

Company Registration No. 04757228 (England and Wales)

**KOBELCO CRANES EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015**

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KOBELCO CRANES EUROPE LIMITED

COMPANY INFORMATION

Directors	Kazuhisa Kakinaga Kentaro Nezaki Akifumi Yokomori
Secretary	Julian Wilson
Company number	04757228
Registered office	Unit 9 The Felbridge Centre East Grinstead West Sussex RH19 1XP
Auditors	RSM UK Audit LLP Chartered Accountants 3rd Floor Portland 25 High Street Crawley West Sussex RH10 1BG

KOBELCO CRANES EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Fair review of the business

The company's principal business activity is the sale of Kobelco branded crawler cranes, primarily used in the construction industry, as manufactured by its parent company Kobelco Cranes Co. Limited of Japan (KCL).

Kobelco Cranes Europe Limited (KCE) services a customer base throughout Europe and Africa from a head office in the UK and a branch office in the Netherlands.

In addition the company provides continued support to its European customers who have operations in the Middle East through its fellow subsidiary of Kobelco Cranes Co. Limited, being Kobelco Cranes Middle East FZE based in Sharjah, U.A.E.

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company experienced an improved growth in demand for its crawler cranes in 2015 following a series of challenging years in which markets in Europe suffered from zero to low growth and indicated a strong growth in business confidence leading to a willingness to invest in infrastructure projects, which was particularly noticeable from the UK division of KCE, where crane sales increased from 10 units in 2014 to 21 units in 2015, all of which were sold and used within the UK market.

The Netherlands division remained relatively stable, only experiencing a small reduction in demand from 19 units sold in 2014 to 17 units in 2015. However the Netherlands division acquired a major order of 17 units from a Dutch multinational heavy lifting and transport company at the end of 2015. These orders will be processed throughout 2016 and into 2017 and are destined for use on large scale infrastructure projects in the U.S.A. and Canada.

Sales of new cranes to Africa declined in 2015 to only 2 units, principally due to the fall in prices of natural resources which led to a reduction in expenditure by many African countries on infrastructure projects, which have been either postponed or delayed until revenues can be increased from the extraction and sale of these natural resources. Such projects had included port redevelopments and power stations, all of which require crawler cranes for their construction. This downward trend is expected to continue in 2016, although the potential for growth in the future for this region is anticipated to be significant and the company will continue to monitor this market closely for any signs of improvement in the demand for crawler cranes as this sales territory is recognised as an important crane market for the future.

Sales values were equally split between the two KCE divisions, with the UK division generating sales of €14.2 million and the Netherlands division generating sales of €14.3million. The additional 9 units sold in 2015 increased crane sales revenues by 36% over crane sales revenues of 2014.

Parts sales also continued to improve, with 2015 being the strongest year for parts sales revenue since the company was formed in 2003, with total parts sales revenues exceeding €3.5million, equally split between UK division generating parts sales of €1.7million and the Netherlands generating parts sales of €1.8million. It is also expected that the investment by the parent company of KCE in a new spare parts distribution centre in Singapore will continue to improve the parts availability and speed of shipment to Europe, South East Asia and the Middle East.

Although crane sales to Africa were reduced in 2015, parts sales to this region continued to remain strong, accounting for 51% of the UK division's parts sales revenue, destined for South Africa and Angola.

The G-model crawler crane models have proved a particularly popular addition to the Kobelco range of products as customers are attempting to reduce their carbon footprint, and this is being further developed following the introduction of the G-2 series engines into the Kobelco range of crawler cranes at the end of 2015 which brings the cranes up to meet EURO Stage IV emission standards. This is also important for cranes working in London, where the restrictions on emissions have enabled Kobelco model cranes to develop a strong presence on the cross-rail project.

KOBELCO CRANES EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Fair review of the business (continued)

The Kobelco engineering department are already working on improving the next generation of crane products to enable compliance to EURO Stage V emission standards.

As the economies of Europe, and globally too, are promoting the use of alternative energy sources, the company is anticipating a growth in crane sales to companies who are active in the installation of windmills for wind farms. The company's engineering department has worked closely with its customers to develop products tailored for this expanding niche market.

The company exhibited its cranes for the first time at the Vertikal Exhibition in the UK in 2015 which generated a lot of interest from UK customers and is planning for a further international level of success at the BAUMA 2016 exhibition in Munich, which attracts a more global client base.

The company will again be sharing the exhibition space with its sister organisation, Kobelco Construction Machinery, following the success of this relationship at the Intermat 2015 Exhibition in Paris.

Following discussions at group level it was considered that it would benefit both Kobelco Cranes and Kobelco Construction Machinery if these two organisations merged to form a much stronger global organisation, manufacturing and selling its products under a single Kobelco entity, to be known as Kobelco Construction Machinery Co. Ltd. It is hoped that the synergy from the new enterprise will improve business efficiency and effectively utilise management resources, strengthen product development capabilities and strengthen global development and response capabilities. This merger will become effective from 1st April 2016.

The company is continuing to expand into new markets in Africa, the Caribbean and Eastern Europe as these regions start to develop large scale infrastructure projects, and the company's parent company is looking to the emerging markets of India. As a result of growing economic confidence in these regions our parent company has invested in the creation of a new production facility in India and is considering expanding production at this facility to reduce pressure on the Japanese production facilities.

The company's key performance indicators are turnover and profit before tax, details of which are set out on page 6.


Risks

The two divisions of KCE continue to trade throughout Europe, Africa and the Rest of the World, which can engender business risks in terms of debt settlement.

The management of the company attempt to minimise the related risks of this type of international trade where possible by securing advance payments from customers prior to shipment of goods or by ensuring customers provide Letters of Credit on large value transactions that are payable upon presentation of shipping documents. The management also pay close attention to credit control procedures to minimise exposure to bad debts both internationally and in relation to domestic trade.

The company is exposed to currency risk, as it transacts in currencies other than the Euro. Exposure to risk is mitigated by minimising currency balances and by utilisation of natural hedges where possible.

On behalf of the board



Kazuhisa Kakinaga

Director

8/4/16

KOBELCO CRANES EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Principal activities

The principal activity of the company continued to be that of the sale of cranes, sales of spare parts and the provision of maintenance and service.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Takemichi Hirakawa	(Resigned 1 April 2015)
Kazuhisa Kakinaga	
Kentaro Nezaki	
Akifumi Yokomori	(Appointed 1 April 2015)

Results and dividends

The results for the year are set out on page 6.

Particulars of dividends paid are detailed in note 10 to the financial statements.

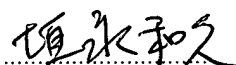
Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to continue in office.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Kazuhisa Kakinaga

Director

8/4/16

KOBELCO CRANES EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBELCO CRANES EUROPE LIMITED

We have audited the financial statements on pages 6 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 FRS102 "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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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.

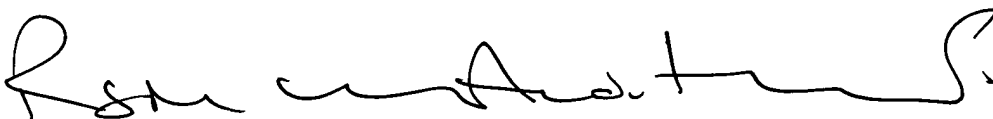
Opinion on other matters prescribed by the Companies Act 2006

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.

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.



Geoff Wightwick BA FCA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
Portland
Crawley
West Sussex
RH10 1BG
12.4.16

KOBELCO CRANES EUROPE LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

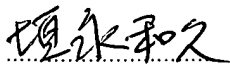
	Notes	2015 €	2014 €
Turnover	3	28,183,540	21,271,313
Cost of sales		(23,464,989)	(17,833,724)
Gross profit		4,718,551	3,437,589
Administrative expenses		(2,116,321)	(1,805,180)
Operating profit	4	2,602,230	1,632,409
Interest receivable and similar income	7	17,894	17,608
Interest payable and similar charges	8	(35)	156
Profit on ordinary activities before taxation		2,620,089	1,650,173
Taxation	9	(588,893)	(377,870)
Profit for the financial year		2,031,196	1,272,303
Other comprehensive income			
Foreign exchange gains		95,620	120,820
Total comprehensive income for the year		2,126,816	1,393,123

The income statement has been prepared on the basis that all operations are continuing operations.

KOBELCO CRANES EUROPE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2015**

	Notes	2015 €	€	2014 €	€
Fixed assets					
Tangible assets	11		61,623		63,597
Current assets					
Stocks	12	1,978,818		2,091,634	
Debtors	13	6,677,901		3,472,509	
Cash at bank and in hand		5,311,488		7,405,789	
		13,968,207		12,969,932	
Creditors: amounts falling due within one year	14	(7,093,393)		(7,179,066)	
Net current assets			6,874,814		5,790,866
Total assets less current liabilities			6,936,437		5,854,463
Capital and reserves					
Called up share capital	16		3		3
Share premium account			2,034,197		2,034,197
Other reserves			(135,798)		(231,418)
Profit and loss reserves			5,038,035		4,051,681
Total equity			6,936,437		5,854,463

The financial statements were approved by the board of directors and authorised for issue on 8/4/16 and are signed on its behalf by:



Kazuhisa Kakinaga
Director

KOBELCO CRANES EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital €	Share premium account €	Other reserves €	Profit and loss reserves €	Total €
Balance at 1 January 2014		3	2,034,197	(352,238)	3,087,332	4,769,294
Year ended 31 December 2014:						
Profit and total comprehensive income for the year		-	-	120,820	1,272,303	1,393,123
Dividends	10	-	-	-	(307,954)	(307,954)
Balance at 31 December 2014		3	2,034,197	(231,418)	4,051,681	5,854,463
Year ended 31 December 2015:						
Profit and total comprehensive income for the year		-	-	95,620	2,031,196	2,126,816
Dividends	10	-	-	-	(1,044,842)	(1,044,842)
Balance at 31 December 2015		3	2,034,197	(135,798)	5,038,035	6,936,437

KOBELCO CRANES EUROPE LIMITED

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

1 Accounting policies

Company information

Kobelco Cranes Europe Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Unit 9, The Felbridge Centre, East Grinstead, West Sussex, RH19 1XP.

The company's principal activities are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in euros, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest €.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

First time adoption of FRS 102

These are the first financial statements of Kobelco Cranes Europe Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The company financial statements of Kobelco Cranes Europe Limited for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

Reduced disclosures

In accordance with FRS102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies (Continued)

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Revenue is recognised when the company fulfils its contractual obligations to customers by supplying goods and services, and excludes value added tax.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	2 to 5 years
Fixtures, fittings and motors	1 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at fair value initially and subsequently at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies (Continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

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 periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss 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.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

The company's functional currency is the Euro on the basis that the majority of the company's sales and purchases are accounted for by its Netherlands branch in Euros.

Transactions in £ sterling are translated into Euros at an average rate of exchange for the year of 1.3771 (2014: 1.2409). Exchange differences on transactions during the year are taken into account at arriving at the operating result.

The UK assets and liabilities are translated at the closing rate of 1.3570 (2014: 1.2780) for monetary assets. Non-monetary assets are translated at the rate of exchange ruling at the date of the transaction.

Exchange differences on the retranslation of brought forward assets, liabilities, and equity from the rate of exchange used at the prior year balance sheet date to the rate used at the current year balance sheet date are disclosed as adjustments to profit for the year.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3 Turnover

The company's sources of revenue are the sale of cranes, sales of spare parts and the provision of maintenance and service, which comprises one activity.

Turnover analysed by geographical market

	2015 €	2014 €
United Kingdom	13,051,952	5,999,529
Netherlands	4,120,808	1,216,728
Rest of Europe	7,080,562	6,179,723
Asia	534,500	960,010
Brazil	98,309	1,023
Rest of World	3,297,409	6,914,300
	<u>28,183,540</u>	<u>21,271,313</u>

4 Operating profit

	2015 €	2014 €
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(70,161)	(64,971)
Fees payable to the company's auditors for the audit of the company's financial statements	32,086	27,517
Depreciation of owned tangible fixed assets	50,686	51,139
Profit on disposal of tangible fixed assets	(13,863)	(12,719)
Cost of stocks recognised as an expense	23,464,989	17,833,724
Operating lease charges	155,880	142,526
	<u>23,669,537</u>	<u>17,975,206</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2015 Number	2014 Number
Sales and distribution	6	6
Engineering	2	2
Administration	3	3
	<u>11</u>	<u>11</u>

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5 Employees (Continued)

Their aggregate remuneration comprised:

	2015 €	2014 €
Wages and salaries	1,085,180	916,008
Social security costs	122,123	113,680
Pension costs	68,550	63,302
	<u>1,275,853</u>	<u>1,092,990</u>

6 Directors' remuneration

	2015 €	2014 €
Remuneration for qualifying services	<u>99,303</u>	<u>108,496</u>

7 Interest receivable and similar income

	2015 €	2014 €
Interest income		
Interest on bank deposits	<u>17,894</u>	<u>17,608</u>

8 Interest payable and similar charges

	2015 €	2014 €
Interest on other loans	<u>35</u>	<u>(156)</u>

9 Taxation

	2015 €	2014 €
Current tax		
UK corporation tax on profits for the current period	237,508	121,274
Adjustments in respect of prior periods	3,644	(1,661)
Total UK current tax	<u>241,152</u>	<u>119,613</u>
Foreign current tax on profits for the current period	353,000	252,291
Adjustments in foreign tax in respect of prior periods	(5,259)	5,966
Total current tax	<u>588,893</u>	<u>377,870</u>
Total tax charge	<u>588,893</u>	<u>377,870</u>

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 Taxation (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015 €	2014 €
Profit before taxation	2,620,089	1,650,173
Expected tax charge based on a corporation tax rate of 20.00% (2014 - 21.00%)	524,018	346,536
Tax effect of expenses that are not deductible in determining taxable profit	1,027	593
Tax effect of income not taxable in determining taxable profit	(8,439)	(6,333)
Adjustments in respect of prior years	(6,841)	4,305
Permanent capital allowances in excess of depreciation	-	72
Effect of overseas tax rates	70,600	31,108
Foreign exchange differences	3,481	416
Fixed asset profit on disposals	2,773	4,127
Tax credits	2,914	-
Other adjustments	(640)	(2,954)
Tax expense for the year	588,893	377,870

10 Dividends

	2015 €	2014 €
Final paid	1,044,842	307,954
	1,044,842	307,954

The total dividends on equity shares proposed after the year end but not recognised as a liability amount to €1,762,920 (2014: €1,044,842).

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

11 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and motors	Total
	€	€	€
Cost			
At 1 January 2015	56,719	416,131	472,850
Additions	-	51,878	51,878
Disposals	-	(37,996)	(37,996)
At 31 December 2015	56,719	430,013	486,732
Depreciation and impairment			
At 1 January 2015	56,719	352,534	409,253
Depreciation charged in the year	-	50,686	50,686
Eliminated in respect of disposals	-	(34,830)	(34,830)
At 31 December 2015	56,719	368,390	425,109
Carrying amount			
At 31 December 2015	-	61,623	61,623
At 31 December 2014	-	63,597	63,597

12 Stocks

	2015 €	2014 €
Work in progress	69,093	57,801
Finished goods and goods for resale	1,909,725	2,033,833
	1,978,818	2,091,634

13 Debtors

	2015 €	2014 €
Amounts falling due within one year:		
Trade debtors	6,413,033	3,280,734
Other debtors	124,879	65,761
Prepayments and accrued income	139,989	126,014
	6,677,901	3,472,509

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

14 Creditors: amounts falling due within one year

	2015 €	2014 €
Trade creditors	141,231	160,753
Amounts due to fellow group undertakings	5,671,467	5,453,116
Corporation tax payable	432,172	221,297
Other taxation and social security	314,711	153,851
Other creditors	137,276	973,353
Accruals and deferred income	396,536	216,696
	<u>7,093,393</u>	<u>7,179,066</u>

15 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was €68,550 (2014: €63,302).

16 Share capital and reserves

	2015 €	2014 €
Ordinary share capital		
Issued and fully paid		
2 £1 Ordinary shares of €1.45 each	<u>3</u>	<u>3</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Share Premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves

Foreign exchange gains or losses arising on the revaluation of assets and liabilities at the year end.

Retained earnings

Cumulative profit and loss net of distributions to owners.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17 Operating lease commitments

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Plant and machinery	2015	2014
	€	€
Within one year	3,651	3,651
Between two and five years	3,807	7,458
	<u>7,458</u>	<u>11,109</u>
 Land and buildings	 2015	 2014
	€	€
Within one year	44,768	44,768
Between two and five years	179,073	179,073
In over five years	89,536	134,304
	<u>313,377</u>	<u>358,145</u>

18 Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

19 Controlling party

The company is a wholly owned subsidiary of Kobelco Cranes Co. Limited, incorporated in Japan. The ultimate parent company is Kobe Steel Limited, incorporated in Japan.

The smallest group into which the results of the company are consolidated is that headed by Kobelco Cranes Co. Limited and the consolidated financial statements are not available to the public. The largest group into which the results of the company are consolidated is that headed by Kobe Steel Limited, and the consolidated financial statements of the group are available to the public and may be obtained from the head office at 10-26, Wakinohamacho, 2-chome, Chuo-ku, Kobe, Hyogo 651-8585, Japan.

KOBELCO CRANES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

20 Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 January 2014 €	31 December 2014 €
Equity as reported under previous UK GAAP and under FRS 102	4,769,294	5,854,463

Reconciliation of profit or loss

	Notes	2014 €
Profit or loss as reported under previous UK GAAP		1,151,483
Adjustments arising from transition to FRS 102:		
Reclassification of foreign exchange movements on assets and liabilities		120,820
Profit or loss reported under FRS 102		1,272,303

Notes to reconciliations on adoption of FRS 102

A - Reclassification of foreign exchange movements on assets and liabilities

Under FRS 102, foreign exchange gains or losses on non financial assets and liabilities are required to be included in a separate reserve and shown as other comprehensive income in the statement of comprehensive income. Only the revaluations from 2013-2015 have been included in this way as the calculation of the adjustments for periods prior to these years would require significant work.