
Cost of sales		**(2,009)**	(1,731)
Gross profit		**947**	610
Distribution costs		**(554)**	(605)
Administrative expenses		**(497)**	(334)
Other operating income	*4*	**290**	226
Operating profit/(loss)		**186**	(103)
Other interest receivable and similar income	*7*	**97**	206
Interest payable and similar charges	*8*	**(2)**	(1)
Profit on ordinary activities before taxation	*3*	**281**	102
Tax on profit on ordinary activities	*9*	**(154)**	(9)
Profit on ordinary activities after taxation		**127**	93
Dividends proposed		**-**	(90)
Retained profit for the financial year		**127**	3

There were no recognised gains and losses except for the profit for the year, which was entirely derived from continuing operations.

Balance sheet
at 30 September 2005

	Note	30 September 2005		30 September 2004	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*10*		**2,804**		1,275
Current assets					
Stocks	*11*	**36**		34	
Debtors	*12*	**1,982**		2,051	
		2,018		2,085	
Creditors: amounts falling due within one year	*13*	**(1,237)**		(1,419)	
Net current assets			**781**		666
Total assets less current liabilities			**3,585**		1,941
Provisions for liabilities and charges	*14*		**(38)**		(63)
Net assets			**3,547**		1,878
Capital and reserves					
Called up share capital	*15*		**300**		300
Revaluation reserve	*16*		**2,871**		1,329
Profit and loss account	*16*		**376**		249
Equity shareholders' funds			**3,547**		1,878

These financial statements were approved by the board of directors on 6/10/2006 and were signed on its behalf by:

J. Bauer

J Bauer
Director

Statement of total recognised gains and losses
for the year ended 30 September 2005

	2005 £000	2004 £000
Profit for the financial year	**127**	3
Unrealised surplus on revaluation of investment properties	**1,542**	-
Total recognised gains and losses relating to the financial year	**1,669**	3

Note of historical cost profits and losses
for the year ended 30 September 2005

	Year ended 30 September 2005 £000	Year ended 30 September 2004 £000
Profit on ordinary activities before taxation	**281**	102
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**14**	14
Historical cost profit on ordinary activities before taxation	**295**	116
Historical cost profit for the year after taxation	**141**	107

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2005

	Year ended 30 September 2005 £000	Year ended 30 September 2004 £000
Profit for the financial year	**127**	93
Dividends proposed	-	(90)
Unrealised surplus on revaluation of investment properties	**1,542**	-
Net addition to shareholders' funds	**1,669**	3
Opening shareholders' funds	**1,878**	1,875
Closing shareholders' funds	**3,547**	1,878

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently (except as noted) in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules as modified for the revaluation of certain fixed assets.

Under FRS 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Thyssen Krupp AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Thyssen Krupp AG, within which this company is included, can be obtained from the address given in note 20.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost (or valuation) less the estimated residual value of tangible fixed assets using the straight line method.

Freehold and leasehold buildings	-	2%
Equipment	-	10%
Motor vehicles	-	25%
Fixtures and fittings	-	10%
Leasehold improvements	-	10%

Freehold and leasehold property is at valuation. On adopting FRS 15, the company took the decision to apply the transitional rules and freeze the cost of the land and buildings at the amounts of the revaluation. All other fixed assets are stated at cost. Leasehold land and buildings are amortised over the period of the lease. Freehold land is not depreciated.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19 *Accounting for Investment Properties*:

(i) except in the year of acquisition, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve except that any impairment in the value of an investment property is taken to the profit and loss account for the period. In the year of acquisition, the cost of the property (including professional fees, stamp duty and associated costs) is used as a proxy for open market value; and

(ii) no depreciation is provided on freehold buildings held for investment purposes. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, the properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

The rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is stated at purchase cost to include the cost of bringing the product to its present location and condition. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Taxation

The charge for taxation is based on the profit for the year. Where material, deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services, including construction contracts, to customers during the year.

2 Analysis of turnover

	2005	2004
	£000	£000
By geographical market		
United Kingdom and Republic of Ireland	2,100	2,341
Germany	7	-
Nigeria	796	-
Singapore	38	-
South Africa	15	-
	2,956	2,341

Turnover arose from the principal activity of the company.

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**14**	13
Non-audit	**4**	3
Depreciation	**42**	39
Hire of plant and machinery - rentals payable under operating leases	**8**	21

4 Other operating income

	2005 £000	2004 £000
Rental income	**290**	226

5 Remuneration of directors

Directors' emoluments are borne by another group company.

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2005	2004
General and administration	**2**	2
Technical (including sales)	**4**	4
	6	6

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	**293**	274
Social security costs	**41**	38
Other pension costs	**27**	31
	361	343

7 Other interest receivable and similar income

	2005	2004
	£000	£000
Receivable from group undertakings	**95**	178
Net exchange gains	**2**	28
	97	206

8 Interest payable and similar charges

	2005	2004
	£000	£000
Bank charges	**2**	1

Notes *(continued)*

9 Taxation

Analysis of charge in year

	2005 £000	2004 £000
UK corporation tax		
Amounts payable to/(receivable from) group companies for surrender of losses	**112**	(48)
Adjustments in respect of prior periods	**42**	57
Total current tax	**154**	9

Trading losses of approximately £13.7 million *(2004:* £14.0 *million)* are available for carry forward for offset against future trading profits.

	2005 £000	2004 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**281**	102
Current tax at 30 % (2004: 30%)	**84**	31
Effects of:		
Expenses not deductible for tax purposes	**14**	6
Timing differences in respect of profits or income for which deferred tax is not provided	**79**	(93)
Excess of capital allowances over depreciation	**(5)**	8
Relief for losses brought forward	**(60)**	-
Adjustments to tax charge in respect of previous periods	**42**	57
Total current tax charge (see above)	**154**	9

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Investment property £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Leasehold Improvements £000	Total £000
Cost or valuation						
At beginning of period	1,516	-	269	4	131	1,920
Additions	-	-	11	18	-	29
Transfers	(758)	758	-	-	-	-
Disposals	-	-	-	(4)	-	(4)
Revaluations		1,542	-	-	-	1,542
At end of period	758	2,300	280	18	131	3,487
Depreciation						
At beginning of period	366	-	260	3	16	645
Charge for period	20	-	3	6	13	42
Disposals	-	-	-	(4)	-	(4)
At end of period	386	-	263	5	29	683
Net book value						
At 30 September 2005	**372**	**2,300**	**17**	**13**	**102**	**2,804**
At 30 September 2004	1,150	-	9	1	115	1,275
Cost or valuation at 30 September 2005						
Represented by:						
Valuation in 1986	758	758	-	-	-	1,516
Valuation in 2005	-	1,542	-	-	-	1,542
Cost	-	-	280	18	131	429
	758	2,300	280	18	131	3,487

The land and buildings were revalued, on an open market, existing use basis, as at 14 July 1986 by independent professionally qualified valuers. The directors have reconsidered the classification of part of the company's freehold land and buildings in view of the increasing extent to which the property is let to third party tenants, and accordingly, the portion of the property not used for the company's own operations has been reclassified as an investment property. This is included at the valuation dated 4 August 2006 on the basis of open market value. The valuation was carried out by Vail Williams LLP, Chartered Surveyors.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

If land and buildings had not been revalued they would have been included at the following amounts:

	2005		2004	
	Freehold land £000	**Freehold buildings £000**	Freehold land £000	Freehold Buildings £000
Cost	**164**	**51**	164	51
Aggregate depreciation based on cost	-	**(25)**	-	(21)
	164	**26**	164	30

11 Stocks

	2005 £000	2004 £000
Goods in transit	**-**	2
Work in progress	**36**	32
	36	34

12 Debtors

	2005 £000	2004 £000
Trade debtors	**122**	219
Amounts owed by group undertakings	**1,834**	1,767
Prepayments and accrued income	**23**	46
Other debtors	**3**	19
	1,982	2,051

13 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Payments on account	**132**	107
Trade creditors	**1**	52
Amounts owed to parent undertakings	**286**	337
Other creditors, including taxation and social security	**11**	10
Accruals and deferred income	**807**	913
	1,237	1,419

Notes *(continued)*

14 Provisions for liabilities and charges

Warranty provisions	2005 £000	2004 £000
At beginning of period	**63**	370
Provided during period	**38**	63
Utilised during period	**(63)**	(370)
At end of period	**38**	63

Warranty provisions include amounts payable in respect of contracts that have been completed during the year. Polysius Limited is liable for a period of one year after the contract is completed in respect of repairs and maintenance work.

Deferred tax

The company had unrecognised deferred tax assets as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	**1**	2
Other timing differences:		
Tax losses	**4,124**	4,185
Other	**98**	19
	4,223	4,206

In view of the level of profitability in the current year, the directors consider it inappropriate to recognise the asset in the company's balance sheet.

15 Called up share capital

	2005 £000	2004 £000
Authorised, allotted, called up and fully paid		
300,000 ordinary shares of £1 each	**300**	300

Notes *(continued)*

16 Movement on reserves

	Called up share capital £000	Revaluation reserve £000	Profit and loss £000	**Total £000**
At beginning of period	300	1,329	249	**1,878**
Retained profit for the period	-	-	127	**127**
Revaluation surplus on investment properties	-	1,542	-	**1,542**
At end of period	300	2,871	376	**3,547**

17 Pension scheme

The company operates a defined contribution pension scheme which is open to most employees. It is a money purchase scheme providing benefits based on the level of each employee's fund at the date of retirement. The employer contributions are 8% of salary, with the option of an additional contribution up to 15% for the employee. The assets of the scheme are held separately from those of the company by the insurance company which administers the scheme. The pension charge represents contributions payable by the company to the fund together with amounts paid into the private schemes of employees and amounts to £27,000 *(2004:* £31,000*)*.

18 Commitments

Annual commitments under non-cancellable operating leases for plant and machinery are as follows:

	Plant and machinery	
	2005 £000	2004 £000
Operating leases which expire:		
Within one year	**6**	-
In the second to fifth years inclusive	**-**	6
	6	6

19 Contingent liabilities

As part of the group's financing arrangements the company is jointly and severally liable for certain indebtedness of ThyssenKrupp AG. The contingent liability amounted to £nil (*2004:* £nil).

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent company is ThyssenKrupp UK plc. The ultimate parent company is ThyssenKrupp AG which is incorporated in Germany. The consolidated accounts of the group are available to the public and may be obtained from Thyssen Krupp AG, Postfach 10 10 10, August-Thyssen-Strasse 1, D-40001, Düsseldorf, Germany.