

HELLER MACHINE TOOLS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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HELLER MACHINE TOOLS LIMITED

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HELLER MACHINE TOOLS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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 in order 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 £469,000.

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. In order 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.

FINANCIAL KEY PERFORMANCE INDICATORS

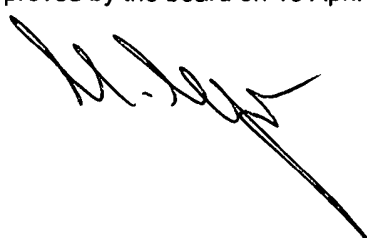
The company's key performance indicators are turnover, profitability and the strength of its balance sheet.

The statement of income and retained earnings on page 6 of the financial statements shows turnover of £42m (2014: £39m), with a profit after tax of £315,000 (2014: £675,000).

The balance sheet on page 7 shows that the net asset position of the company remains strong. At the balance sheet date, the current ratio was 2.76:1 (2014: 2.06:1) and the quick ratio was standing at 0.91:1 (2014: 0.35:1)..

This report was approved by the board on 15 April 2016 and signed on its behalf.

Mr M.C. Meyer
Director



HELLER MACHINE TOOLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

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 satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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 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 £315,384 (2014 - £675,199).

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

DIRECTORS

The directors who served during the year were:

Mr G.E. Lloyd (resigned 6 November 2015)
Mr K.M. Winkler
Mr M.C. Meyer (appointed 6 January 2015)

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.

HELLER MACHINE TOOLS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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.

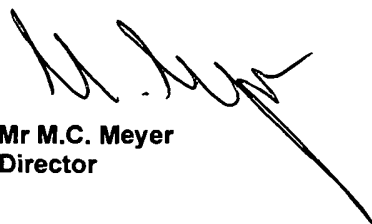
POST BALANCE SHEET EVENTS

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

AUDITORS

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 15 April 2016 and signed on its behalf.



Mr M.C. Meyer
Director

HELLER MACHINE TOOLS LIMITED

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

We have audited the financial statements of Heller Machine Tools Limited for the year ended 31 December 2015, set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements.

HELLER MACHINE TOOLS LIMITED

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

MHA MacIntyre Hudson

Christopher Stephen-Haynes MA FCA FCIE (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

15 April 2016

HELLER MACHINE TOOLS LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Turnover	1,3	41,678,344	39,087,819
Other operating income	4	20,932	20,932
Raw materials and consumables		(32,122,561)	(30,219,044)
Other external charges		(2,643,047)	(2,263,278)
Gross profit		6,933,668	6,626,429
Staff costs	7	(6,080,042)	(5,433,636)
Depreciation and amortisation		(384,128)	(395,559)
Operating profit	5	469,498	797,234
Interest receivable and similar income	9	34	181
Interest payable and similar charges	10	(148)	(1,627)
Profit before tax		469,384	795,788
Tax on profit	11	(154,000)	(120,589)
Profit after tax		315,384	675,199
Retained earnings at the beginning of the year		5,659,887	4,984,688
		5,659,887	4,984,688
Profit for the year		315,384	675,199
Retained earnings at the end of the year		5,975,271	5,659,887

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 9 to 23 form part of these financial statements.

HELLER MACHINE TOOLS LIMITED
REGISTERED NUMBER:01414150

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	12	5,358,727	5,596,685
		<u>5,358,727</u>	<u>5,596,685</u>
Current assets			
Stocks	13	6,562,197	9,243,823
Debtors: amounts falling due within one year	14	2,880,256	1,781,404
Cash at bank and in hand	15	353,721	77,006
		<u>9,796,174</u>	<u>11,102,233</u>
Creditors: amounts falling due within one year	16	(3,555,039)	(5,379,508)
Net current assets		<u>6,241,135</u>	<u>5,722,725</u>
Total assets less current liabilities		<u>11,599,862</u>	<u>11,319,410</u>
Creditors: amounts falling due after more than one year	17	(1,071,591)	(1,092,523)
Provisions for liabilities			
Deferred tax	19	(53,000)	(67,000)
		<u>(53,000)</u>	<u>(67,000)</u>
Net assets		<u>10,475,271</u>	<u>10,159,887</u>
Capital and reserves			
Called up share capital	20	4,500,000	4,500,000
Profit and loss account	21	5,975,271	5,659,887
		<u>10,475,271</u>	<u>10,159,887</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 April 2016.


Mr M.C. Meyer
Director

HELLER MACHINE TOOLS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	315,384	675,199
Adjustments for:		
Depreciation of tangible assets	379,069	392,401
Loss on disposal of tangible assets	5,059	3,158
Government grants	(20,932)	(20,932)
Decrease/(increase) in stocks	2,681,626	(1,023,324)
Interest paid	148	1,627
Interest received	(34)	(181)
Taxation	154,000	120,589
Decrease/(increase) in debtors	293,822	(371,705)
Increase in amounts owed by group undertakings	(1,392,674)	-
Decrease in creditors	(710,730)	(527,686)
(Decrease)/increase in amounts owed to group undertakings	(1,139,182)	739,692
Corporation tax	(163,490)	(165,893)
Net cash generated from operating activities	402,066	(177,055)
Cash flows from investing activities		
Purchase of tangible fixed assets	(146,330)	(74,137)
Sale of tangible fixed assets	161	-
Government grants received	20,932	20,932
Interest received	34	181
Net cash from investing activities	(125,203)	(53,024)
Cash flows from financing activities		
Interest paid	(148)	(1,627)
Net cash used in financing activities	(148)	(1,627)
Net increase / (decrease) in cash and cash equivalents	276,715	(231,706)
Cash and cash equivalents at beginning of year	77,006	308,712
Cash and cash equivalents at the end of year	353,721	77,006
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	353,721	77,006
	353,721	77,006

The notes on pages 9 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. SUMMARY OF ACCOUNTING POLICIES

Heller Machine Tools Limited (the Company) is incorporated and domiciled in the United Kingdom. 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 and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 25.

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;
- 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 2015

1. SUMMARY OF 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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. The estimated useful lives range as follows:

The estimated useful lives range as follows:

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 within 'other operating income' in the statement of income and retained earnings.

1.4 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. SUMMARY OF ACCOUNTING POLICIES (continued)

1.6 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.

1.7 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.

1.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, 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 payables or receivables, 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 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.

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, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. SUMMARY OF ACCOUNTING POLICIES (continued)

1.9 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.

1.10 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.

1.11 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'.

1.12 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. SUMMARY OF ACCOUNTING POLICIES (continued)

1.13 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 payments 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.

1.14 Interest income

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

1.15 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.

1.16 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

**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 judgements 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 judgements or estimations are necessarily applied are as follows:-

Revenue recognition:

Sometimes the group 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 group 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 judgements. These are based on historical experience and on other factors that are believed to be relevant in the circumstances.

3. ANALYSIS OF 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:

	2015 £	2014 £
Europe	41,236,088	38,673,615
Other	442,256	414,204
	<u>41,678,344</u>	<u>39,087,819</u>

4. OTHER OPERATING INCOME

	2015 £	2014 £
Government grants receivable	20,932	20,932
	<u>20,932</u>	<u>20,932</u>

HELLER MACHINE TOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. OPERATING PROFIT

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

	2015 £	2014 £
Depreciation of tangible fixed assets	379,068	392,401
Loss on sale of tangible fixed assets	5,059	3,158
Exchange differences	(71,130)	(90,268)
Operating lease rentals	156,224	167,994
	<u> </u>	<u> </u>

6. AUDITOR'S REMUNERATION

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	31,750	31,000
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation	5,000	5,000
All other services	6,000	4,560
	<u> </u>	<u> </u>

7. EMPLOYEES

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

	2015 £	2014 £
Wages and salaries	5,296,859	4,764,189
Social security costs	569,983	525,898
Cost of defined contribution scheme	213,200	143,549
	<u>6,080,042</u>	<u>5,433,636</u>

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

	2015 No.	2014 No.
Directors	3	2
Production, sales and administration	151	146
	<u>154</u>	<u>148</u>

HELLER MACHINE TOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. DIRECTORS' REMUNERATION

	2015 £
Directors' emoluments	360,901
Compensation for loss of office	40,438
	<u>401,339</u>

The highest paid director received remuneration of £230,047 (2014 - £373,879).

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Other interest receivable	34	181
	<u>34</u>	<u>181</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Bank interest payable	148	130
Other interest payable	-	1,497
	<u>148</u>	<u>1,627</u>

11. TAXATION

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	165,500	180,000
Adjustments in respect of previous periods	2,500	(36,411)
Total current tax	<u>168,000</u>	<u>143,589</u>
Deferred tax		
Origination and reversal of timing differences	(14,000)	(23,000)
Total deferred tax	<u>(14,000)</u>	<u>(23,000)</u>
Taxation on profit on ordinary activities	<u>154,000</u>	<u>120,589</u>

HELLER MACHINE TOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TAXATION (continued)**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	469,384	795,788
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	95,050	171,094
Effects of:		
Expenses not deductible for tax purposes	9,534	6,166
Depreciation on assets not qualifying for tax relief	39,195	35,737
Adjustments to tax charge in respect of prior periods	2,500	(36,411)
Other differences	7,721	(55,997)
Total tax charge for the year	154,000	120,589

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 2015**

12. TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant & machinery £	Motor vehicles £	Fixtures, fittings, tools & equipment £	Total £
Cost					
At 1 January 2015	7,163,721	2,527,323	13,500	1,200,397	10,904,941
Additions	-	107,135	-	39,195	146,330
Disposals	-	(36,144)	-	(38,505)	(74,649)
At 31 December 2015	7,163,721	2,598,314	13,500	1,201,087	10,976,622
Depreciation					
At 1 January 2015	2,344,035	1,859,662	11,250	1,093,309	5,308,256
Charge owned for the period	186,404	139,046	2,250	51,368	379,068
Disposals	-	(35,067)	-	(34,362)	(69,429)
At 31 December 2015	2,530,439	1,963,641	13,500	1,110,315	5,617,895
At 31 December 2015	4,633,282	634,673	-	90,772	5,358,727
AT 31 December 2014	4,819,686	667,661	2,250	107,088	5,596,685

13. STOCKS

	2015 £	2014 £
Raw materials and consumables	2,880,841	3,047,367
Work in progress (goods to be sold)	3,681,356	6,196,456
	6,562,197	9,243,823

HELLER MACHINE TOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

14. DEBTORS

	2015 £	2014 £
Trade debtors	1,071,652	1,310,151
Amounts owed by group undertakings	1,392,674	-
Other debtors	212,384	278,730
Prepayments and accrued income	126,046	93,769
Amounts recoverable on contracts	77,500	98,754
	<u>2,880,256</u>	<u>1,781,404</u>

15. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Cash at bank and in hand	353,721	77,006
	<u>353,721</u>	<u>77,006</u>

16. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Payments received on account	345,185	91,837
Trade creditors	1,936,838	2,812,679
Amounts owed to group undertakings	173,684	1,312,866
Corporation tax	122,159	117,649
Taxation and social security	303,266	286,209
Other creditors	5,000	5,000
Accruals and deferred income	668,907	753,268
	<u>3,555,039</u>	<u>5,379,508</u>

17. CREDITORS: Amounts falling due after more than one year

	2015 £	2014 £
Accruals and deferred income	1,071,591	1,092,523
	<u>1,071,591</u>	<u>1,092,523</u>

HELLER MACHINE TOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. FINANCIAL INSTRUMENTS

	2015 £	2014 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	3,107,931	1,764,641
	<u>3,107,931</u>	<u>1,764,641</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,886,132)	(4,626,240)
	<u>(2,886,132)</u>	<u>(4,626,240)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors, amounts recoverable on contracts and cash at bank.

Financial Liabilities measured at amortised cost comprise payments received on account, trade creditors, amounts owed to group undertakings, corporation and other taxes, social security and other creditors.

19. DEFERRED TAXATION

	Deferred tax £
At 1 January 2015	(67,000)
Movement in the year	14,000
At 31 December 2015	<u>(53,000)</u>

The provision for deferred taxation is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	(61,000)	(72,000)
Other short-term differences	8,000	5,000
	<u>(53,000)</u>	<u>(67,000)</u>

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

20. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
4,500,000 Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>

21. RESERVES

Profit & loss account

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

22. PENSION COMMITMENTS

The company operates defined contribution pension schemes. The charge for the year of £213,200 (2014: £143,549) represents contributions falling due and paid over in the year. Contributions totaling £32,489 (2014: £13,195) are included in creditors.

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	2014 £
Not later than 1 year	116,388	157,033
Later than 1 year and not later than 5 years	<u>150,455</u>	<u>139,121</u>
Total	<u>266,843</u>	<u>296,154</u>

24. 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 £744,175 (2014: £693,327) was paid to key personnel, including directors, during the year.

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

25. FIRST TIME ADOPTION OF FRS 102

		As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
	Note						
Fixed assets	1,2	6,214,684	(291,343)	5,923,341	5,914,194	(317,509)	5,596,685
Current assets		9,938,909	-	9,938,909	11,102,233	-	11,102,233
Creditors: amounts falling due within one year	2	(5,147,944)	(20,930)	(5,168,874)	(5,358,578)	(20,930)	(5,379,508)
Net current assets		11,005,649	(312,273)	10,693,376	11,657,849	(338,439)	11,319,410
Total assets less current liabilities		11,005,649	(312,273)	10,693,376	11,657,849	(338,439)	11,319,410
Creditors: amounts falling due after one year	2	-	(1,118,690)	(1,118,690)	-	(1,092,523)	(1,092,523)
Provisions for liabilities		(90,000)	-	(90,000)	(67,000)	-	(67,000)
Net assets		10,915,649	(1,430,963)	9,484,686	11,590,849	(1,430,962)	10,159,887
Capital and reserves	1	10,915,649	(1,430,963)	9,484,686	11,590,848	(1,430,961)	10,159,887

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

25. FIRST TIME ADOPTION OF FRS 102 (continued)

		As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
	Note			
Turnover		39,087,819	-	39,087,819
Cost of sales		(30,948,343)	-	(30,948,343)
		8,139,476	-	8,139,476
Administrative expenses	2	(7,342,242)	(20,932)	(7,363,174)
Other operating income	2	-	20,932	20,932
Operating profit		797,234	-	797,234
Interest receivable and similar income		181	-	181
Interest payable and similar charges		(1,627)	-	(1,627)
Taxation		(120,589)	-	(120,589)
Profit on ordinary activities after taxation and for the financial year		675,199	-	675,199

Explanation of changes to previously reported profit and equity:

- 1 The company previously included some of its freehold property at a valuation carried out in 1996, which as permitted by the transitional arrangements of Financial Reporting Standard 15 was not updated subsequently. The company's policy is now to account for fixed assets under the cost model. Due to this change in accounting policy, the carrying value of fixed assets has been reduced by £1,430,963 and a revaluation reserve of the same amount has been eliminated.
- 2 The company received a grant several years ago in respect of certain fixed assets. The company has adopted the accruals model as its accounting policy for grants receivable. Previously the grant received had been deducted from the carrying value of the fixed asset to which it related. This is a presentational change only, and has no impact on either the reported profit or equity. As a consequence of this, both the net book value of fixed assets and total creditors at 1 January 2014 were £1,139,620 higher than previously reported. During the year ended 31 December 2014, the depreciation charge was £20,932 higher than previously reported and there was £20,932 of other income not previously reported.

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.