

HELLER MACHINE TOOLS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

Registered No. 1414150



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HELLER MACHINE TOOLS LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

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COMPANY INFORMATION

DIRECTORS:

Herr Berndt Heller
Mr G.E.Lloyd

SECRETARY:

Mr G.E.Lloyd

REGISTERED OFFICE:

Acanthus Road
Ravensbank Business Park
Redditch
Worcestershire
B98 9EX

AUDITORS:

Wenham Major
89 Cornwall Street
Birmingham
B3 3BY

HELLER MACHINE TOOLS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2000

The Directors present their report together with the audited financial statements of the company for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The company is a manufacturing, sales and service organisation in the machine tool trade.

RESULTS AND DIVIDENDS

The results for the year are detailed in the profit and loss account on page 5. No dividend is recommended. The financial position of the company as at 31st December 2000 is as shown on the balance sheet on page 6. The directors are satisfied with the state of affairs of the company.

FIXED ASSETS

Details of the changes in tangible fixed assets are set out on page 11, note 7 of the notes to the financial statements.

DIRECTORS

The directors of the company who served during the year were:

Herr Berndt Heller (German Citizen)

Mr G.E.Lloyd (UK Citizen)

They have no beneficial interest in the share capital of the company.

Their interests in the shares of the ultimate holding company are disclosed in that company's accounts.


DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which are sufficient to show and explain the company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the company and enable the directors to ensure that the financial statements comply with the Companies Act 1985. 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.

ON BEHALF OF THE BOARD



G.E.LLOYD - SECRETARY

Date: 30th March 2001

AUDITORS' REPORT TO THE MEMBERS OF HELLER MACHINE TOOLS LIMITED

We have audited the financial statements on pages 3 to 14 which have been prepared under the historical cost convention, modified to include the revaluation of freehold land, and the accounting policies set out on pages 3 and 4.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

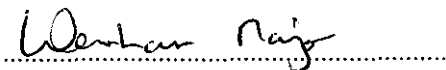
BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



WENHAM MAJOR

Chartered Accountants and

Registered Auditors

89 Cornwall Street

BIRMINGHAM

B3 3BY

Date: 30th March 2001

HELLER MACHINE TOOLS LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31ST DECEMBER 2000

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold land, and are in accordance with applicable accounting standards.

TANGIBLE FIXED ASSETS

Depreciation provided on fixed assets is designed to write them off in equal instalments over their expected useful lives. These are:

Buildings	25 years
Plant and machinery	25, 10 and 5 years
Office equipment and furniture	10 and 5 years
Motor vehicles	4 to 5 years
Tooling	3 years

GOVERNMENT GRANTS

Capital grants when received are shown as contributions towards the purchase of the relevant assets. The grants are amortised in the profit and loss account in line with the depreciation policy for the assets concerned.

STOCKS AND WORK IN PROGRESS

Stocks and production work-in-progress are valued at cost or net realisable value, whichever is the lower. Cost includes appropriate production overheads, where applicable.

Long-term contract work-in-progress is valued at cost, including appropriate overheads, plus a proportion, based on progress to date, of profits on contracts which can be reasonably foreseen as arising on completion, and after providing for contingencies. Where losses rather than profits are foreseen on contracts, provision is made to reduce valuations to net realisable value, which is defined as contract selling prices less estimated further costs to completion.

Where long-term contracts are near completion at the end of the year, appropriate income from them is included in turnover and these contracts are not then included in the work-in-progress valuation.

DEFERRED TAXATION

Deferred taxation is provided at appropriate rates on timing differences using the liability method to the extent that, in the opinion of the directors, there is a reasonable probability that a liability will crystallise in the foreseeable future.

HELLER MACHINE TOOLS LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31ST DECEMBER 2000

FOREIGN CURRENCY AMOUNTS

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date. Any translation differences arising are dealt with in the profit and loss account.

TURNOVER

Appropriate income from long-term contracts is included in turnover for those long-term contracts that are near completion at the end of the year. Otherwise, turnover represents the invoiced value of sales to customers, net of VAT.

PENSION COSTS

The Company operates a defined contribution pension scheme. The pension cost charged in the financial statements represents contributions falling due in the year that they are paid by the Company into the fund.

HELLER MACHINE TOOLS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2000

		2000	1999
	Note	£	£
TURNOVER	1	25,732,674	25,769,105
Net operating expenses	2	24,119,515	24,356,815
OPERATING PROFIT		1,613,159	1,412,290
Interest payable	5	(342,030)	(290,342)
Interest receivable		5,327	6,267
Profit on sale of land		-	110,740
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,276,456	1,238,955
Taxation	6	(396,117)	(143,081)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	880,339	1,095,874

NOTES:

- 1 This account relates to continuing operations.
- 2 There are no recognised gains and losses other than the profit for the financial year.
Accordingly no statement of total recognised gains and losses is given.
- 3 Retained profit is the only addition to shareholders' funds for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2000	1999
	£	£
Reported profit on ordinary activities before taxation	1,276,456	1,238,955
Realisation of property revaluation gains of previous years	-	520,350
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,276,456	1,759,305
HISTORICAL COST RETAINED PROFIT FOR THE YEAR	880,339	1,616,224

The annexed notes form part of these financial statements.

HELLER MACHINE TOOLS LIMITED

BALANCE SHEET

31ST DECEMBER 2000

	Note	2000	1999
		£	£
FIXED ASSETS			
Tangible assets	7	6,243,206	6,368,545
CURRENT ASSETS			
Stocks	9	3,429,222	2,579,022
Debtors	10	6,628,590	4,358,720
Bank and cash balances		355,635	408,289
		<u>10,413,447</u>	<u>7,346,031</u>
CREDITORS			
Amounts due within one year	11	<u>(6,023,215)</u>	<u>(3,394,227)</u>
NET CURRENT ASSETS		<u>4,390,232</u>	<u>3,951,804</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,633,438	10,320,349
CREDITORS			
Amounts falling due after more than one year	12	(2,526,875)	(3,168,125)
PROVISION FOR LIABILITIES AND CHARGES	13	(74,000)	-
NET ASSETS		<u><u>8,032,563</u></u>	<u><u>7,152,224</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	4,500,000	4,500,000
Revaluation reserve	15	1,430,963	1,430,963
Profit and loss account	15	<u>2,101,600</u>	<u>1,221,261</u>
		<u><u>8,032,563</u></u>	<u><u>7,152,224</u></u>

Approved on behalf of the Board of Directors on 30th March 2001

G.E.LLOYD



DIRECTOR

The annexed notes form part of these financial statements.

HELLER MACHINE TOOLS LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2000

	2000	1999
	£	£
Net cash outflow from operating activities (note 1)	(1,097,829)	(782,599)
Returns on investments and servicing of finance (note 2)	(336,703)	(284,075)
Taxation	(195,116)	(4,081)
Capital expenditure (note 2)	(221,756)	1,013,468
Financing (note 2)	(641,250)	(445,625)
Decrease in cash	<u>(2,492,654)</u>	<u>(502,912)</u>

Note 1. Reconciliation of operating profit to net cash outflow from operating activities.

	2000	1999
	£	£
Operating profit	1,613,159	1,412,290
Depreciation	347,094	333,852
Increase in stocks	(850,200)	(229,848)
Increase in debtors	(2,269,870)	(1,139,924)
Increase/(decrease) in creditors	61,988	(1,158,969)
	<u>(1,097,829)</u>	<u>(782,599)</u>

Note 2. Gross cash flows

	2000		1999	
	£	£	£	£
Returns on investment and servicing of finance:				
Interest received	5,327		6,267	
Interest paid	<u>(342,030)</u>		<u>(290,342)</u>	
		<u>(336,703)</u>		<u>(284,075)</u>
Capital expenditure:				
Payments to acquire fixed assets	(236,781)		(204,306)	
Receipts from sale of fixed assets	<u>15,025</u>		<u>1,217,774</u>	
		<u>(221,756)</u>		<u>1,013,468</u>
Financing:				
Repayment of bank loans		<u>(641,250)</u>		<u>(445,625)</u>

HELLER MACHINE TOOLS LIMITED

CASH FLOW STATEMENT (continued)

YEAR ENDED 31ST DECEMBER 2000

Note 3. Reconciliation of net cash outflow to movement in net debt.

	2000		1999	
	£	£	£	£
Decrease in cash in the period	(2,492,654)		(502,912)	
Cash to repay loans	<u>641,250</u>		<u>445,625</u>	
Change in net debt (note 4)		(1,851,404)		(57,287)
Net debt at 1/1/00		<u>(3,951,086)</u>		<u>(3,893,799)</u>
Net debt at 31/12/00		<u><u>(5,802,490)</u></u>		<u><u>(3,951,086)</u></u>

Note 4. Analysis of changes in net debt.

	At 31.12.00	Cash Flows	Other Changes	At 31.12.99
	£	£	£	£
Bank and cash balances	355,635	(52,654)		408,289
Debt due within one year	(3,631,250)	(1,798,750)	(641,250)	(1,191,250)
Debt due after one year	<u>(2,526,875)</u>		<u>641,250</u>	<u>(3,168,125)</u>
	<u><u>(5,802,490)</u></u>	<u><u>(1,851,404)</u></u>	<u><u>-</u></u>	<u><u>(3,951,086)</u></u>

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Profit 2000	Profit 1999	Turnover 2000	Turnover 1999
	£	£	£	£
Machine tool manufacturing, sales and servicing	<u>1,276,456</u>	<u>1,238,955</u>	<u>25,732,674</u>	<u>25,769,105</u>

	2000 £	1999 £
The analysis of turnover by geographical area is as follows:-		
EEC	25,457,432	25,748,629
Non - EEC	<u>275,242</u>	<u>20,476</u>
	<u>25,732,674</u>	<u>25,769,105</u>

2 NET OPERATING EXPENSES

	2000 £	1999 £
Changes in stocks and work in progress	(850,200)	(229,848)
Direct purchases	20,536,955	19,812,475
Staff costs (note 4)	2,915,258	2,678,161
Depreciation	347,094	333,852
Other operating charges	1,382,541	1,618,240
(Gain)/loss on exchange	<u>(212,133)</u>	<u>143,935</u>
	<u>24,119,515</u>	<u>24,356,815</u>

Other operating charges are stated after charging:

Auditors' remuneration:

Audit	23,500	22,500
Non-audit	<u>15,900</u>	<u>28,615</u>
	<u>39,400</u>	<u>51,115</u>

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

3 DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Aggregate emoluments excluding pension contributions	111,000	85,727
Employers' pension contributions to money purchase scheme	19,980	26,614
	<u>130,980</u>	<u>112,341</u>
Number of directors with retirement benefits under money purchase scheme	Number <u>1</u>	Number <u>1</u>

4 STAFF COSTS

The average number of persons employed by the company during the year was as follows:-

	Number	Number
Directors	2	3
Employees	109	103
	<u>111</u>	<u>106</u>

The aggregate payroll costs of these persons were as follows:-

	£	£
Wages and salaries	2,485,399	2,290,787
National Insurance	249,632	226,456
Pension costs	180,227	160,918
	<u>2,915,258</u>	<u>2,678,161</u>

5 INTEREST PAYABLE

	£	£
On bank overdraft and loans repayable within 5 years, not by instalments	107,926	31,799
On loan repayable by instalments wholly within 5 years	49,161	62,349
On loan repayable by instalments not wholly within 5 years	184,943	196,194
	<u>342,030</u>	<u>290,342</u>

Loans from Heller Machine Tools Holdings Limited are interest free.

6 TAXATION

	£	£
Corporation tax charge for the year at 30%	346,000	200,605
Deferred tax charge for the year	74,000	-
Surplus ACT recovered	-	(61,605)
Corporation tax (over)/underprovision in previous year	(23,883)	4,081
	<u>396,117</u>	<u>143,081</u>

HELLER MACHINE TOOLS LIMITED

YEAR ENDED 31ST DECEMBER 2000

NOTES TO THE FINANCIAL STATEMENTS

7 TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Machinery	Fixtures, Fittings, Tools & Equipment	Motor Vehicles	TOTAL
	£	£	£	£	£
Cost and valuation					
At 31st December 1999	4,936,277	1,731,863	471,004	316,205	7,455,349
Additions at cost	-	59,902	142,464	34,415	236,781
Disposals at net cost	-	(85,807)	(128,407)	-	(214,214)
At 31st December 2000	<u>4,936,277</u>	<u>1,705,958</u>	<u>485,061</u>	<u>350,620</u>	<u>7,477,916</u>
Being:					
Cost less grant	1,911,276	1,705,958	485,061	350,620	4,452,915
Valuation	<u>3,025,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,025,001</u>
	<u>4,936,277</u>	<u>1,705,958</u>	<u>485,061</u>	<u>350,620</u>	<u>7,477,916</u>
Depreciation					
At 31st December 1999	153,028	560,830	222,021	150,925	1,086,804
Charge for year	76,514	84,907	123,158	62,515	347,094
Disposals	-	(71,262)	(127,926)	-	(199,188)
At 31st December 2000	<u>229,542</u>	<u>574,475</u>	<u>217,253</u>	<u>213,440</u>	<u>1,234,710</u>
Net book value					
At 31st December 2000	<u>4,706,735</u>	<u>1,131,483</u>	<u>267,808</u>	<u>137,180</u>	<u>6,243,206</u>
At 31st December 1999	<u>4,783,249</u>	<u>1,171,033</u>	<u>248,983</u>	<u>165,280</u>	<u>6,368,545</u>
Historical cost and net book value					
At 31st December 2000 net of grants received	<u>3,275,772</u>	<u>1,131,483</u>	<u>267,808</u>	<u>137,180</u>	<u>4,812,243</u>

8 REVALUATION OF LAND AND BUILDINGS

The transitional provisions of FRS15 are being followed and the company has retained the book value of previously revalued assets.

The freehold land at Ravensbank Business Park was revalued at the end of 1996 by the directors at open market value.

No provision has been made for the potential liability to tax on the remaining revaluation because no such liability is expected to crystallise in the foreseeable future.

The potential liability is £316,000 (1999: £333,000).

Freehold buildings are shown at cost less grant received and less depreciation.

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

9 STOCKS

	2000	1999
	£	£
Parts and components	1,268,247	548,575
Work in progress	2,160,975	2,030,447
	<u>3,429,222</u>	<u>2,579,022</u>

10 DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2000	1999
	£	£
Trade debtors	1,017,695	1,295,025
Amounts recoverable on contracts	154,499	1,219,098
Other debtors	6,313	2,538
VAT debtor	71,186	-
Prepayments	68,892	152,132
Amounts owed by group undertakings (note 17)		
Gebr. Heller Maschinenfabrik GmbH	5,297,228	1,689,927
Heller Italia SRL	12,777	-
	<u>6,628,590</u>	<u>4,358,720</u>

11 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	2000	1999
	£	£
Bank loans	3,631,250	1,191,250
Payments on account	224,175	555,715
Trade creditors	1,343,332	881,099
Amounts owed to group undertakings		
Heller Machine Tools Holdings Limited (note 5)	73,729	73,729
Corporation tax	266,000	139,000
Other taxation and social security	178,007	232,941
Other creditors	39,101	52,106
Accruals	267,621	268,387
	<u>6,023,215</u>	<u>3,394,227</u>

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

12 BORROWINGS

	2000 £	1999 £
Bank loans repayable:		
On demand or within 1 year	<u>3,631,250</u>	<u>1,191,250</u>
Between 1 and 2 years	641,250	641,250
Between 2 and 5 years	1,298,750	1,548,750
After 5 years	<u>586,875</u>	<u>978,125</u>
	<u>2,526,875</u>	<u>3,168,125</u>

The bank loans are secured either by mortgages on the freehold property or by irrevocable letter of credit. Interest is at normal commercial rates.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation Provided and Potential £
At 31st December 1999	-
Charge for the year	74,000
At 31st December 2000	<u>74,000</u>

The amount provided and the potential liability for deferred taxation arise due to timing differences on accelerated capital allowances.

14 SHARE CAPITAL

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>
Issued and fully paid:		
Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>

15 RESERVES

	Revaluation Reserve £	Profit and Loss Account £
At 31st December 1999	1,430,963	1,221,261
Retained profit	-	880,339
At 31st December 2000	<u>1,430,963</u>	<u>2,101,600</u>

HELLER MACHINE TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

16 CAPITAL COMMITMENTS

	2000	1999
	£	£
Commitments for capital expenditure at the end of the year were as follows:		
Authorised and contracted for	<u>80,696</u>	<u>Nil</u>

17 IDENTITIES AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Heller Machine Tools Holdings Limited.
The company regards Heller GmbH of Nuertingen, Germany as its ultimate holding company.

The company has taken advantage of the exceptions provided in paragraph 3 (c) of FRS 8 : Related Party Transactions , not to disclose transactions with other Heller Group entities.

Amounts due to group related parties at the balance sheet date are detailed in notes 10 and 11 to the accounts.

18 CONTINGENT LIABILITIES

In the normal course of trading performance bonds have been entered into and guarantees have been given by the Company's bankers. No loss is expected to arise from these commitments.

There is a contingent liability up to March 2002 to repay all or part of government grant received of £2.25 million.

19 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company and are independently administered. The charge for the year of £180,277 (1999 : £160,918) represents contributions falling due and paid over in the year.