Polysius Limited

Directors' report and financial statements

Registered number 442739

30 September 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

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

In the latter part of the year Polysius Limited was awarded a contract by the leading UK cement manufacturer, Lafarge Cement, for the supply and installation of a newly developed laboratory automation system The equipment was to be installed at their Hope Cement Works in Derbyshire As anticipated it had been a difficult year with unfavourable market conditions

Proposed dividend

The directors do not propose a dividend for the year *(2005 £nil)*

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Independent auditors' report to the members of Polysius Limited

We have audited the financial statements of Polysius Limited for the year ended 30 September 2006 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the members of Polysius Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

30 July 2007

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 September 2006

	Note	Year ended 30 September 2006 £000	Year ended 30 September 2005 £000
Turnover	2	**1,944**	2 956
Cost of sales		**(1,450)**	(2 009)
Gross profit		**494**	947
Distribution costs		**(634)**	(554)
Administrative expenses		**(308)**	(497)
Other operating income	4	**285**	290
Operating (loss)/profit		**(163)**	186
Other interest receivable and similar income	7	**70**	97
Interest payable and similar charges	8	**(1)**	(2)
(Loss)/profit on ordinary activities before taxation	3,5-6	**(94)**	281
Tax on profit/(loss) on ordinary activities	9	**82**	(154)
(Loss)/profit for the financial year		**(12)**	127

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

Balance sheet
at 30 September 2006

	Note	30 September 2006 £000	30 September 2006 £000	30 September 2005 £000	30 September 2005 £000
Fixed assets					
Tangible assets	*10*		**2,769**		2,804
Current assets					
Stocks	*11*	**65**		36	
Debtors	*12*	**1,527**		1 982	
		1,592		2,018	
Creditors: amounts falling due within one year	*13*	**(766)**		(1,237)	
Net current assets			**826**		781
Total assets less current liabilities			**3,595**		3 585
Provisions for liabilities and charges	*14*		**(60)**		(38)
Net assets			**3,535**		3,547
Capital and reserves					
Called up share capital	*15*		**300**		300
Revaluation reserve	*16*		**2,871**		2 871
Profit and loss account	*16*		**364**		376
Shareholders' funds			**3,535**		3,547

These financial statements were approved by the board of directors on 23/7/07 and were signed on its behalf by:

J Bauer
Director

Statement of total recognised gains and losses
for the year ended 30 September 2006

	2006	2005
	£000	£000
(Loss)/profit for the financial year	**(12)**	127
Unrealised surplus on revaluation of investment properties	**-**	1,542
Total recognised gains and losses relating to the financial year	**(12)**	1,669

Note of historical cost profits and losses
for the year ended 30 September 2006

	Year ended 30 September 2006	Year ended 30 September 2005
	£000	£000
(Loss)/profit on ordinary activities before taxation	**(94)**	281
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**14**	14
Historical cost (loss)/profit on ordinary activities before taxation	**(80)**	295
Historical cost profit for the year after taxation	**2**	141

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2006

	Year ended 30 September 2006	Year ended 30 September 2005
	£000	£000
(Loss)/profit for the financial year	**(12)**	127
Unrealised surplus on revaluation of investment properties	**-**	1,542
Net (reduction in)/addition to shareholders' funds	**(12)**	1,669
Opening shareholders' funds	**3,547**	1,878
Closing shareholders' funds	**3,535**	3,547

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

	2006	2005
	£000	£000
By geographical market		
United Kingdom and Republic of Ireland	**1,317**	2 100
Germany	**23**	7
Nigeria	**562**	796
Singapore	**42**	38
South Africa	**-**	15
	1,944	2,956

Turnover arose from the principal activity of the company

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
Audit of these financial statements	**23**	14
Other assurance services	**11**	-
Taxation services	**4**	4
Depreciation	**41**	42
Hire of plant and machinery - rentals payable under operating leases	**7**	8

4 Other operating income

Rental income	**285**	290

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	
	2006	2005
General and administration	**2**	2
Technical (including sales)	**5**	4
	7	6

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2006	2005
	£000	£000
Wages and salaries	**307**	293
Social security costs	**38**	41
Other pension costs	**38**	27
	383	361

7 Other interest receivable and similar income

	2006	2005
	£000	£000
Receivable from group undertakings	**64**	95
Net exchange gains	**6**	2
	70	97

8 Interest payable and similar charges

	2006	2005
	£000	£000
Bank charges	**1**	2

Notes *(continued)*

9 Taxation

Analysis of charge in year

	2006 £000	2005 £000
UK corporation tax		
Amounts payable to/(receivable from) group companies for surrender of losses	(39)	112
Adjustments in respect of prior periods	(43)	42
Total current tax	(82)	154

Trading losses of approximately £14 1 million *(2005 £13 7 million)* are available for carry forward for offset against future trading profits

	2006 £000	2005 £000
Current tax reconciliation		
Profit on ordinary activities before tax	(94)	281
Current tax at 30 % (2005 30%)	(28)	84
Effects of		
Expenses not deductible for tax purposes	32	14
Timing differences in respect of profits or income for which deferred tax is not provided	(80)	79
Excess of capital allowances over depreciation	(1)	(5)
Relief for losses brought forward	-	(60)
Trading losses unrelieved carried forward	77	-
Amounts receivable for group relief loss surrender	(39)	-
Adjustments to tax charge in respect of previous periods	(43)	42
Total current tax charge (see above)	(82)	154

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	758	2,300	280	18	131	3,487
Additions	-	-	6	-	-	6
At end of period	758	2,300	286	18	131	3,493
Depreciation						
At beginning of period	386	-	263	5	29	683
Charge for period	20	-	4	4	13	41
At end of period	406	-	267	9	42	724
Net book value						
At 30 September 2006	**352**	**2,300**	**19**	**9**	**89**	**2,769**
At 30 September 2005	372	2,300	17	13	102	2 804
Cost or valuation at 30 September 2006						
Represented by						
Valuation in 1986	758	758	-	-	-	1,516
Valuation in 2005	-	1 542	-	-	-	1,542
Cost						
	758	2 300	-	-	-	3,058

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 The directors have considered the open market value of the property at 30 September 2006 and are of the opinion that this is not materially different from the August 2006 valuation

Notes *(continued)*

10 Tangible fixed assets *(continued)*

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

	2006		2005	
	Freehold land £000	**Freehold buildings £000**	Freehold land £000	Freehold Buildings £000
Cost	**164**	**51**	164	51
Aggregate depreciation based on cost	**-**	**(25)**	-	(25)
	164	**26**	164	26

11 Stocks

	2006 £000	2005 £000
Work in progress	**65**	36

12 Debtors

	2006 £000	2005 £000
Trade debtors	**317**	122
Amounts owed by group undertakings	**1,140**	1,834
Prepayments and accrued income	**68**	23
Other debtors	**2**	3
	1,527	1 982

13 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Payments on account	**81**	132
Trade creditors	**13**	1
Amounts owed to parent undertakings	**266**	286
Other creditors, including taxation and social security	**153**	11
Accruals and deferred income	**353**	807
	766	1,237

Notes *(continued)*

14 Provisions for liabilities and charges

Warranty provisions	2006 £000	2005 £000
At beginning of period	**38**	63
Provided during period	**60**	38
Utilised during period	**(38)**	(63)
At end of period	**60**	38

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

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	**12**	1
Other timing differences		
Tax losses	**4,244**	4,124
Other	**18**	98
	4,274	4,223

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

	2006 £000	2005 £000
Authorised, allotted, called up and fully paid		
300,000 ordinary shares of £1 each	**300**	300

Notes *(continued)*

16 Reserves

	Revaluation reserve £000	Profit and loss £000	Total £000
At beginning of period	2,871	376	3,247
Retained profit for the period	-	(12)	(12)
At end of period	2,871	364	3,235

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 £38,075 *(2005 £27,000)*

18 Commitments

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

	Plant and machinery 2006 £000	2005 £000
Operating leases which expire:		
Within one year	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

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