

LINDE MATERIAL HANDLING EAST LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2016

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LINDE MATERIAL HANDLING EAST LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016**

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Statement of income and retained earnings	8
Balance sheet	9
Notes to the financial statements	10

LINDE MATERIAL HANDLING EAST LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K McDonagh
A Daly
C Blebta
S Manasseh

REGISTERED OFFICE

Kingsclere Road
Basingstoke
Hampshire
RG21 6XJ

BANKERS

Barclays Bank PLC
HSBC Bank PLC

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

LINDE MATERIAL HANDLING EAST LIMITED

STRATEGIC REPORT

The directors present the strategic report on the affairs of the Company for the year ended 31 December 2016.

BUSINESS REVIEW

Financial results and overview

The Company continues to perform well in spite of highly competitive market conditions and increased costs of materials and supplies.

The results for the year are given in the statement of income and retained earnings on page 8. In the year turnover has decreased to £26.7 million from £26.8 million in 2015.

Operating profit was £1.1 million in 2016 compared to £0.9 million in the previous year.

The performance in 2016 is in line with the expectations of the directors and reflects the on-going trading performance of the Company.

Key performance indicators

The directors monitor the performance of the Company and review various key performance indicators as part of this process.

Management has considered the most important key performance indicators for monitoring of the business which include revenue growth and operating profit as well as cash generation. The most significant revenue streams are truck sales and services revenue, and for both of these revenue streams the most important indicator is new truck units sold, which was 642 in 2016 compared to 620 in the prior year.

The Company is managed by the UK management team along with other UK KION entities. The performance and results for all UK entities are analysed on a worldwide KION measurement basis, at a business unit and sector level. For this reason the directors of the Company believe that analysis using key performance indicators is not appropriate for an understanding of the development, performance or position of the business shown in these financial statements. The development, performance and position of KION Group Germany, which includes the UK entities, is discussed in the KION Group's consolidated financial statements for the year ended 31 December 2016, which are available to the public and may be obtained from the KION Group's website (see note 20).

Objectives and strategy

The Company is the market leader in its territory for its products and aims to establish itself as a world class service provider and an employer of choice.

Markets and regulatory

The Company is part of a global organisation which sells a full range of material handling equipment to industry. The Group has full control of the service and rental network across mainland UK.

The 'Linde' brand is recognised throughout the world as a leading supplier of quality fork lift trucks and material handling equipment.

PRINCIPAL RISKS AND UNCERTAINTIES

There is strong competition in the market place, which can affect margins on capital equipment sales. These are addressed through providing improved services and products to customers and continuous improvement in efficiency and productivity measures. The Company is principally financed through finance leases and loans from other group companies. As a result the Company is also subject to interest rate risk and carefully monitors its cash flow in mitigation.

FUTURE DEVELOPMENTS

The directors do not anticipate any changes to the activities of the Company in the near/foreseeable future.

Details of significant events since the balance sheet date are contained in note 19 to the financial statements, where applicable.

Approved by the Board and signed on its behalf by



C Blebta
Director

30 March 2017

LINDE MATERIAL HANDLING EAST LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditor's report, for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the sales, service and rental of materials handling equipment.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the strategic report on page 2 and form part of this report by cross-reference.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 (accounting policies) of the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company is principally financed through finance leases and loans from other Group companies. As result the Company is also subject to interest rate risk and carefully monitors its cash flow in mitigation.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures. These forward contracts are entered in to via KION Group Treasury.

Interest bearing assets and liabilities are held at pre-agreed inter-company rates of interest. The rates of interest applied are in line with current market rates.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

DIVIDENDS

The directors do not propose the payment of a dividend for the year ended 31 December 2016 (2015: £nil). The only transfer to reserves is the retained profit for the year.

DIRECTORS

The directors who held office during the year and to the date of signing are set out on page 1 of these financial statements. There have not been any changes.

LINDE MATERIAL HANDLING EAST LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

ANTI-SLAVERY

The Company has a zero-tolerance approach to modern slavery, and takes all necessary steps to ensure that slavery and trafficking are not taking place in any of its supply chains, or in any part of its own business. The Company is committed to acting ethically and with integrity in all its business dealings and relationships, and is committed to enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within the Company or those of its suppliers. The Company's anti-slavery policy is published and reviewed on an annual basis, and will be available in full on the Company's website from April 2017.

POLITICAL CONTRIBUTIONS

No political donations were made (2015: £nil).

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



C Blebta
Director
30 March 2017

LINDE MATERIAL HANDLING EAST LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 and then apply them consistently;
- make judgements 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.

LINDE MATERIAL HANDLING EAST LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINDE MATERIAL HANDLING EAST LIMITED (CONTINUED)

We have audited the financial statements of Linde Material Handling East Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, the balance sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 Auditing Practices Board'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 annual 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 2016 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 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

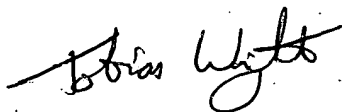
Matters on which we are required to report by exception

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.

LINDE MATERIAL HANDLING EAST LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINDE
MATERIAL HANDLING EAST LIMITED (CONTINUED)**



Tobias Wright FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 March 2017

LINDE MATERIAL HANDLING EAST LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS **For the year ended 31 December 2016**

	Note	2016 £000	2015 £000
TURNOVER	3	26,646	26,776
Cost of sales		(23,934)	(24,209)
GROSS PROFIT		2,712	2,567
Administrative expenses		(1,244)	(1,142)
Distribution costs		(2,169)	(1,871)
Other operating income		1,776	1,305
OPERATING PROFIT		1,075	859
Other gains and losses		(104)	-
Finance costs (net)	4	(437)	(494)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	534	365
Tax on profit on ordinary activities	8	(432)	(50)
PROFIT FOR THE FINANCIAL YEAR		102	315
Retained profits at 1 January 2016		1,018	703
Retained profits at 31 December 2016		<u>1,120</u>	<u>1,018</u>

LINDE MATERIAL HANDLING EAST LIMITED

BALANCE SHEET **As at 31 December 2016**

	Note	2016 £000	2015 £000
FIXED ASSETS			
Tangible assets	9	4,277	4,815
CURRENT ASSETS			
Stocks	10	935	999
Debtors			
Due within one year	11	6,267	6,737
Due after one year	11	517	532
		7,719	8,268
CREDITORS: amounts falling due within one year	12	(5,843)	(6,265)
NET CURRENT ASSETS		1,876	2,003
TOTAL ASSETS LESS CURRENT LIABILITIES		6,153	6,818
CREDITORS: amounts falling due after more than one year	13	(3,600)	(4,367)
NET ASSETS		2,553	2,451
CAPITAL AND RESERVES			
Called up share capital	16	1,433	1,433
Profit and loss account	16	1,120	1,018
SHAREHOLDERS' FUNDS		2,553	2,451

These financial statements of Linde Material Handling East Limited, registered number 02791930 were approved by the Board of Directors and authorised on 30 March 2017. They were signed on its behalf by:



C Blebta
Director

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Linde Material Handling East Limited is a private company limited by shares and incorporated in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Linde Material Handling East Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Linde Material Handling East Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. In addition, the current economic conditions create uncertainty particularly over the level of demand for the Company's products.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its available working capital. It should be noted that the Company operates in a Group which adopts a monthly sweep of cash balances.

At the year end the Company had net current amounts owed to related companies of £4,126,000 (2015: £5,760,000) which led to net current assets of £1,876,000 (2015: £2,003,000) and net assets of £2,553,000 (2015: £2,451,000), and therefore the Company is to an extent reliant for its working capital on funds provided by these group undertakings. The Company has financial support in place from KION Group AG for a period of at least 12 months from the date of signing.

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this conclusion, the directors have considered forecast projections prepared for the coming three years. Thus, they continue to adopt the going concern basis in preparing the annual report and financial statements.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	25 years
Motor vehicles	5 years
Plant, machinery and office equipment	3 to 10 years
Hire Fleet	2 to 7 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current year or prior years.
- Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the balance sheet, investments in subsidiaries and associates are measured at cost less impairment. Any premium is ignored.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is the estimated selling price less further costs for completion and disposal. Raw materials and consumable goods are valued on a moving average cost basis. Work-in-progress and finished goods are valued at direct cost of production plus attributable overheads. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Employee benefits

The Company contributes to two defined contribution pension schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting year.

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the year in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

Leases

As Lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

As Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Where assets are leased to customers under a non-disclosed agency arrangement, without risk to the Company, only agency commission is reflected in the income statement, with balances due from the customer or payable to the lessor reflected in the balance sheet.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Classification of Leases

A judgment is made to determine whether trucks leased to customers should be accounted for as an operating or finance lease, and hence the extent of transfer of risks and rewards. This takes into consideration the length of the lease, the nature of the contract and the terms within the contract. If the lease is deemed to be an operating lease, the asset remains on the balance sheet and the revenue is deemed to be rental income and recognised over the lease term. If however the risks and rewards of ownership are deemed to have been transferred, the asset is derecognised and revenue is recognised from initial sale of the goods, together with ongoing recognition over the period of the lease for the elements of consideration representing servicing revenue.

Key source of estimation uncertainty – Impairment

The main area within the financial statements where estimation uncertainty is involved is in considering potential impairment triggers relating to the fleet asset base. In order to assess for potential impairment of the fleet asset base, management take in to consideration utilisation rates, the age portfolio and prior application of the fleet.

3. TURNOVER

The turnover is wholly attributable to the principal activity of the Company and arose in the United Kingdom. Turnover by destination is no different to turnover by origin.

An analysis of the turnover is as follows:

	2016 £000	2015 £000
Sale of goods	13,419	14,111
Supply of services	13,227	12,665
	<u>26,646</u>	<u>26,776</u>

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. FINANCE COSTS (NET)

	2016	2015
	£000	£000
Interest payable and similar charges	472	524
Other finance income	(35)	(30)
	<u>437</u>	<u>494</u>

Interest payable and similar charges

	2016	2015
	£000	£000
Finance leases and hire purchase contracts	443	435
Other interest	29	89
	<u>472</u>	<u>524</u>

Other finance income

	2016	2015
	£000	£000
Other interest receivable and similar income	(35)	(30)
	<u></u>	<u></u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2016	2015
	£000	£000
Depreciation on tangible fixed assets (see note 9)	21	10
Depreciation on leased assets (see note 9)	1,253	1,201
Operating lease rentals	1,017	1,057
Loss on disposal of fixed assets	-	22
	<u></u>	<u></u>

Auditor remuneration costs of £16,000 (2015: £24,600) are borne by the immediate parent undertaking, Linde Material Handling UK Limited.

The amount of inventories recognised as an expense during the year amounted to £15,495,000 (2015: £16,267,000).

6. STAFF NUMBERS AND COSTS

The average monthly number of employees (including executive directors) was:

	Number of employees	
	2016	2015
	No.	No.
Office and management	41	34
Service and production	114	111
	<u>155</u>	<u>145</u>

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

6. STAFF NUMBERS AND COSTS (CONTINUED)

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	4,567	4,456
Social security costs	685	548
Other pension costs (see note 18)	258	233
	<u>5,510</u>	<u>5,237</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2016 £000	2015 £000
Emoluments	115	-
Company contributions to money purchase pension schemes	15	-
	<u>130</u>	<u>-</u>

The number of directors who:

Are members of a money purchase pension scheme

No.	No.
<u>1</u>	<u>-</u>

The other directors receive remuneration from other group companies in respect of their services to the Group. Their allocation to this Company is £nil (2015: £ nil).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2016 £000	2015 £000
<i>Current tax on profit on ordinary activities</i>		
UK corporation tax	(287)	(280)
Adjustment in respect of prior years	264	573
Total current tax	<u>(23)</u>	<u>293</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	204	(243)
Deferred taxation – effect of change in tax rate	251	-
Total deferred taxation (see note 14)	<u>455</u>	<u>(243)</u>
Total tax on profit on ordinary activities	<u>432</u>	<u>50</u>

The standard rate of tax applied to reported profit on ordinary activities is 20.00% (2015: 20.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. During the year beginning 1 January 2016, the net reversal of deferred tax assets and liabilities is expected to decrease

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

the corporation tax charge for the year by £331,000. This is due to projected capital allowance claims by the Company during the forthcoming year.

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £000	2015 £000
Profit on ordinary activities before tax	534	365
Current tax at 20.00% (2015: 20.25%)	106	74
Effects of:		
Expenses not deductible for tax purposes	23	(2)
Depreciation for year lower than capital allowance	(416)	(352)
Adjustment in respect of prior years	264	573
Change in deferred tax assets	455	(243)
Total tax charge for the year	432	50

9. TANGIBLE ASSETS

	Freehold property £000	Motor vehicles £000	Plant, machinery and office equipment £000	Hire fleet £000	Total £000
Cost					
At 1 January 2016	6	99	978	6,224	7,307
Additions	23	-	36	1,503	1,562
Disposals	-	-	-	(1,347)	(1,347)
Transfers	-	-	12	(12)	-
At 31 December 2016	29	99	1,026	6,368	7,522
Depreciation					
At 1 January 2016	-	99	920	1,473	2,492
Charge for the year	1	-	20	1,253	1,274
Disposals	-	-	-	(521)	(521)
At 31 December 2016	1	99	940	2,205	3,245
Net book value					
At 31 December 2016	28	-	86	4,163	4,277
At 31 December 2015	6	-	58	4,751	4,815
Finance leased assets included above:					
Net book value					
At 31 December 2016	-	-	-	4,163	4,163
At 31 December 2015	-	-	-	4,751	4,751

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

10. STOCKS

	2016 £000	2015 £000
Raw materials and consumables	133	141
Work in progress	139	210
Finished goods and goods for resale	663	648
	<u>935</u>	<u>999</u>

There is no material difference between the balance sheet value of the stocks and their replacement cost.

11. DEBTORS

	2016 £000	2015 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	2,310	2,536
Amounts owed by group undertakings	2,079	1,794
Prepayments and accrued income	169	267
Deferred taxation (see note 14)	1,423	1,878
Amounts receivable under finance lease & hire purchase contracts to third parties	286	262
	<u>6,267</u>	<u>6,737</u>
<i>Amounts falling due after more than one year:</i>		
Amounts receivable under finance lease & hire purchase contracts to third parties	517	532

Amounts owed by group undertakings relate to trade receivables which are cleared via inter-company netting in the following month.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts to group undertakings (see note 13)	1,652	1,292
Obligations under finance leases and hire purchase contracts to third parties (see note 13)	166	1
Trade creditors	210	895
Amounts owed to group undertakings	953	1,898
Corporation tax	298	115
VAT	603	460
Other taxation and social security	143	141
Accruals and deferred income	1,749	1,418
Defined contribution pension scheme accrual	69	45
	<u>5,843</u>	<u>6,265</u>

Amounts owed to group undertakings includes loans of £514,000. Interest is payable on the loans at a variable rate of LIBOR + 1.15% on the principal amounts. The rates of interest applied are in line with current market rates. The remaining balance relates to trade payables which are cleared via inter-company netting in the following month.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts to group undertakings	3,600	4,364
Obligations under finance leases and hire purchase contracts to third parties	-	3
	<u>3,600</u>	<u>4,367</u>
Finance leases		
Between one and two years	1,403	1,390
Between two and five years	2,007	2,751
After five years	190	226
	<u>3,600</u>	<u>4,367</u>
On demand or within one year (see note 12)	1,818	1,293
	<u>5,418</u>	<u>5,660</u>

14. DEFERRED TAXATION

	Deferred taxation 2016 £000
Deferred tax asset:	
At beginning of year	1,878
Debit to the income statement for the year	(455)
At end of year	<u>1,423</u>
The elements of deferred taxation are as follows:	
	2016 £000
	2015 £000
Difference between accumulated depreciation and amortisation and capital allowances (undiscounted)	<u>1,423</u>
	<u>1,878</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL INSTRUMENTS

The carrying values of the Company and Company's financial assets and liabilities are summarised by category below:

	2016 £000	2015 £000
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 11)	2,310	2,536
Amounts due from group companies (see note 11)	2,079	1,794
	<u>4,389</u>	<u>4,330</u>
Financial liabilities		
Measured at amortised cost		
Obligations under finance leases (see note 13)	5,418	5,660
Measured at undiscounted amount payable		
Trade and other creditors (see note 12)	210	895
Amounts owed to group companies (see note 12)	953	1,898
	<u>6,581</u>	<u>8,453</u>
Interest income and expense		
Total interest income for financial assets at amortised cost	(35)	(30)
Total interest expense for financial liabilities at amortised cost	472	524

16. CALLED UP SHARE CAPITAL AND RESERVES

	2016 £000	2015 £000
Allotted, called up and fully paid		
1,433,000 ordinary shares of £1 each	1,433	1,433

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

17. FINANCIAL COMMITMENTS AND FUTURE LEASE RECEIVABLES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	272	379	272	412
Between one and five years	1,015	546	1,015	161
After 5 years	402	-	656	-
	<u>1,689</u>	<u>925</u>	<u>1,943</u>	<u>573</u>

LINDE MATERIAL HANDLING EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

17. FINANCIAL COMMITMENTS AND FUTURE LEASE RECEIVABLES (CONTINUED)

Total future minimum lease receivables under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	130	-	140
Between one and five years	-	145	-	274
After 5 years	-	14	-	17
	<u>-</u>	<u>289</u>	<u>-</u>	<u>431</u>

18. EMPLOYEE BENEFITS

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2016 was £258,287 (2015: £233,012). As at 31 December 2016 the company had an accrual in respect of unpaid contributions of £68,957 (2015: £45,173).

19. SUBSEQUENT EVENTS

There are no significant subsequent events to report.

20. CONTROLLING PARTY

The ultimate parent undertaking and ultimate controlling party is KION Group AG which is listed on the Frankfurt Stock Exchange. The registered office address is 21 Abraham-Lincoln Strasse, 65189 Wiesbaden, Germany. The financial statements of the Company are consolidated only into the financial statements of KION Group AG.

The consolidated financial statements of KION Group AG are available to the public and copies can be obtained from Linde Holdings Limited, Kingsclere Road, Basingstoke, Hampshire, RG21 6XJ.

The immediate parent undertaking is Linde Material Handling (UK) Limited, a Company registered in England and Wales. Copies of the immediate parent's financial statements may be obtained from Linde Holdings Limited, Kingsclere Road, Basingstoke, Hampshire, RG21 6XJ.