

**HELLER MACHINE TOOLS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



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**HELLER MACHINE TOOLS LIMITED**

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## HELLER MACHINE TOOLS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

The company is the UK subsidiary of Heller Group and continues to be engaged in the assembly, sale and maintenance of CNC machine tools along with the supply of spare parts. Similarly, the design and supply of fixtures alongside its technical expertise and know how to provide solutions to its customers' engineering requirements.

The philosophy of Heller GmbH is to remain one of the world's premier manufacturers of high quality machine tools. The strategy for all its subsidiaries, including Heller Machine Tools Limited, is for each of them to be an efficient and profitable supplier of high quality machine tools.

#### Business review

The company generated a pre-tax profit of £1,132,000 (2016: £448,000).

The market continues to remain competitive for the supply of high quality products and advanced technical solutions, such as those supplied by our company. The new range of innovative five axis machines continue to be introduced to the market and the company remains confident that the demand for its product and especially the new five-axis machine will continue. New markets remain the focus and will improve the company's future prospect for the sale of its products; however, changes in the European political landscape may lead to uncertainty in the economic environment.

The increased export of UK products in 2017 are mirrored in a higher utilisation and higher productivity of the installed base, which generates business opportunities for services.

#### Principal risks and uncertainties

The directors have reviewed the risk management objectives and policies of the group which are continually monitored.

The company is exposed to a foreign currency risk as most of its turnover is derived from Euro denominated exports. To manage this risk, the company operates Euro bank accounts and makes a significant amount of purchases from European suppliers that are settled in Euros. This natural hedge precludes the need for using forward currency contracts. The company does not enter into any derivatives or speculative financial instruments.

Within the machine tools business there is an inherent risk of product liability and warranty claims. The directors are also aware of a tendency in the automotive industry, the largest market for machine tools, of customers to include unlimited guarantee clauses. The directors mitigate against the risks from indemnity clauses by ensuring that contracts are carefully drafted so that any potential loss to Heller Group is limited. Systems are in place to ensure the efficiency of company's employees in satisfying its customers' needs and, in the monitoring, and reduction of potential contract risks from work undertaken.

The group has adequate financial resources and bank facilities in place to enable it to continue trading for the foreseeable future. As a consequence of this the directors of Heller Machine Tools Limited believe that the company is well placed to successfully manage all business risks and uncertainties.

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## HELLER MACHINE TOOLS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Key performance indicators

The company's key financial performance indicators include turnover, profitability and the strength of its balance sheet. Health and safety and the wellbeing of its employees are also important to the company.

The statement of income and retained earnings on page 9 of the financial statements shows turnover of £50m (2016: £41m), with a profit after tax of £937,000 (2016: £289,000).

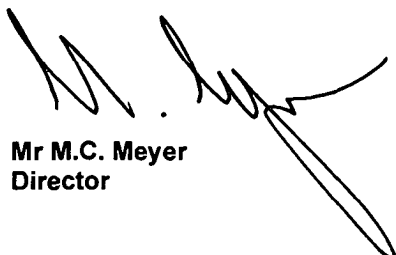
The balance sheet on page 10 shows that the net asset position of the company remains strong. At the balance sheet date, the current ratio was 1.75:1 (2016: 1.83:1) and the quick ratio was standing at 0.59:1 (2016: 0.50:1).

The statement of cash flows on page 11 shows that cash flows from operating activities were an inflow of £936k (2016: £289k).

Employee percentage absence rates during the year were 1.5% (2016: 2.1%) and employee percentage turnover rates were 3.2% (2016: 5.9%).

Heller monitors its accidents and incidents insofar as health and safety is concerned within its business and would confirm that at the end of 2017, it achieved a period of 469 days since its previous "Lost Day" incident. This is the longest period to date without a lost time incident and is a new record for the business.

This report was approved by the board on 28 March 2018 and signed on its behalf.



Mr M.C. Meyer  
Director

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## HELLER MACHINE TOOLS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### Directors' responsibilities statement

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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

#### Results and dividends

The profit for the year, after taxation, amounted to £936,824 (2016: £289,447).

No dividends have been paid during the year and no final dividend is proposed.

#### Directors

The directors who served during the year were:

Mr M.C. Meyer  
Mr K.M. Winkler

#### Future developments

As noted within the strategic report, the philosophy of Heller GmbH is to remain one of the world's premier manufacturers of high quality machine tools.

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**HELLER MACHINE TOOLS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

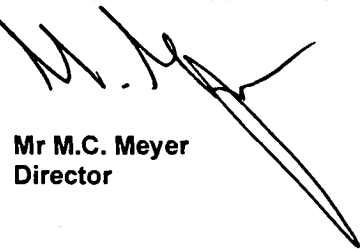
**Post balance sheet events**

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

**Auditor**

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 March 2018 and signed on its behalf.



**Mr M.C. Meyer**  
**Director**

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## HELLER MACHINE TOOLS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HELLER MACHINE TOOLS LIMITED

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#### Opinion

We have audited the financial statements of Heller Machine Tools Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows 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 2017 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. 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.

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**HELLER MACHINE TOOLS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HELLER MACHINE TOOLS LIMITED  
(CONTINUED)**

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In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 on page 3, 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.



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## HELLER MACHINE TOOLS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HELLER MACHINE TOOLS LIMITED (CONTINUED)

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#### Auditors' 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

#### 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.



Christopher Barlow ACA FCCA (Senior statutory auditor)  
for and on behalf of

**MHA MacIntyre Hudson**

Chartered Accountants

Statutory Auditors

Rutland house

148 Edmund Street

Birmingham

West Midlands

B3 2FD

28 March 2018

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**HELLER MACHINE TOOLS LIMITED**

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**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	2016 £
Turnover	3	49,575,182	41,148,217
Other operating income	4	20,932	20,932
Raw materials and consumables		(38,378,208)	(31,204,014)
Other external charges		(3,210,811)	(3,045,327)
<b>Gross profit</b>		<b>8,007,095</b>	<b>6,919,808</b>
Staff costs		(6,456,083)	(6,107,882)
Depreciation and amortisation		(464,376)	(396,311)
<b>Operating profit</b>	5	<b>1,086,636</b>	<b>415,615</b>
Interest receivable and similar income	9	58,824	32,491
Interest payable and similar charges	10	(13,279)	(337)
<b>Profit before tax</b>		<b>1,132,181</b>	<b>447,769</b>
Tax on profit	11	(195,357)	(158,322)
<b>Profit after tax</b>		<b>936,824</b>	<b>289,447</b>
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Retained earnings at the beginning of the year		6,264,718	5,975,271
Profit for the year		936,824	289,447
<b>Retained earnings at the end of the year</b>		<b>7,201,542</b>	<b>6,264,718</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

The notes on pages 11 to 26 form part of these financial statements.

**HELLER MACHINE TOOLS LIMITED**  
**REGISTERED NUMBER:01414150**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	5,994,505	5,878,755
<b>Current assets</b>			
Stocks	13	11,728,556	9,636,990
Debtors: amounts falling due after more than one year	14	504,123	648,334
Debtors: amounts falling due within one year	14	4,361,242	1,602,326
Cash at bank and in hand	15	1,129,012	1,385,212
		<u>17,722,933</u>	<u>13,272,862</u>
Creditors: amounts falling due within one year	16	(10,103,988)	(7,235,240)
<b>Net current assets</b>		<u>7,618,945</u>	<u>6,037,622</u>
<b>Total assets less current liabilities</b>		<u>13,613,450</u>	<u>11,916,377</u>
Creditors: amounts falling due after more than one year	17	(1,788,908)	(1,050,659)
<b>Provisions for liabilities</b>			
Deferred tax	19	<u>(123,000)</u>	<u>(101,000)</u>
<b>Capital and reserves</b>			
Called up share capital	20	4,500,000	4,500,000
Profit and loss account	21	7,201,542	6,264,718
		<u>11,701,542</u>	<u>10,764,718</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2018.

  
**Mr M.C. Meyer**  
**Director**

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**HELLER MACHINE TOOLS LIMITED**

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	936,824	289,447
<b>Adjustments for:</b>		
Depreciation of tangible assets	454,770	377,438
Loss on disposal of tangible assets	9,606	18,873
Government grants	(20,932)	(20,932)
Interest paid	13,279	336
Interest received	(58,824)	(32,491)
Taxation charge	195,357	158,322
Increase in stocks	(2,091,566)	(3,074,793)
(Increase)/decrease in debtors	(2,741,466)	12,017
Decrease in amounts owed by groups	-	1,218,990
Decrease/(increase) in finance leases receivable	126,761	(775,095)
(Decrease)/increase in creditors	(86,516)	943,659
Increase in amounts owed to groups	3,634,098	2,906,452
Corporation tax paid	(113,942)	(127,481)
<b>Net cash generated from operating activities</b>	<b>257,449</b>	<b>1,894,742</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(580,126)	(916,338)
Government grants received	20,932	20,932
Interest received	58,824	32,491
<b>Net cash from investing activities</b>	<b>(500,370)</b>	<b>(862,915)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(13,279)	(336)
<b>Net cash used in financing activities</b>	<b>(13,279)</b>	<b>(336)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(256,200)</b>	<b>1,031,491</b>
Cash and cash equivalents at beginning of year	1,385,212	353,721
<b>Cash and cash equivalents at the end of year</b>	<b>1,129,012</b>	<b>1,385,212</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,129,012	1,385,212

The notes on pages 11 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies**

Heller Machine Tools Limited (the Company) is a private company limited by shares incorporated and domiciled in England. The address of the registered office and the principal place of business is Acanthus Road, Ravensbank Business Park, Redditch, Worcestershire, B98 9EX.

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

**1.2 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Buildings	- 25 years
Plant & machinery	- between 5 and 25 years
Motor vehicles	- 4 years
Fixtures, fittings & equipment	- between 3 and 10 years
Tools	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income and retained earnings.

**1.4 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

**1.5 Leased assets: the Company as lessor**

Where assets leased to a third party give rights approximating to ownership (finance lease), the lessor recognises as a receivable an amount equal to the net investment in the lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease.

A finance lease gives rise to two types of income: profit or loss equivalent to the profit or loss resulting from outright sale of the asset being leased, at normal selling prices, reflecting any applicable discounts, and finance income over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.6 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a moving average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**1.7 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**1.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**1.9 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.9 Financial instruments (continued)**

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

**1.10 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**1.11 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of income and retained earnings at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of income and retained earnings in the same period as the related expenditure.

**1.12 Foreign currency translation**

**Functional and presentation currency**

The Company's functional currencies are GBP and Euros. The presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of income and retained earnings within 'other operating income'.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.13 Finance costs**

Finance costs are charged to the statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.14 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**1.15 Interest income**

Interest income is recognised in the statement of income and retained earnings using the effective interest method.

**1.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income and retained earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

The preparation of the financial statements in conformity with generally accepted accounting principals requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Some of these estimates and judgments are inherently uncertain and subject to change. The impact of any change in accounting estimates is reflected in period in which the estimate is revised, if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. In this respect, the directors believe that the critical accounting policies where judgments or estimations are necessarily applied are as follows:-

**Tangible fixed assets:**

Depreciation is provided on fixed assets based on the estimated useful economic life of those assets. This is based on management's knowledge of the business and assets.

**Revenue recognition:**

Sometimes the company undertakes projects, for example installation of machines on-site with automation. These are in effect contracts under section 23 of FRS102 and are accounted for in accordance with the provisions of that section. This requires estimates to be made for the contract revenue and costs, which may be affected by a variety of uncertainties that depend on the outcome of future events.

**Stock:**

The company holds a significant level of stock, both for production and as spares. Provision is made for slow-moving and potentially obsolete stock, this, by its very nature, requires management to make judgments. These are based on historical experience and on other factors that are believed to be relevant in the circumstances.

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3. Turnover**

The whole of the turnover is attributable to the company's principal activity of machine manufacturing, sales and servicing.

Analysis of turnover by country of destination:

	2017 £	2016 £
Europe	49,241,974	41,079,938
Rest of the world	333,208	68,279
	<u>49,575,182</u>	<u>41,148,217</u>

**4. Other operating income**

	2017 £	2016 £
Government grants receivable	<u>20,932</u>	<u>20,932</u>

**5. Operating profit**

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

	2017 £	2016 £
Depreciation of tangible fixed assets	454,770	377,437
Exchange differences	85,340	(1,231)
Defined contribution pension cost	241,983	229,023
Government grants	<u>(20,932)</u>	<u>(20,932)</u>

**6. Auditor's remuneration**

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	30,000	30,000
<b>Fees payable to the Company's auditor in respect of:</b>		
Other services relating to taxation	14,030	5,400
All other services	<u>5,400</u>	<u>4,600</u>

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	5,629,956	5,330,544
Social security costs	599,639	568,884
Cost of defined contribution scheme	241,983	229,023
	<u>6,471,578</u>	<u>6,128,451</u>

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

	2017 No.	2016 No.
Directors	2	2
Production, sales and administration	153	149
	<u>155</u>	<u>151</u>

**8. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	231,195	233,119
Company contributions to defined contribution pension schemes	30,054	17,914
	<u>261,249</u>	<u>251,033</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £231,195 (2016 - £233,119).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,054 (2016 - £17,914).

**9. Interest receivable and similar income**

	2017 £	2016 £
Other interest receivable	<u>58,824</u>	<u>32,491</u>

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. Interest payable and similar charges**

	2017 £	2016 £
Other interest payable	<u>13,279</u>	<u>337</u>

**11. Taxation**

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	255,001	120,000
Adjustments in respect of previous periods	(81,644)	(9,678)
<b>Total current tax</b>	<u>173,357</u>	<u>110,322</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	22,000	48,000
<b>Taxation on profit on ordinary activities</b>	<u>195,357</u>	<u>158,322</u>

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<b>1,132,181</b>	447,769
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	<b>215,114</b>	89,554
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>5,850</b>	14,734
Differences between capital allowances for year and depreciation	<b>47,471</b>	49,471
Adjustments to tax charge in respect of prior periods	<b>(16,511)</b>	(9,678)
Adjustment in research and development tax credit leading to a decrease in the tax charge	<b>(65,133)</b>	-
Other differences	<b>8,566</b>	14,241
<b>Total tax charge for the year</b>	<b>195,357</b>	158,322

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

## HELLER MACHINE TOOLS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 12. Tangible fixed assets

	Freehold land & buildings £	Plant and machinery £	Motor vehicles £	Fixtures, fittings, tools & equipment £	Total £
<b>Cost</b>					
At 1 January 2017	7,692,630	2,883,542	13,500	1,249,018	11,838,690
Additions	246,583	129,559	-	203,983	580,125
Disposals	-	(94,555)	-	(287,644)	(382,199)
At 31 December 2017	<u>7,939,213</u>	<u>2,918,546</u>	<u>13,500</u>	<u>1,165,357</u>	<u>12,036,616</u>
<b>Depreciation</b>					
At 1 January 2017	2,710,138	2,094,105	13,500	1,142,192	5,959,935
Charge for the year on owned assets	230,094	162,562	-	62,114	454,770
Disposals	-	(93,780)	-	(278,814)	(372,594)
At 31 December 2017	<u>2,940,232</u>	<u>2,162,887</u>	<u>13,500</u>	<u>925,492</u>	<u>6,042,111</u>
<b>Net book value</b>					
At 31 December 2017	<u>4,998,981</u>	<u>755,659</u>	<u>-</u>	<u>239,865</u>	<u>5,994,505</u>
At 31 December 2016	<u>4,982,492</u>	<u>789,437</u>	<u>-</u>	<u>106,826</u>	<u>5,878,755</u>

#### 13. Stocks

	2017 £	2016 £
Raw materials and consumables	5,658,580	3,752,314
Work in progress (goods to be sold)	6,069,976	5,884,676
	<u>11,728,556</u>	<u>9,636,990</u>

Stock recognised in cost of sales during the year as an expense was £38,405,208 (2016: £31,204,014).

An impairment loss of £181,758 (2016: £105,122) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**14. Debtors**

	2017 £	2016 £
<b>Due after more than one year</b>		
Finance leases receivable	<b>504,123</b>	<b>648,334</b>
	2017 £	2016 £
<b>Due within one year</b>		
Trade debtors	<b>3,769,448</b>	987,905
Amounts receivable on contracts	<b>259,101</b>	84,000
Finance leases receivable	<b>144,211</b>	126,761
Other debtors	<b>32,255</b>	311,388
Prepayments and accrued income	<b>156,227</b>	92,272
	<b>4,361,242</b>	<b>1,602,326</b>

**Gross amounts receivable under finance leases:-**

	2017 £	2016 £
Within one year	<b>227,412</b>	221,095
In two to five years	<b>675,919</b>	903,331
Unearned finance income	<b>(254,997)</b>	(349,331)
	<b>648,334</b>	<b>775,095</b>

Finance lease receivable are classified based on the amounts that are expected to be settled within the next twelve months and after more than twelve months from the financial year as follows:

	2017 £	2016 £
Current assets	<b>144,211</b>	126,761
Non-current assets	<b>504,123</b>	648,334
	<b>648,334</b>	<b>775,095</b>



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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**15. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	<u>1,129,012</u>	<u>1,385,212</u>

**16. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Payments received on account	22,200	473,748
Trade creditors	3,116,116	2,673,639
Amounts owed to group undertakings	5,781,369	2,906,452
Corporation tax	164,415	105,000
Other taxation and social security	326,035	316,969
Other creditors	5,000	5,000
Accruals and deferred income	688,853	754,432
	<u>10,103,988</u>	<u>7,235,240</u>

**17. Creditors: Amounts falling due after more than one year**

	2017 £	2016 £
Amounts owed to group undertakings	759,181	-
Accruals and deferred income	1,029,727	1,050,659
	<u>1,788,908</u>	<u>1,050,659</u>

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**18. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Cash	1,129,012	1,385,212
Financial assets that are debt instruments measured at amortised cost	4,450,037	2,074,388
	<u>5,579,049</u>	<u>3,459,600</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(11,380,246)	(7,390,182)

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, finance leases receivable, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise payments received on account, trade creditors, amounts owed to group undertakings and other creditors.

**19. Deferred taxation**

	2017 £
At 1 January 2017	(101,000)
Movement in the year	(22,000)
<b>At end of year</b>	<u><b>(123,000)</b></u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(136,000)	(109,000)
Other short-term differences	13,000	8,000
	<u>(123,000)</u>	<u>(101,000)</u>

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**HELLER MACHINE TOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**20. Share capital**

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
4,500,000 Ordinary shares of £1 each	<b>4,500,000</b>	<b>4,500,000</b>

**21. Reserves****Profit and loss account**

The profit and loss account includes all current and prior period retained profits and losses.

**22. Capital commitments**

At 31 December 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	-	346,514

**23. Pension commitments**

The company operates defined contribution pension schemes. The charge for the year of £241,983 (2016: £211,109) represents contributions falling due and paid over in the year. Contributions totaling £31,688 (2016: £23,724) are included in creditors.

**24. Commitments under operating leases**

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	<b>173,345</b>	172,515
Later than 1 year and not later than 5 years	<b>211,078</b>	283,728
<b>Total</b>	<b>384,423</b>	456,243

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## HELLER MACHINE TOOLS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### **25. Related party transactions**

The company's financial statements are consolidated into those of its ultimate parent undertaking, Heller GmbH, whose financial statements are publicly available.

The company has taken advantage of paragraph 33.1A of FRS102 and has not disclosed transactions with other wholly owned entities of Heller Group.

Amounts due from and to group related parties at the balance sheet date are shown on notes 14 and 16 to the financial statements.

Compensation of £606,878 (2016: £595,451) was paid to key personnel, including directors, during the year.

#### **26. Ultimate parent undertaking**

Heller Machine Tools Limited is a wholly owned subsidiary of Heller Machine Tools Holdings Limited, which is itself a wholly owned subsidiary of Gebr. Heller Maschinenfabrik GmbH of Nuertingen, Germany.

Heller Machine Tools Limited regards Heller GmbH of Nuertingen, Germany as its ultimate parent undertaking.