COLUMBUS MCKINNON CORP
Form 10-K
May 28, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended March 31, 2015

Commission file number 0-27618

COLUMBUS McKINNON CORPORATION
(Exact name of Registrant as specified in its charter)

New York	16-0547600
(State of Incorporation)	(I.R.S. Employer Identification Number)

140 John James Audubon Parkway
Amherst, New York 14228-1197
(Address of principal executive offices, including zip code)

(716) 689-5400
(Registrant's telephone number, including area code)

Securities pursuant to section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 Par Value (and rights attached thereto)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ý.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2014 (the second fiscal quarter in which this Form 10-K relates) was approximately $439 million, based upon the closing price of the Company's common shares as quoted on the Nasdaq Stock Market on such date. The number of shares of the Registrant's common stock outstanding as of May 26, 2015 was 20,067,724 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its 2015 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Registrant's fiscal year ended March 31, 2015 are incorporated by reference into Part III of this report.

COLUMBUS McKINNON CORPORATION

2015 Annual Report on Form 10-K

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors set forth herein under "Risk Factors." We use words like "will," "may," "should," "plan," "believe," "expect," "anticipate," "intend," "future" and other s expressions to identify forward looking statements. These forward looking statements speak only as of their respective dates and we do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated changes. Our actual operating results could differ materially from those predicted in these forward-looking statements, and any other events anticipated in the forward-looking statements may not actually occur.

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PART I

Item 1. Business

General

We are a leading global designer, manufacturer and marketer of hoists, rigging tools, cranes, actuators, and other material handling products serving a wide variety of commercial and industrial end-user markets. Our products are used to efficiently and ergonomically move, lift, position and secure objects and loads. We are the U.S. market leader in hoists, our principal line of products, as well as certain chain, forged fittings, and actuator products which we believe provides us with a strategic advantage in selling other products. We have achieved this leadership position through strategic acquisitions, our extensive, diverse and well-established distribution channels and our commitment to product innovation and quality. We have one of the most comprehensive product offerings in the industry and we believe we have more overhead hoists in use in North America than all of our competitors combined. Additionally, we believe we are the market leader of manual hoist and actuator products in Europe, which provides us further opportunity to sell other products through our existing distribution channels in that region. Our products are sold globally and our brand names, including CM, Coffing, Chester, Duff-Norton, Pfaff, Shaw-Box, Unified, STB, and Yale, are among the most recognized and well-respected in the marketplace.

Our business is cyclical in nature and sensitive to changes in general economic conditions, including changes in the manufacturing industry capacity utilization, industrial production and general economic activity indicators, like GDP. Both U.S. and Eurozone capacity utilization are primary leading market indicators for our Company. U.S. industrial capacity utilization increased to 78.1% in March 2015, trending up slightly from 77.6% in March 2014 but down slightly from 78.9% in December 2014. Eurozone capacity utilization was 81.0% in the quarter ended March 31, 2015, an increase from 80.3% during both the quarters ended March 31, 2014 and December 31, 2014. The European indicator reflects the continued slow recovery from the 2013 recession in Europe, while the U.S. indicator demonstrates relative stability in the U.S industrial sector. In addition we follow the Emerging Markets Purchasing Managers' Index (PMI) for other countries in which we have a strong sales and marketing presence including China, Brazil, Mexico, South Africa and Russia.

Our Position in the Industry

We participate predominantly in the hoist, crane, and monorail sector. We believe that the demand for our products and services will be aided by several growth drivers. These drivers include:

Productivity - We believe businesses respond to competitive pressures by seeking to maximize productivity and efficiency, among other actions. Our hoists and other lifting and positioning products allow loads to be lifted and placed quickly, precisely, with little effort and fewer people, thereby increasing productivity and reducing cycle time. Further, emphasis on "Lean" techniques by many companies increases demand for our lifting and positioning products for use in single-piece flow workstation applications.

Safety - Driven by workplace safety regulations such as the Occupational Safety and Health Act (OSHA) and the Americans with Disabilities Act in the U.S. and other safety regulations around the world, and by the general competitive need to reduce costs such as health insurance premiums and workers' compensation expenses, businesses seek safer ways to lift and position loads. Our lifting and positioning products enable these tasks to be performed with reduced risk of personal injury.

Consolidation of Suppliers - In an effort to reduce costs and increase productivity, our channel partners and end-user customers are increasingly consolidating their suppliers. We believe that our broad product offering combined with our well established brand names will enable us to benefit from this consolidation and enhance our market share.

Our Competitive Strengths

Leading North American Market Positions - We are a leading manufacturer and marketer of hoists, alloy and high strength carbon steel chain and forged fittings, and actuators in North America. We have developed our leading market positions over our 140-year history by emphasizing safety, manufacturing excellence and superior service. Approximately 72% of our U.S. net sales for the year ended March 31, 2015 were from product categories in which we believe we hold the number one market share. We believe that the strength of our established products and brands and our leading market positions provide us with significant competitive advantages, including preferred supplier status with a majority of our largest channel partners and end user customers. Our large installed base of products also provides us with a significant competitive advantage in selling our products to existing customers as well as providing repair and replacement parts.

The following table summarizes the product categories where we believe we are the U.S. market leader:

Product Category	U.S. Market Share	U.S. Market Position	Percentage of U.S. Net Sales	
Hoist, Trolleys and Components (1)	40% - 45%	#1	60	%
Screw Jacks (2)	35% - 40%	#1	7	%
Tire Shredders (3)	50% - 55%	#1	3	%
Jib Cranes (4)	25% - 30%	#1	2	%
			72	%

(1) Market share and market position data are internal estimates derived from survey information collected and provided by our trade associations in 2014.

(2) Market share and market position data are internal estimates derived by comparison of our net sales to net sales of one of our competitors and to estimates of total market sales from a trade association in 2014.

(3) Market share and market position data are internal estimates derived by comparing the number of our tire shredders in use and their capacity to estimates of the total number of tires shredded published by a trade association in 2014.

(4) Market share and market position are internal estimates derived from both the number of bids we win as a percentage of the total projects for which we submit bids and from estimates of our competitors’ net sales based on their relative position in distributor catalog's in 2014.

Comprehensive Product Lines and Strong Brand Name Recognition - We believe we offer the most comprehensive product lines in the markets we serve. We offer training, engineering and design services to help channel partners and end users solve material handling problems. Most of our products are maintenance, repair and operating tools which work in conjunction with each other to create a complete lifting system. We complement our product offerings with training, engineering and design services to assist our channel partners and end-users in finding the optimal solution for their material handling needs. Our capability as a full-line supplier has allowed us to (i) provide our customers with “one-stop shopping” for material handling equipment, which meets some customers’ desires to reduce the number of their supply relationships in order to lower their costs, (ii) leverage our engineering, product development and marketing costs over a larger sales base and (iii) achieve purchasing efficiencies on common materials used across our product lines. No single SKU comprises more than 1% of our sales, a testament to our broad and diversified product offering.

In addition, our brand names, including Budgit, Chester, CM, Coffing, Duff-Norton, Little Mule, Pfaff, Shaw-Box, Unified, STB, and Yale, are among the most recognized and respected in the industry. The CM and Yale names have been synonymous with powered and manual hoists and were first developed and marketed under these brand names in the early 1900's. We believe that our strong brand name recognition and demonstrated performance have created customer loyalty and helps us maintain existing business, as well as capture additional business. We innovate and continually introduce new products to meet our changing customer needs. Products introduced or engineered for our customers during the last three fiscal years ended March 31, 2015 account for approximately 21.2% of our net sales.

Distribution Channel Diversity and Strength - Our products are sold to over 15,000 general and specialty distributors, end users and OEMs globally. We enjoy long-standing relationships with, and are a preferred provider to, the majority of our distributors and industrial buying groups. There has been consolidation among distributors of material handling equipment and we have benefited from this consolidation by maintaining and enhancing our relationships with leading distributors, as well as forming new relationships. We believe our extensive distribution channels provide a significant competitive advantage and allow us to effectively market new product line extensions and promote cross-selling. Our largest customer represents approximately 3% of our total net sales and our top 10 customers represent approximately 17% of our total net sales.

Expanding Non-U.S. Markets - We have significantly grown our non-U.S. sales since becoming a public company in 1996. Our non-U.S. sales have grown from $34,300,000 (representing 16% of total sales) in fiscal 1996 to $244,033,000 (representing 42% of our total sales) during the year ended March 31, 2015. This growth has occurred primarily in Europe, Latin America and Asia-Pacific. We have nine sales offices in China to sell into this growing industrial market and eight sales offices in Latin America. Our non-U.S. business has provided us, and we believe will continue to provide us, with significant growth opportunities and new markets for our products.

"Non-U.S. sales" as expressed throughout Items 1 and 7 of this Form 10-K, are defined as sales to customers located outside of the United States.

Efficient Operations with Low-Cost Structure - We are extremely focused on optimizing our cost structure and have taken a number of steps towards reducing our costs, including: consolidating facilities, promoting a “Lean” culture, manufacturing in low cost jurisdictions, coordinating purchasing activities across the organization and selectively outsourcing non-critical functions. The actions we have taken to date have eliminated fixed costs from our operations and provided us with significant operating leverage as the economic conditions in our markets continue to improve.

- Rationalization and Consolidation - We have consolidated many manufacturing facilities resulting in lower annual operating costs and improving our fixed-variable cost relationship. During the year ended March 31, 2015 we developed a plan to consolidate two European facilities. We expect this plan to be completed by the end of June 2015.

- Lean Culture - We have been applying “Lean” techniques since 2001 and our efforts have resulted in increased inventory turns, reduced manufacturing floor space, and an improvement in productivity and on-time deliveries. We have witnessed the benefits of “Lean” principles in our manufacturing operations and are now working to develop a “Lean” culture throughout our organization—improving our processes and reducing waste in all forms in all of our business activities.

- Expansion Outside the U.S. - Our continued expansion of our manufacturing facilities in China and Europe provides us with a cost efficient platform to manufacture and distribute certain of our products and components. We now operate 18 principal manufacturing facilities in 7 countries, with 37 stand-alone sales and service offices in 23 countries and 11 warehouse facilities in 5 countries.

- Consolidated Purchasing Activities - We continue to leverage our company-wide purchasing power through our commodity management teams that reduce our costs and manage fluctuations in commodity pricing, including steel.

- Selective Integration and Outsourcing - We manufacture many of the critical parts and components used in the manufacture of our hoists and lifting systems, resulting in reduced costs. We also continue to evaluate outsourcing opportunities for non-critical operations and components.

Strong After-Market Sales and Support - We believe that we retain customers and attract new customers due to our ongoing commitment to customer service and ultimate satisfaction. We have a large installed base of hoists and rigging tools that drives our after-market sales for replacement units and components and repair parts. We maintain strong relationships with our distribution channel partners and provide prompt service to end-users of our products through our authorized network of 16 chain repair stations and over 250 certified hoist service and repair stations globally. We also work closely with end users to design the appropriate lifting systems using our products to help them solve their material handling problems.

We also provide a wide variety of training and certification programs to the users of our products. These training and certification programs include crane inspection and operation training and certification, hoist inspection and repair training and certification, various rigging training courses, load securement training, and CM entertainment technology equipment training and certification classes. In addition to our training classes, we offer free monthly safety webinars to Channel Partners and end-users. These webinars are designed to provide information and promote best practices on the proper use, installation, inspection and maintenance for a variety of material handling products.

Consistent Free Cash Flow Generation and Access to Capital—We have consistently generated positive free cash flow (which we define as net cash provided by operating activities less capital expenditures) through periods of economic uncertainty by continually controlling our costs, improving our working capital management and reducing the capital intensity of our manufacturing operations. During fiscal 2015, we significantly enhanced our capital structure. We refinanced our 7 7/8% Senior Subordinated Notes due in 2019 with a $125 million term loan which has a considerably lower interest rate than the notes. We expect to save over $7,600,000 in interest annually based on this refinancing. Refer to Note 12 of the consolidated financial statements for additional information regarding our debt. Further we entered into a new $150 million revolving credit facility replacing our previous $100 million facility. This capital structure allows us to manage our liquidity in a low cost manner while maintaining flexibility to pursue attractive strategic growth opportunities.

Experienced Management Team with Equity Ownership - Our senior management team provides significant depth and continuity of experience in the material handling industry, supplemented by expertise in growing businesses, aggressive cost management, balance sheet management, efficient manufacturing techniques, acquiring and integrating businesses and global operations. This diverse experience has been critical to our success to date and will be instrumental to our long-term growth. Our directors and management promote the ownership of company stock by the executive officers and directors to align the interests of our leadership team with those of our stakeholders.

Our Strategy

Invest in New Products and Targeted Markets. We intend to leverage our competitive advantages to increase our market shares across all of our product lines and geographies by:

- Introducing New Products—We continue to expand our business by developing new products and services and expanding the breadth of our products to address the material handling needs of our customers. We design our powered hoist products to meet applicable standards such as ASME, FEM, DIN and other region-specific/application-specific standards to maximize product utility across global markets. We employ the StageGate process to enhance discipline and focus in our new product development program. New product sales (defined as new products introduced within the last three years and products engineered for our customers) amounted to $123,000,000 in the fiscal year ended March 31, 2015, or 21.2% of total sales exceeding our goal of having new products amounting to at least 20% of total sales.

- Leveraging Our Distribution Channel Relationships and Vertical Market Knowledge—Our large, diversified, global customer base, our extensive distribution channels and our close relationships with end-users and channel partners provide us with insights into customer preferences and product requirements that allow us to anticipate and address the future needs of the marketplace. We are also investing in key vertical markets that will help us increase our revenues.

- Broadening Our Product Offering—Developing and offering a broad range of products to our channel partners is an important element of our strategy. Industrial channel partners offer a broad array of industrial components that are used by many end-user markets. We continue to review and add new material handling products to broaden our offerings.

Continue to Grow in Non-U.S. Markets - Our non-U.S. sales of $244,033,000 comprised 42% of our net sales for the year ended March 31, 2015, as compared with $251,902,000, or 43% in fiscal 2014 and as compared to 16% of our net sales in fiscal 1996, the year we became a public company. Foreign currency translation unfavorably impacted sales by $12,843,000 during fiscal 2015. Although we have made significant progress, our goal is to continue to increase our presence outside the U.S to capitalize on the higher growth opportunities and continue to diversify our business profile. We presently sell to distributors in over 50 countries and have our primary non-U.S. manufacturing facilities in China, Germany, the United Kingdom, Hungary, Mexico and France. In addition to new product introductions, we continue to expand our sales and service presence in the major and developing market areas of Asia-Pacific, Europe, and Latin America and have sales offices and warehouse facilities in Canada, various countries in Western and Eastern Europe, China, Thailand, Brazil, Uruguay, Panama and Mexico. We intend to increase our sales in Asia-Pacific by manufacturing a broader array of high quality, low-cost products and components in China. We have developed and are continuing to expand our development of hoist and other products in compliance with global standards and international designs to enhance our global distribution.

Focus on Operational Excellence - Our objective is to provide the highest quality products and services at prices consistent with the value created for our customers. We continually evaluate our costs with a focus to reduce our costs. Our view is that a market-focused sales and marketing effort along with low operating costs will prove to be successful for both our customers and for the Company. We continually seek ways to reduce our operating costs and increase our manufacturing productivity, while improving our quality. Ongoing programs include our efforts to further develop our "Lean" culture throughout the organization, the expansion of our facilities in China, our continued search for new ways to leverage our purchasing power through combined sourcing and the continued focus on enhancing the efficiency of our global supply chain.

Pursue Strategic Acquisitions and Alliances; Evaluate Existing Business Portfolio - We intend to pursue synergistic acquisitions to complement our organic growth. Priorities for such acquisitions include: i. increasing international geographic penetration, particularly in the Asia-Pacific region and other emerging markets, and ii. further broadening our offering with complementary products. Additionally, we continually challenge the long-term fit of our businesses for potential divestiture and redeployment of capital.

Our Business

ASC Topic 280 "Segment Reporting" establishes the standards for reporting information about operating segments in financial statements. We provide our products and services through one operating and reportable segment.

We design, manufacture and distribute a broad range of material handling products for various applications. Products include a wide variety of electric, air-powered, lever, and hand hoists, hoist trolleys, winches, industrial crane systems such as steel bridge, gantry and jib cranes and aluminum work station cranes ; alloy and carbon steel chain; forged attachments, such as hooks, shackles, textile slings, clamps, logging tools and load binders; mechanical and electromechanical actuators and rotary unions; below-the-hook special purpose lifters and tire shredders. These products are typically manufactured for stock or assembled to order from standard components and are sold primarily through a variety of commercial distributors and to a lesser extent, directly to end-users. The diverse end-users of our products are in a variety of industries including manufacturing, power generation and distribution, utilities, wind power, warehouses, commercial construction, oil and gas exploration and refining, petrochemical, marine, ship building, transportation and heavy duty trucking, agriculture, logging and mining. We also serve a niche market for the entertainment industry including permanent and traveling concerts, live theater and sporting venues.

Products

Nearly 80% of our net sales are derived from the sale of products that we sell at a unit price of less than $5,000. Of our fiscal 2015 sales, $335,610,000 or 58% were U.S. and $244,033,000, or 42% were non-U.S. The following table sets forth certain sales data for our products, expressed as a percentage of net sales for fiscal 2015 and 2014:

	Fiscal Years Ended March 31,			
	2015		2014	
Hoists	68	%	69	%
Chain and rigging tools	13		13	
Industrial cranes	5		3	
Actuators and rotary unions	12		13	
Other	2		2	
	100	%	100	%

Hoists - We manufacture a wide variety of electric chain hoists, electric wire rope hoists, hand-operated hoists, winches, lever tools and air-powered hoists. Load capacities for our hoist product lines range from one-eighth of a ton to 80 tons. These products are sold under our Budgit, Chester, CM, Coffing, Little Mule, Pfaff, Shaw-Box, Yale and other recognized brands. Our hoists are sold for use in numerous general industrial applications, as well as for use in the construction, energy, mining, food services, entertainment and other markets. We also supply hoist trolleys, driven manually or by electric motors, that are used in conjunction with hoists.

We also offer several lines of standard and custom-designed, below-the-hook tooling, clamps, and textile strappings. Below-the-hook tooling, textile and chain slings and associated forgings, and clamps are specialized lifting apparatus used in a variety of lifting activities performed in conjunction with hoisting or lifting applications.

Chain and Rigging Tools - We manufacture alloy and carbon steel chain for various industrial and consumer applications. U.S. federal regulations require the use of alloy chain, which we first developed, for overhead lifting applications because of its strength and wear characteristics. A line of our alloy chain is sold under the Herc-Alloy™ brand name for use in overhead lifting, pulling and restraining applications. In addition, we also sell specialized load chain for use in hoists, as well as three grades and multiple sizes of carbon steel welded-link chain for various load securing and other non-overhead lifting applications.

We produce a broad line of alloy and carbon steel closed-die forged chain attachments, including hooks, shackles, Hammerloks™, and master links. These forged attachments are used in chain, wire rope and textile rigging applications in a variety of industries, including transportation, mining, construction, marine, logging, petrochemical and agriculture.

Our recent acquisition of Stahlhammer Bommern GmbH (STB) expands our rigging tool offering by adding a variety of eye, shank and ramshorn lifting hooks and deepens our exposure to targeted global vertical markets, such as Oil & Gas, Mining, Construction and Heavy Equipment industries. We plan to further extend STB's product reach through our established global sales and distribution network.

In addition, we manufacture carbon steel forged and stamped products, such as load binders, logging tools and other securing devices, for sale to the industrial and logging markets through industrial distributors, hardware distributors, mass merchandiser outlets and OEMs.

Industrial Cranes - We participate in the U.S. crane manufacturing and servicing markets through our offering of overhead bridge, jib and gantry cranes. Our products are sold under the CES, Abell-Howe and Washington Equipment brands. Crane builders represent a specific distribution channel for electric wire rope hoists, chain hoists and other crane components.

Actuators and Rotary Unions - Through our Duff-Norton and Pfaff divisions, we design and manufacture industrial components such as mechanical and electromechanical actuators and rotary unions. Actuators are linear motion devices used in a variety of industries, including the transportation, paper, steel, energy, aerospace and many other commercial industries. Rotary unions are devices that transfer a liquid or gas from a fixed pipe or hose to a rotating drum, cylinder or other device. Rotary unions are used in a variety of industries including pulp and paper, printing, textile and fabric manufacturing, rubber and plastic.

Overhead light rail workstations - With our acquisition of Unified Industries, Inc in the prior year, we manufacture and market overhead aluminum light rail workstations primarily used in automotive and other industrial applications. Our products are sold under the Unified brand name.

Other - This category primarily includes tire shredders. We have developed and patented a line of heavy equipment that shred whole tires, for use in recycling the various components of a tire including: rubber and steel. These recycled products also can be used as aggregate, playgrounds, sports surfaces, landscaping and other such applications, as well as scrap steel.

Sales and Marketing

Our sales and marketing efforts consist of the following programs:

Factory-Direct Field Sales and Customer Service - We sell our products through our sales force of more than 131 sales people and through independent sales agents worldwide. We compensate our sales force through a combination of base salary and a commission plan based on top line sales and a pre-established sales quota.

Product Advertising - We promote our products by advertising in leading trade journals as well as producing and distributing high quality information catalogs. We place targeted advertisements for hoists, chain, forged attachments, actuators, and cranes in key industrial publications.

Target Marketing - We provide marketing literature to target specific end-user market sectors including entertainment, construction, energy, mining, and others. This literature displays our broad product offering applicable to those sectors to enhance awareness at the end-user level within those sectors. We also employ vertical market specialists to support our field sales force to assist our customers with solving their material handling application needs.

Trade Show Participation - Trade shows are an effective way to promote our products to distributors and end users. Shows can range in size from distributor “open houses” to large, global shows such as CeMAT held in Hanover, Germany. Through partnerships with our distributors, we have expanded our reach to the end user while strengthening our distribution network. In fiscal 2015, we focused primarily on shows related to vertical markets. Examples include: OTC (US) for oil & gas, MINExpo (US) for mining industry, LDI (US) for the entertainment industry, PALM Expo (China) for the entertainment industry, Promat (US) and CEMAT ASIA for material handling, automation, transport/logistics industries, Prolight & Sound (Germany) for industrial equipment, Plasa (UK) for entertainment, Mecânica (Brazil) for automation and process controls, Rio for oil & gas (Brazil) and Expo Manejo de Materiales y Logística (Mexico) for handling of materials and logistics.

Industry Association Membership and Participation - As a recognized industry leader, we have a long history of work and participation in a variety of industry associations. Our management is directly involved in numerous industry associations including the following: ISA (Industrial Supply Association), AWRF (Associated Wire Rope Fabricators), PTDA (Power Transmission and Distributors Association), SCRA (Specialty Carriers and Riggers Association), WSTDA (Web Sling and Tie Down Association), MHI (Material Handling Institute), HMI (Hoist Manufacturers Institute), CMAA (Crane Manufacturers Association of America), ESTA (Entertainment Services and Technology Association), NACM (National Association of Chain Manufacturers), and ASME (American Society of Mechanical Engineers).

Product Standards and Safety Training Classes - We conduct on-site training and certification programs worldwide for distributors and end-users to promote and reinforce the attributes of our products and their safe use and operation in various material handling applications. These training and certification programs include crane inspection and operation training and certification, hoist inspection and repair training and certification, various rigging training courses, load securement training, and entertainment technology equipment training and certification classes.

CMCO University - Launched in September 2013, CMCO University consists of several training programs designed to give our Channel Partners intimate knowledge of Columbus McKinnon products. Held at the Columbus McKinnon Niagara Training Center and other locations in Latin America and Europe, this program consists of classroom and hands-on training aimed at providing the sales and product information our Channel Partners need to select the right product for their end-users application and the tools to win in the marketplace.

Web Sites - Our main corporate web site www.cmworks.com supports the Company’s broad product offering providing product data, maintenance manuals and related information for the brands within our product portfolio. The sites also provide detailed search and simultaneous product comparisons, the ability to submit “Requests for Quotations” and allows users the ability to chat live with a member of our customer service department. In addition to our main site we maintain an additional 20 sites supporting various product lines, industry segments and geographies. Distributors also have access to a secure, extranet portal website allowing them to enter sales orders, search pricing information, check order status, and product serial number information.

Distribution and Markets

Our distribution channels include a variety of commercial distributors. In addition, we sell overhead bridge, jib and gantry cranes and aluminum light rail systems as well as certain motion technology products directly to end-users. The following describes our global distribution channels:

General Distribution Channels - Our global general distribution channels consist of:

— Industrial distributors that serve local or regional industrial markets and sell a variety of products for maintenance repair, operating and production, or MROP, applications through their own direct sales force.

— Rigging shops that are distributors with expertise in rigging, lifting, positioning and load securing. Most rigging shops assemble and distribute chain, wire rope and synthetic slings and distribute manual hoists and attachments, chain slings and other products.

— Independent crane builders that design, build, install and service overhead crane and light-rail systems for general industry and also distribute a wide variety of hoists and crane components. We sell electric wire rope hoists and chain hoists as well as crane components, such as end trucks, trolleys, drives and electrification systems to crane builders.

Specialty Distribution Channels - Our global specialty distribution channels consist of:

— National and regional distributors that market a variety of MROP supplies, including material handling products, either exclusively through large, nationally distributed catalogs, or through a combination of catalog, internet and branch sales and a field sales force.

— Material handling specialists and integrators that design and assemble systems incorporating hoists, overhead rail systems, trolleys, scissor lift tables, manipulators, air balancers, jib arms and other material handling products to provide end-users with solutions to their material handling problems.

— Entertainment equipment distributors that design, supply and install a variety of material handling and rigging equipment for concerts, theaters, ice shows, sporting events, convention centers and night clubs.

Pfaff International Direct - Our German-based Pfaff business markets and sells most of its actuators direct to end-users, providing an additional method to market for us in the European region.

Crane End-Users - We market and sell overhead bridge, jib and gantry cranes, parts and service to end-users through our wholly owned crane builder, Crane Equipment & Service, Inc. (“CES”). CES which includes Abell-Howe and Washington Equipment brands designs, manufactures, installs and services a variety of cranes with capacities up to 100 tons.

Service-After-Sale Distribution Channel - Service-after-sale distributors include our authorized network of 16 chain repair service stations and over 250 certified hoist service and repair stations globally. This service network is designed for easy parts and service access for our large installed base of hoists and related equipment in that region.

OEM/Government Distribution Channels - This channel consists of:

- OEMs that supply various component parts directly to other industrial manufacturers as well as private branding and packaging of our traditional products for material handling, lifting, positioning and special purpose applications.

- Government agencies, including the U.S. and Canadian Navies and Coast Guards, that purchase primarily load securing chain and forged attachments. We also provide our products to the U.S. and other governments for a variety of military applications.

Customer Service and Training

We maintain customer service departments staffed by trained personnel for all of our sales divisions, and regularly schedule product and service training schools for all customer service representatives and field sales personnel. Training programs for distribution and service station personnel, as well as for end-users, are scheduled on a regular basis at most of our facilities and in the field. We have over 250 service and repair stations worldwide that provide local and regional repair, warranty and general service work for distributors and end-users. End-user trainees attending our various programs include representatives of 3M, DuPont, General Electric, and many other industrial and entertainment organizations.

We also provide, in multiple languages, a variety of collateral material in video, CD-ROM, slide and print format addressing relevant material handling topics such as the care, use and inspection of chains and hoists, and overhead lifting and positioning safety. In addition, we sponsor advisory boards made up of representatives of our primary distributors and service-after-sale network members who are invited to participate in discussions focused on improving products and service. These boards enable us and our primary distributors to exchange product and market information relevant to industry trends.

Backlog

Our backlog of orders at March 31, 2015 was approximately $85,170,000 compared to approximately $86,801,000 at March 31, 2014. Our orders for standard products are generally shipped within one week. Orders for products that are manufactured to customer specifications are generally shipped within four to twelve weeks. Given the short product lead times, we do not believe that the amount of our backlog of orders is a reliable indication of our future sales. Fluctuations in backlog reflect the project oriented nature of certain aspects of our business.

Competition

The material handling industry remains highly fragmented. We face competition from a wide range of regional, national and international manufacturers globally. In addition, we often compete with individual operating units of larger, highly diversified companies.

The principal competitive factors affecting our business include customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Other important factors include distributor relationships and territory coverage.

Major competitors for hoists are Konecranes, Terex (acquired Demag Cranes) and Kito (and its U.S. subsidiary Harrington); for chain are Campbell Chain, Peerless Chain Company and American Chain and Cable Company; for forged attachments are The Crosby Group and Brewer Tichner Company; for cranes are Konecranes, Terex (acquired Demag Cranes) and a variety of independent crane builders; for actuators and rotary unions are Deublin, Joyce-Dayton and Nook Industries; and for tire shredders is Granutech.

Employees

At March 31, 2015, we had 2,747 employees; 1,446 in the U.S./Canada, 133 in Latin America, 943 in Europe and 225 in Asia. Approximately 13% of our employees are represented under four separate U.S. or Canadian collective bargaining agreements which terminate at various times between August 2016 and April 2018. We also have various labor agreements with our non-U.S. employees which we negotiate from time to time. We believe that our relationship with our employees is good and that the risk of a disruption in production related to these negotiations is remote.

Raw Materials and Components

Our principal raw materials and components are steel, consisting of structural steel, processed steel bar, forging bar steel, steel rod and wire, steel pipe and tubing and tool steel; electric motors; bearings; gear reducers; castings; and electro-mechanical components. These commodities are all available from multiple sources. We purchase most of these raw materials and components from a limited number of strategic and preferred suppliers under long-term agreements which are negotiated on a company-wide basis through our global purchasing group to take advantage of volume discounts. We generally seek to pass on materials price increases to our channel partners and end-user customers. We continue to monitor our costs and reevaluate our pricing policies. Our ability to pass on these increases is determined by market conditions.

Hedging Activities

We use derivative instruments to manage selected foreign currency and interest rate risk exposures. The Company does not use derivative instruments for speculative trading purposes.

We use foreign currency forward agreements to i) hedge changes in the value of booked foreign currency liabilities due to changes in foreign exchange rates at the settlement date and ii) to hedge a portion of forecasted inventory purchases denominated in a foreign currency. We use interest rate swaps to maintain the Company's desired capital structure which is comprised of 50-70% of fixed rate long-term debt and 30-50% of variable rate long-term debt.

Manufacturing

We complement our own manufacturing by outsourcing components and finished goods from an established global network of suppliers. We regularly upgrade our global manufacturing facilities and invest in tooling, equipment and technology.

Our manufacturing operations are highly integrated. Although raw materials and some components such as motors, bearings, gear reducers, castings and electro-mechanical components are purchased, our vertical integration enables us to produce many of the components used in the manufacturing of our products. We manufacture hoist lifting chain, steel forged gear blanks, lift wheels, trolley wheels, overhead light rail workstations, and hooks and other attachments for incorporation into our hoist products. These products are also sold as spare parts for hoist repair. Additionally, our hoists are used as components in the manufacture of crane systems by us as well as our crane-builder customers.

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Environmental and Other Governmental Regulation

Like most manufacturing companies, we are subject to various federal, state and local laws relating to the protection of the environment. To address the requirements of such laws, we have adopted a corporate environmental protection policy which provides that all of our owned or leased facilities shall, and all of our employees have the duty to comply with all applicable environmental regulatory standards, and we have initiated an environmental auditing program for our facilities to ensure compliance with such regulatory standards. We have also established managerial responsibilities and internal communication channels for dealing with environmental compliance issues that may arise in the course of our business. We have made and could be required to continue to make significant expenditures to comply with environmental requirements. Because of the complexity and changing nature of environmental regulatory standards, it is possible that situations will arise from time to time requiring us to incur additional expenditures to ensure environmental regulatory compliance. However, we are not aware of any environmental condition or any operation at any of our facilities, either individually or in the aggregate, which would cause expenditures having a material adverse effect on our results of operations, financial condition or cash flows.

We notified the North Carolina Department of Environment and Natural Resources (the "DENR") in April 2006 of the presence of certain contaminants in excess of regulatory standards at our facility in Wadesboro, North Carolina. We filed an application with the DENR to enter its voluntary cleanup program and were accepted. We investigated under the supervision of a DENR Registered Environmental Consultant ("the REC") and have commenced voluntary clean-up at the facility. At this time, additional remediation costs are not expected to exceed the accrued balance of $109,000.

We have been a part of the Pendleton Site PRP Group since about 1993. Many years ago, we sent pickle liquor wastes from Tonawanda, NY to the Pendleton Site for treatment and disposal. The Pendleton Site PRP Group signed an Order on Consent with the NYS DEC in 1996 and the cleanup was concluded in the early 2000s. The Order on Consent required a post-construction operation and maintenance period of 30 years and we are required to pay our share of the costs associated with the operation and maintenance period. These annual costs are approximately $50,000 of which we pay 13.4% or $6,700. Reserves on the books are sufficient to cover these costs for the remainder of the operations and maintenance period.

For all of the currently known environmental matters, we have accrued as of March 31, 2015 a total of $262,000 which, in our opinion, is sufficient to deal with such matters. Further, we believe that the environmental matters known to, or anticipated by us should not, individually or in the aggregate, have a material adverse effect on our operating results or financial condition. However, there can be no assurance that potential liabilities and expenditures associated with unknown environmental matters, unanticipated events, or future compliance with environmental laws and regulations will not have a material adverse effect on us.

Our operations are also governed by many other laws and regulations, including those relating to workplace safety and worker health, principally OSHA in the U.S. and others outside the U.S. and regulations thereunder. We believe that we are in substantial compliance with these laws and regulations and do not believe that future compliance with such laws and regulations will have a material adverse effect on our operating results, financial condition, or liquidity.

Available Information

Our internet address is www.cmworks.com. We make available free of charge through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission.

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Item 1A. Risk Factors

Columbus McKinnon is subject to a number of risk factors that could negatively affect our results from business operations or cause actual results to differ materially from those projected or indicated in any forward looking statement. Such factors include, but are not limited to, the following:

Adverse changes in global economic conditions may negatively affect our industry, business and results of operations.

During the last five years, financial markets in the United States, Europe and Asia have experienced substantial disruption including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address these market conditions and the extent to which such government actions may prove effective remains unclear. The future economic environment may worsen.

Our industry is affected by changes in economic conditions outside our control, which can result in a general decrease in product demand from our customers. Such economic developments may affect our business in a number of ways. Reduced demand may drive us and our competitors to offer products at promotional prices, which would have a negative impact on our profitability. In addition, the tightening of credit in financial markets may adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in, or cancellation of, orders for our products. If demand for our products slows down or decreases, we will not be able to maintain our revenues and we may run the risk of failing to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Reduced revenues as a result of decreased demand may also reduce our planned growth and otherwise hinder our ability to improve our performance in connection with our long term strategy.

Our business is cyclical and is affected by industrial economic conditions.

Many of the end-users of our products are in highly cyclical industries, such as manufacturing, power generation and distribution, commercial construction, oil and gas exploration and refining, transportation, agriculture, logging, and mining that are sensitive to changes in general economic conditions. Their demand for our products, and thus our results of operations, is directly related to the level of production in their facilities, which changes as a result of changes in general economic conditions and other factors beyond our control. If there is deterioration in the general economy or in the industries we serve, our business, results of operations and financial condition could be materially adversely affected. In addition, the cyclical nature of our business could at times also adversely affect our liquidity and ability to borrow under our revolving credit facility.

Our business is highly competitive and subject to consolidation of competitors. Increased competition could reduce our sales, earnings, and profitability.

The principal markets that we serve within the material handling industry are fragmented and highly competitive. Competition is based primarily on customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross margins and net income.

The greater financial resources or the lower amount of debt of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Certain competitors may also have the ability to develop product or service innovations that could put us at a disadvantage. In addition, through consolidation, some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate. If we are unable to compete successfully against other manufacturers of material handling equipment, we could lose customers and our revenues may decline. There can also be no assurance that customers will continue to regard our products favorably, that we will be able to develop new products that appeal to customers, that we will be able to improve or maintain our profit margins on sales to our customers or that we will be able to continue to compete successfully in our core markets.

Our operations outside the U.S. pose certain risks that may adversely impact sales and earnings.

We have operations and assets located outside of the United States, primarily in China, Mexico, Germany, the United Kingdom, France, and Hungary. In addition, we import a portion of our hoist product line from Asia, and sell our products to distributors located in approximately 50 countries. In our fiscal year ended March 31, 2015, approximately 42% of our net sales were derived from non-U.S. markets. These non-U.S. operations are subject to a number of special risks, in addition to the risks of our U.S. business, differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, U.S. and foreign customs and tariffs, current and changing regulatory environments, difficulty in obtaining distribution support, difficulty in staffing and managing widespread operations, differences in the availability and terms of financing, political instability and risks of increases in taxes. Also, in some foreign jurisdictions we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. These factors may adversely affect our future profits.

Part of our strategy is to expand our worldwide market share and reduce costs by strengthening our international distribution capabilities and sourcing components in lower cost countries, in particular in China, Mexico, and Hungary. Implementation of this strategy may increase the impact of the risks described above, and we cannot assure you that such risks will not have an adverse effect on our business, results of operations or financial condition.

Our strategy depends on successful integration of acquisitions.

Acquisitions are a key part of our growth strategy. Our historical growth has depended, and our future growth is likely to depend on our ability to successfully implement our acquisition strategy, and the successful integration of acquired businesses into our existing business. We intend to continue to seek additional acquisition opportunities in accordance with our acquisition strategy, both to expand into new markets and to enhance our position in existing markets throughout the world. If we are unable to successfully integrate acquired businesses into our existing business or expand into new markets, our sales and earnings growth could be reduced.

Our products involve risks of personal injury and property damage, which exposes us to potential liability.

Our business exposes us to possible claims for personal injury or death and property damage resulting from the products that we sell. We maintain insurance through a combination of self-insurance retentions and excess insurance coverage. We monitor claims and potential claims of which we become aware and establish accrued liability reserves for the self-insurance amounts based on our liability estimates for such claims. We cannot give any assurance that existing or future claims will not exceed our estimates for self-insurance or the amount of our excess insurance coverage. In addition, we cannot give any assurance that insurance will continue to be available to us on economically reasonable terms or that our insurers would not require us to increase our self-insurance amounts. Claims brought against us that are not covered by insurance or that are in excess of insurance coverage could have a material adverse effect on our results, financial condition, or liquidity.

In addition, like many industrial manufacturers, we are also involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, we estimate our share of liability to defend and resolve probable asbestos related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. We continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable. We believe that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period. See Note 16 to our March 31, 2015 consolidated financial statements included in Item 8 of this form 10K.

As indicated above, our self-insurance coverage is effected through our captive insurance subsidiary. The reserves of our captive insurance subsidiary are subject to periodic adjustments based upon actuarial evaluations, which adjustments impact our overall results of operations. These periodic adjustments can be favorable or unfavorable.

We are subject to currency fluctuations from our sales outside the U.S.

Our products are sold in many countries around the world. Thus, a portion of our revenues (approximately $244,033,000 in our fiscal year ended March 31, 2015) are generated in foreign currencies, including principally the euro, the British Pound, the Canadian dollar, and the Brazilian real, and while much of the costs incurred to generate those revenues are incurred in the same currency, a portion is incurred in other currencies. Since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on our earnings. Currency fluctuations may impact our financial performance in the future.

Our future operating results may be affected by fluctuations in steel or other material prices. We may not be able to pass on increases in raw material costs to our customers.

The principal raw material used in our chain, forging and crane building operations is steel. The steel industry as a whole is highly cyclical, and at times pricing and availability can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our raw material costs. In an environment of increasing raw material prices, competitive conditions will determine how much of the steel price increases we can pass on to our customers. During historical rising cost periods, we were generally successful in adding and maintaining a surcharge to the prices of our high steel content products or incorporating them into price increases, with a goal of margin neutrality. In the future, to the extent we are unable to pass on any steel price increases to our customers, our profitability could be adversely affected.

We rely in large part on independent distributors for sales of our products.

For the most part, we depend on independent distributors to sell our products and provide service and aftermarket support to our end-user customers. Distributors play a significant role in determining which of our products are stocked at their locations, and hence are most readily accessible to aftermarket buyers, and the price at which these products are sold. Almost all of the distributors with whom we transact business offer competitive products and services to our end-user customers. For the most part, we do not have written agreements with our distributors. The loss of a substantial number of these distributors or an increase in the distributors' sales of our competitors' products to our ultimate customers could materially reduce our sales and profits.

We are subject to various environmental laws which may require us to expend significant capital and incur substantial cost.

Our operations and facilities are subject to various federal, state, local and foreign requirements relating to the protection of the environment, including those governing the discharges of pollutants in the air and water, the generation, management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We have made, and will continue to make, expenditures to comply with such requirements. Violations of, or liabilities under, environmental laws and regulations, or changes in such laws and regulations (such as the imposition of more stringent standards for discharges into the environment), could result in substantial costs to us, including operating costs and capital expenditures, fines and civil and criminal sanctions, third party claims for property damage or personal injury, clean-up costs or costs relating to the temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years, and we have remediated contamination at some of our facilities. Over time, we and other predecessor operators of such facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Additional environmental liabilities could exist, including clean-up obligations at these locations or other sites at which materials from our operations were disposed, which could result in substantial future expenditures that cannot be currently quantified and which could reduce our profits or have an adverse effect on our financial condition, operations, or liquidity.

We rely on subcontractors or suppliers to perform their contractual obligations.

Some of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by our subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. A delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

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We are subject to debt covenant restrictions.

Our revolving credit facility and Term Loan contain several financial and other restrictive covenants. A significant decline in our operating income or cash generating ability could cause us to violate our leverage or fixed charge coverage ratios in our bank credit facility. This could result in our being unable to borrow under our bank credit facility or being obliged to refinance and renegotiate the terms of our bank indebtedness.

We depend on our senior management team and the loss of any member could adversely affect our operations.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed.

We continually evaluate and assess our personnel and may make additional changes to the members or assignments of our senior management team in the future.

We have not entered into employment agreements with any of our senior management personnel with the exception of Dr. Ivo Celi, our Vice President, EMEA.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

We maintain our corporate headquarters in Amherst, New York and, as of March 31, 2015, conducted our principal manufacturing at the following facilities:

Location		Products/Operations	Square Footage	Owned or Leased
1	Wadesboro, NC	Hoists	180,000	Owned
2	Lexington, TN	Chain	164,000	Owned
3	Asia operation:			
	Hangzhou, China	Hoists	70,000	Owned
	Hangzhou, China	Hoists	82,000	Owned
4	Charlotte, NC	Actuators and Rotary Unions	146,000	Leased
5	Tennessee forging operation:			
	Chattanooga, TN	Forged attachments	81,000	Owned
	Chattanooga, TN	Forged attachments	59,000	Owned
6	Wuppertal, Germany	Hoists	124,000	Leased
7	Kissing, Germany	Hoists, winches, and actuators	107,000	Leased
8	Damascus, VA	Hoists	97,000	Owned
9	Eureka, IL	Cranes	91,000	Owned
10	Ohio hoist operation:			
	Salem, OH	Hoists	49,000	Leased
	Lisbon, OH	Hoists and below-the-hook tooling	37,000	Owned
11	Hamm, Germany	Lifting tools and forged parts	82,000	Owned
12	Chester, England	Plate clamps	56,000	Owned
13	Santiago Tianguistenco, Mexico	Hoists	54,000	Owned
14	Howell, MI	Overhead light rail workstations	35,000	Leased
15	Sarasota, FL	Tire shredders	25,000	Owned
16	Szekesfehervar, Hungary	Textiles and textile strappings	24,000	Leased
17	Heilbronn, Germany **	Actuators	23,000	Leased
18	Romeny-sur-Marne, France	Rotary unions	22,000	Owned

**Facility will be closed and consolidated into the Kissing, Germany facility during fiscal 2016.

In addition, we have a total of 48 sales offices, distribution centers and warehouses. We believe that our properties have been adequately maintained, are in generally good condition and are suitable for our business as presently conducted. We also believe our existing facilities provide sufficient production capacity for our present needs and for our anticipated needs in the foreseeable future. Upon the expiration of our current leases, we believe that either we will be able to secure renewal terms or enter into leases for alternative locations at market terms.

Item 3. Legal Proceedings

From time to time, we are named a defendant in legal actions arising out of the normal course of business. We are not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business. We do not believe that any of our pending litigation will have a material impact on our business. We maintain comprehensive general product liability insurance against risks arising out of the use of our products sold to customers through our wholly-owned New York State captive insurance subsidiary of which we are the sole policy holder. The per occurrence limits on the self-insurance for general and product liability coverage were $2,000,000 from inception through fiscal 2003 and $3,000,000 for fiscal 2004 and thereafter. In addition to the per occurrence limits, our coverage is also subject to an annual aggregate limit, applicable to losses only. These limits range from $2,000,000 to $6,000,000 for each policy year from inception through fiscal 2015. We obtain additional insurance coverage from independent insurers to cover potential losses in excess of these limits.

Like many industrial manufacturers, we are also involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Because this liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period. See Note 16 to our March 31, 2015 consolidated financial statements for more information on our asbestos claims.

Item 4. Mine Safety Disclosures.

Not Applicable.

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PART II

Item 5. Market for the Company’s Common Stock and Related Security Holder Matters

Our common stock is traded on the Nasdaq Global Select Market under the symbol ‘‘CMCO.” As of April 30, 2015, there were 484 holders of record of our common stock.

During fiscal 2015, the Company initiated and paid a quarterly cash dividend of $0.04 per common share totaling $3,191,000. On March 30, 2015, the Company's Board of Directors declared the payment a regular quarterly dividend of $0.04 per common share. The dividend was paid on May 18, 2015 to shareholders of record on May 8, 2015 and totaled approximately $800,000.

Our current credit agreement allows, but limits our ability to pay dividends.

The following table sets forth, for the fiscal periods indicated, the high and low sale prices per share for our common stock as reported on the Nasdaq Global Select Market.

	Price Range of Common Stock	
Year Ended March 31, 2014	High	Low
First Quarter	$21.97	$17.59
Second Quarter	25.23	21.40
Third Quarter	28.01	23.02
Fourth Quarter	27.20	24.72
Year Ended March 31, 2015		
First Quarter	$30.98	$25.69
Second Quarter	28.66	21.99
Third Quarter	29.56	20.43
Fourth Quarter	27.79	24.03

On May 26, 2015 the closing price of our common stock on the Nasdaq Global Select Market was $24.07 per share.

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PERFORMANCE GRAPH

The Performance Graph shown below compares the cumulative total shareholder return on our common stock based on its market price, with the total return of the S&P SmallCap 600 Index, and the Dow Jones U.S. Diversified Industrials. The comparison of total return assumes that a fixed investment of $100 was invested on March 31, 2010 in our common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

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Item 6. Selected Financial Data

The consolidated balance sheets as of March 31, 2015 and 2014, and the related statements of operations, cash flows and shareholders' equity for each of the three years ended March 31, 2015 and notes thereto appear elsewhere in this annual report. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by "Management's Discussion and Analysis of Results of Operations and Financial Condition," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this annual report.

	Year ended March 31st (In millions, except for per share data)				
	2015	2014	2013	2012	2011
Statements of Operations Data:					
Net sales	$579.6	$583.3	$597.3	$591.9	$524.1
Cost of products sold	398.0	402.2	423.1	434.2	398.0
Gross profit	181.6	181.1	174.2	157.7	126.1
Selling expenses	69.8	69.0	65.6	64.9	62.9
General and administrative expenses	54.9	55.8	52.2	46.7	40.6
Restructuring charges	—	—	—	(1.0)	2.2
Amortization of intangibles	2.3	2.0	2.0	2.0	1.8
Income (loss) from operations	54.6	54.3	54.4	45.1	18.6
Interest and debt expense	12.4	13.5	13.8	14.2	13.5
Cost of bond redemption	8.6	—	—	—	3.9
Other (income) and expense, net	(2.4)	(1.9)	(2.0)	(1.9)	(3.9)
Income (loss) before income taxes	36.0	42.7	42.6	32.8	5.1
Income tax expense (benefit) (1) (2)	8.8	12.3	(35.7)	6.9	41.4
Income (loss) from continuing operations	27.2	30.4	78.3	25.9	(36.3)
Income (loss) from discontinued operations (3)	—	—	—	1.1	0.4
Net income (loss)	$27.2	$30.4	$78.3	$27.0	$(35.9)
Diluted earnings (loss) per share from continuing operations	$1.34	$1.52	$3.98	$1.33	$(1.91)
Basic earnings (loss) per share from continuing operations	$1.36	$1.55	$4.03	$1.35	$(1.91)
Weighted average shares outstanding – assuming dilution	20.2	20.0	19.7	19.5	19.0
Weighted average shares outstanding – basic	19.9	19.7	19.4	19.3	19.0
Balance Sheet Data (at end of period):					
Total assets	$566.3	$598.7	$566.9	$515.4	$478.9
Total debt (4)	126.7	152.3	152.1	153.1	154.4
Total debt, net of cash and cash equivalents	63.7	40.0	30.4	63.6	74.3
Total shareholders' equity	268.7	291.3	240.0	160.5	162.1
Other Data:					
Net cash provided by operating activities	38.3	29.5	42.4	23.6	3.3

Net cash used in investing activities	(34.1)	(40.4)	(10.1)	(13.5)	(4.3)
Net cash provided by (used in) financing activities	(48.4)	1.7	(1.1)	0.5	15.8
Capital expenditures	(17.2)	(20.8)	14.9	13.8	12.5

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(1) The Company had a valuation allowance of $53,325,000 recorded as of March 31, 2012 due to the uncertainty of whether the Company's net operating loss carryforwards and deferred tax assets might ultimately be realized. The Company was able to utilize $14,567,000 of U.S. federal net operating loss carryforwards in fiscal 2013 which reduced the valuation allowance by $5,107,000. As a result of the increased operating performance of the Company over the past several years, the Company reevaluated the certainty as to whether the Company's remaining net operating loss carryforwards and other deferred tax assets may ultimately be realized. As a result of the determination that it is more likely than not that all of the remaining deferred tax assets will be realized with the exception of certain U.S. federal tax credit carryforwards, a significant portion of the remaining U.S. valuation allowance totaling $49,161,000 was reversed in fiscal 2013.

(2) During 2011, the Company recorded non-cash charge of $42,983,000 included within its provision for income taxes. As noted in footnote number (1) above, this valuation allowance was reversed in fiscal 2013. The majority of this charge relates to the Company’s determination that a full valuation allowance against its deferred tax assets generated in the U.S was necessary. Accounting rules require a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on the available and objectively verifiable evidence, it is more likely than not that such assets will not be realized. The existence of cumulative losses for a certain threshold period is a significant form of negative evidence used in the assessment. If a cumulative loss threshold is met, the accounting rules indicate that forecasts of future profitability are generally not sufficient positive evidence to overcome the presumption that a valuation allowance is necessary.

(3) In May 2002, the Company sold substantially all of the assets of ASI. As part of the sale of ASI, the Company received an 8% subordinated note in the principal amount of $6,800,000 which was payable over 10 years ending in May 2012. The full amount of this note had been reserved due to the uncertainty of collection. Principal payments received on the note had been recorded as income from discontinued operations at the time of receipt. As of March 31, 2013, the note was paid in full.

(4) Total debt includes all debt, including the current portion, notes payable, term loan, and subordinated debt.

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Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

This section should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. Comments on the results of operations and financial condition below refer to our continuing operations, except in the section entitled "Discontinued Operations."

EXECUTIVE OVERVIEW

We are a leading worldwide designer, manufacturer and marketer of material handling products, systems and services which efficiently and safely move, lift, position and secure material. Key products include hoists, actuators, cranes and rigging tools. The Company is focused on serving commercial and industrial applications that require the safety and quality provided by the Company's superior design and engineering know-how.

Founded in 1875, we have grown to our current size and leadership position through organic growth and acquisitions. We developed our leading market position over our 140-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. In addition, acquisitions significantly broadened our product lines and services and expanded our geographic reach, end-user markets and customer base. Ongoing initiatives include growing revenue by increasing our penetration of the Asian, Latin American and European marketplaces, pursuing new products and targeted vertical markets, and by improving our productivity. In accordance with our strategy, we have been investing in our sales and marketing activities, new product development and "Lean" efforts across the Company. Shareholder value will be enhanced through continued emphasis on market expansion, customer satisfaction, new product development, manufacturing efficiency, cost containment, and efficient capital investment.

During fiscal 2015, we significantly enhanced our capital structure. We elected to redeem our 7 7/8% Notes. In connection with this, we entered into a new $150,000,000 senior secured revolving credit facility and established a new $125,000,000 delayed draw senior secured term loan facility effective January 23, 2015. Our previous revolving credit facility was canceled as a result of this transaction. Both the revolver and the new term loan have five-year terms maturing in 2020. The proceeds from the new term loan and $25,000,000 in cash were used to redeem the 7 7/8% Notes. This refinancing provides additional flexibility to our capital structure by allowing prepayable debt and will significantly reduce our cash interest expense by approximately $7,600,000 annually. The cash interest savings are based on a weighted average interest rate of approximately 2.8% which reflects the Company's policy of maintaining a fixed interest ratio of 50-70%.

Additionally, our revenue base is geographically diverse with approximately 42% derived from customers outside the U.S. for the year ended March 31, 2015. We believe this will help balance the impact of changes that will occur in local economies as well as benefit the Company from growth in emerging markets. As in the past, we monitor both U.S. and Eurozone Industrial Capacity Utilization statistics as indicators of anticipated demand for our products. Since their June 2009 trough, these statistics have improved. However, over the past year, the Eurozone statistics have been relatively flat as the outlook for the Eurozone appears to be for low growth in the coming year. In addition, we continue to monitor the potential impact of other global and U.S. trends including industrial production, energy costs, steel price fluctuations, interest rates, foreign currency exchange rates and activity of end-user markets around the globe.

From a strategic perspective, we are investing in global markets and new products as we focus on our greatest opportunities for growth. We maintain a strong North American market share with significant leading market positions in hoists, lifting and sling chain, forged attachments and actuators. We seek to maintain and enhance our market share by focusing our sales and marketing activities toward select North American and global market sectors including energy, automotive, heavy OEM, entertainment, and construction and infrastructure.

Regardless of the economic climate and point in the economic cycle, we constantly explore ways to increase our operating margins as well as further improve our productivity and competitiveness. We have specific initiatives related to improved customer satisfaction, reduced defects, shortened lead times, improved inventory turns and on-time deliveries, reduced warranty costs, and improved working capital utilization. The initiatives are being driven by the continued implementation of our “Lean” efforts which are fundamentally changing our manufacturing and business processes to be more responsive to customer demand and improving on-time delivery and productivity. In addition to “Lean,” we are working to achieve these strategic initiatives through product simplification, the creation of centers of excellence, and improved supply chain management. We are also aggressively pursuing cost reduction opportunities to enhance future margins.

We continuously monitor market prices of steel. We purchase approximately $30,000,000 to $40,000,000 of steel annually in a variety of forms including rod, wire, bar, structural and others. Generally, as we experience fluctuations in our costs, we reflect them as price increases or surcharges to our customers with the goal of being margin neutral.

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We are also looking for opportunities for growth via strategic acquisitions or joint ventures. The focus of our acquisition strategy centers on product line expansion in alignment with our existing core product offering and opportunities for non-U.S. market penetration.

We operate in a highly competitive and global business environment. We face a variety of opportunities in those markets and geographies, including trends toward increased utilization of the global labor force and the expansion of market opportunities in Asia and other emerging markets. While we continue to execute our long-term growth strategy, we are supported by our solid capital structure, including our cash position and flexible cost base.

RESULTS OF OPERATIONS

Fiscal 2015 Compared to 2014

Fiscal 2015 sales were $579,643,000, down 0.6%, or $3,647,000 compared with fiscal 2014 sales of $583,290,000. Sales for the year were positively impacted by $6,625,000 of price increases and $16,024,000 due to acquisitions. Sales for the year were negatively impacted $13,453,000 due to a decrease in sales volume. The decline in sales volume was due to weakness in our North American Hoist and European operations. Unfavorable foreign currency translation impacted sales by $12,843,000.

Our gross profit was $181,607,000 and $181,048,000 or 31.3% and 31.0% of net sales in fiscal 2015 and 2014, respectively. The fiscal 2015 increase in gross profit of $559,000 or 0.3% is the result of $6,625,000 in price increases, $4,497,000 due to our recent acquisitions, and $573,000 in increased productivity net of other manufacturing cost increases, offset by $5,624,000 in decreased volume, $1,176,000 in costs associated with the consolidation of two European facilities, $794,000 in material inflation, and $434,000 in increased product liability costs. Foreign currency translation had a unfavorable impact on gross profit of $3,108,000.

Selling expenses were $69,819,000 and $68,963,000 or 12.0% and 11.8% of net sales in fiscal years 2015 and 2014, respectively. The incremental increase in selling expenses relates to our recent acquisitions resulting in $1,344,000 of additional selling expenses as well as additional investments to grow our business in Asia and Latin America. Additionally, foreign currency translation had a $2,270,000 favorable impact on selling expenses.

General and administrative expenses were $54,874,000 and $55,754,000 or 9.5% and 9.6% of net sales in fiscal 2015 and 2014, respectively. The fiscal 2014 general and administrative expenses included $1,657,000 of atypical professional services associated with a large acquisition that was not consummated. Foreign currency translation had a $1,096,000 favorable impact on general and administrative expenses.

Amortization of intangibles was $2,266,000 and $1,981,000 in fiscal 2015 and 2014, respectively and primarily relate to amortization of intangible assets acquired in connection with our fiscal 2009 acquisition of Pfaff. The increase in amortization of intangibles relates to our fiscal 2014 acquisition of Unified Industries, Inc. and the 2015 acquisition of Stahlhammer Bommern GmbH.

Interest and debt expense was $12,390,000 and $13,492,000 or 2.1% and 2.3% of net sales in fiscal 2015 and 2014, respectively. The decrease in interest and debt expense relates to the redemption of the 7 7/8% Notes in February with the lower interest bearing Term Loan.

Cost of bond redemption of $8,567,000 relates to the call premium and write off of unamortized deferred financing costs associated with our 7 7/8% Notes which were redeemed in February 2015. This transaction is discussed in more detail in the Liquidity and Capital Resources section.

Investment income of $2,725,000 and $1,595,000, in fiscal 2015 and 2014, respectively, related to earnings on marketable securities held in the Company’s wholly owned captive insurance subsidiary.

Foreign currency exchange loss (gain) was $863,000 and $1,124,000 in fiscal 2015 and 2014, respectively, as a result of foreign currency volatility related to foreign currency denominated purchases and intercompany debt.

Other income (expense), net was $462,000 and $1,393,000 in fiscal 2015 and 2014, respectively. The fiscal 2014 balance included a gain on the sale of equity securities received in an insurance company demutualization. No similar gain was recorded in fiscal 2015.

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Income tax expense (benefit) as a percentage of income from continuing operations before income tax expense was 24.5% and 28.8% in fiscal 2015 and 2014, respectively. These percentages vary from the U.S. statutory rate primarily due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income for these subsidiaries. For fiscal 2015, income tax expense as a percentage of income before income taxes was favorably effected by the utilization of certain tax credits relating to previous fiscal years. The credits result in an income tax benefit of $1,431,000 for the year ended March 31, 2015. In addition, the cost of the bond redemption resulted in lower taxable income in the U.S., our highest statutory tax rate jurisdiction. For fiscal 2014, income tax expense as a percentage of income before income taxes was impacted by the reversal of a reserve on an uncertain tax position in the amount of $1,249,000. The reserve for the uncertain tax position was reversed as a result of the expiration of the statute of limitations.

Fiscal 2014 Compared to 2013
Fiscal 2014 sales were $583,290,000, down 2.3%, or $13,973,000 compared with fiscal 2013 sales of $597,263,000. Sales for the year were positively impacted by $10,218,000 by price increases, $4,983,000 by additional shipping days, and $470,000 due to net acquisition activity. Sales for the year were negatively impacted $30,203,000 due to a decrease in sales volume. The decline in sales volume was due to weakness in our European business resulting from the impact of the recession and declines in our crane business servicing the heavy OEM vertical market. Favorable foreign currency translation impacted sales by $558,000.

Our gross profit was $181,048,000 and $174,231,000, or 31.0% and 29.2% of net sales in fiscal 2014 and 2013, respectively. The fiscal 2014 increase in gross profit of $6,817,000 or 3.9% is the result of $10,218,000 in price increases, $3,198,000 in increased productivity, and $2,554,000 due to net acquisition and divestiture activity, partially offset by $6,561,000 in decreased volume, $1,536,000 in material inflation, and $1,067,000 in increased product liability costs. Foreign currency translation had an favorable impact on gross profit of $11,000.

Selling expenses were $68,963,000 and $65,608,000 or 11.8% and 11.0% of net sales in fiscal years 2014 and 2013, respectively. The incremental increase in selling expenses relates to our recent acquisitions of Hebetechnik and Unified resulting in $1,464,000 of additional selling expenses as well as additional investments to grow our business in Europe and Latin America. Additionally, foreign currency translation had a $378,000 favorable impact on selling expenses.

General and administrative expenses were $55,754,000 and $52,271,000 or 9.6% and 8.8% of net sales in fiscal 2014 and 2013, respectively. The increase in fiscal 2014 general and administrative expenses was primarily the result of $1,657,000 of atypical professional services associated with a large acquisition that was not consummated. Additional increases were primarily the result of investments in emerging markets, the implementation of the Company’s new enterprise management system, as well as general inflationary increases. Foreign currency translation had a $439,000 unfavorable impact on general and administrative expenses.

Amortization of intangibles was $1,981,000 and $1,981,000 fiscal 2014 and 2013, respectively and primarily relate to amortization of intangible assets acquired in connection with our fiscal 2009 acquisition of Pfaff.

Interest and debt expense was $13,492,000 and $13,757,000 or 2.3% of net sales in both the 2014 and 2013 fiscal years.

Investment income of $1,595,000 and $1,546,000, in fiscal 2014 and 2013, respectively, related to marketable securities held in the Company’s wholly owned captive insurance subsidiary.

Foreign currency exchange (gain) loss was $1,124,000 and ($45,000) in fiscal 2014 and 2013, respectively, as a result of foreign currency volatility related to foreign currency denominated purchases and intercompany debt.

Other income (expense), net was $1,393,000 and $417,000 in fiscal 2014 and 2013, respectively. The increase in fiscal 2014 primarily relates to the sale of equity securities received in an insurance company demutualization.

Income tax expense (benefit) as a percentage of income from continuing operations before income tax expense was 28.8% and (83.7%) in fiscal 2014 and 2013, respectively. The unusual percentage experienced during the year ended March 31, 2013 is related to the reversal of a U.S. deferred tax asset valuation allowance of $49,161,000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $63,056,000, $112,309,000, and $121,660,000 at March 31, 2015, 2014 and 2013, respectively.

Cash flow provided by operating activities

Net cash provided by operating activities was $38,254,000, $29,507,000 and $42,378,000 in fiscal 2015, 2014 and 2013, respectively. In addition to net income and non-cash adjustments to net income including an $8,567,000 loss on the early retirement of bonds in fiscal 2015, net cash provided by operating activities increased as a result of net collections of trade accounts receivable of $8,302,000 and an overall increase in trade accounts payable of $1,084,000. Net cash decreased primarily as a result of an increase in inventories of $9,080,000 and a decrease in non-current liabilities of $12,612,000. The reduction in non-current liabilities was primarily the result of $11,013,000 in pension contributions during the year.

The net cash provided by operating activities in fiscal 2014 consisted of $30,421,000 in net income. The slight improvement in net income over the prior year despite decreased sales (before a $49,161,000 reversal of a U.S. non-cash charge originally booked in fiscal 2011) is primarily due to higher gross profit. Net cash provided by operating activities in fiscal 2014 decreased as a result of a decrease in non-current liabilities of $7,727,000 and an increase in trade accounts receivable of $9,318,000 offset by a decrease in inventories of $1,312,000. The reduction in non-current liabilities was primarily due to a net decrease in accrued pension costs as a result of an $11,041,000 pension contribution and a decrease in accrued product liability costs. The increase in trade accounts receivable is primarily due to a significant increase in sales volume during the last month of our 2014 fiscal year.

Cash flow used by investing activities

Net cash used by investing activities was $34,079,000, $40,425,000 and $10,087,000 in fiscal 2015, 2014 and 2013, respectively. The most significant net cash used for investing activities in fiscal 2015 was $19,992,000 for the purchase of STB as described in Note 3 to the consolidated financial statements. Capital expenditures for fiscal 2015 were $17,243,000 (of which $1,990,000 relates to the expansion of our China operations and $3,449,000 relates to the implementation of our global ERP system). Offsetting these uses of cash is $3,230,000 in net cash proceeds from the sale of marketable equity securities by our captive insurance company. The other use of cash for investing activities of $74,000 primarily includes proceeds from an insurance settlement of $64,000 and cash received from the sale of an asset of $116,000 offset by an increase in restricted cash related to the Company's captive insurance company of $250,000.

The net cash used by investing activities in fiscal 2014 consisted primarily of business acquisitions, net of cash acquired, of $22,169,000 and capital expenditures of $20,846,000 (of which $4,365,000 relates to the expansion of our China operations and $2,749,000 relates to implementation of our global ERP system) partially offset by $2,590,000 in net proceeds from the sale of marketable securities.

Cash flow provided (used) by financing activities

Net cash provided (used) by financing activities was $(48,387,000), $1,739,000 and $(1,086,000) in fiscal 2015, 2014 and 2013, respectively. The net cash used by financing activities in fiscal 2015 primarily consisted of the redemption of the 7 7/8% Notes of $150,000,000 and bond redemption tender fees of $5,907,000. Additionally the Company paid off the debt assumed in the purchase of STB of $6,487,000 and incurred $1,825,000 in financing fees associated with its New Credit Agreement. This was offset by proceeds on the Company's new Term Loan of $124,423,000. In connection with the acquisition of STB, the Company is withholding $5,431,000 to be paid to the seller upon satisfaction of certain conditions. This cash has been classified as other assets on the Company's balance sheet and is classified as a use of cash for financing activities. The remaining net cash used for financing activities for fiscal 2015 primarily relates to dividends paid of $3,192,000 offset by proceeds from the exercise of stock options of $1,607,000.

The net cash provided by financing activities in fiscal 2014 primarily consisted of $2,194,000 from the issuance of stock options and offset by $858,000 in the repayment of debt.

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We believe that our cash on hand, cash flows, and borrowing capacity under our New Revolving Credit Facility will be sufficient to fund our ongoing operations and budgeted capital expenditures for at least the next twelve months. This belief is dependent upon successful execution of our current business plan and effective working capital utilization. No material restrictions exist in accessing cash held by our non-U.S. subsidiaries. Additionally we expect to meet our U.S. funding needs without repatriating non-U.S. cash and incurring the incremental U.S. taxes. As of March 31, 2015, $40,122,000 of cash and cash equivalents were held by foreign subsidiaries.

Through January 23, 2015 the Company had access to borrow funds under a revolving credit facility ("Replaced Revolving Credit Facility"). The Replaced Revolving Credit Facility provided availability up to a maximum of $100,000,000 and had an initial term ending October 31, 2017.

Through February 19, 2015, the Company had outstanding $150,000,000 principal amount of 7 7/8% Senior Subordinated Notes due 2019 registered under the Securities Act of 1933, as amended (7 7/8% Notes).

On January 23, 2015, the Company, Columbus McKinnon Dutch Holdings 3 B.V. (“BV 3”), and Columbus McKinnon EMEA GmbH (“EMEA GMBH”) as borrowers (collectively referred to as the "Borrowers"), entered into a new credit agreement (the "New Credit Agreement"). The Borrowers entered into a new $150,000,000 senior secured revolving credit facility ("New Revolving Credit Facility") and established a new $125,000,000 delayed draw senior secured term loan facility (“Term Loan”). The Company’s Replaced Revolving Credit Facility was terminated in connection with this transaction. Both the New Revolving Credit Facility and the Term Loan have five-year terms maturing in 2020. The New Revolving Credit Facility has an initial term ending January 23, 2020 and the Term Loan has a term ending February 19, 2020.

The terms of the New Credit Agreement include the following:

- Term Loan: An aggregate $125,000,000 secured term loan facility which requires quarterly principal amortization of 2.5% with the remaining principal due at maturity date.

- New Revolving Credit Facility: An aggregate $150,000,000 secured revolving credit facility which includes sublimits for the issuance of standby letters of credit, swingline loans and multi-currency borrowings in certain specified foreign currencies.

- Fees and Interest Rates: Commitment fees and interest rates are determined on the basis of either a Eurocurrency rate or a Base rate plus an applicable margin based upon the Company's Total Leverage Ratio (as defined in the New Credit Agreement).

- Accordion Feature: Provisions permitting a Borrower from time to time to increase the aggregate amount of the credit facility by up to $75,000,000, with a minimum increase of $20,000,000.

- Prepayments: Provisions permitting a Borrower to voluntarily prepay either the Term Loan or New Revolving Credit Facility in whole or in part at any time, and provisions requiring certain mandatory prepayments of the Term Loan or New Revolving Credit Facility on the occurrence of certain events which will permanently reduce the commitments under the New Credit Agreement, each without premium or penalty.

- Reduction of Commitment: A Borrower may irrevocably cancel, in whole or in part, the unutilized portion of the commitments under the New Credit Agreement in excess of any outstanding loans, the stated amount of all outstanding letters of credit and all unreimbursed amounts drawn under any letters of credit.

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- Covenants: Provisions containing covenants required of the Company and its subsidiaries including various affirmative and negative financial and operational covenants. Key financial covenants include a minimum fixed charge coverage ratio of 1.25x; a maximum total leverage ratio, net of cash, of 3.50x (which may be temporarily increased following a material acquisition, which may be elected two times over the course of the New Credit Agreement, (i) if financed by secured debt the total leverage rate as at the end of the fiscal quarter in which such material acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and as at the end of any fiscal quarter thereafter, the total leverage ratio shall not be greater than 3.50:1.00, and (ii) if financed with unsecured or subordinated indebtedness, the total leverage ratio at the end of the fiscal quarter in which such material acquisition occurs and at the end of any fiscal quarter thereafter, shall not be greater than 4.50:1.00, and permit the secured leverage ratio, to be greater than 3.25:1.00), and maximum capital expenditures of $30 million per fiscal year ($40 million following a material acquisition) with the ability to transfer any unused portion of expenditure to the immediately following fiscal year. Our actual fixed charges coverage ratio and total leverage ratio, as calculated per the terms of our New Revolving Credit Facility, were 0.89x and 4.52x, respectively, at March 31, 2015.

The New Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of non-U.S. subsidiaries) and intellectual property. The New Credit Agreement allows, but limits our ability to pay dividends.

On February 19, 2015, the Company borrowed $124,442,000 under the Term Loan. The Term Loan proceeds were net of fees paid to creditors of $558,000 which were accounted for as a debt discount. On February 23, 2015 the Company redeemed all of the outstanding $150,000,000 of the 7 7/8% Notes. The aggregated price paid for the redemption was $156,630,000, including a 3.938% call premium or $5,907,000, and $723,000 of accrued interest on the 7 7/8% Notes. The redemption was funded by the Term Loan and cash on hand.

The unused portion of the New Revolving Credit Facility totaled $143,546,000 net of outstanding borrowings of $0 and outstanding letters of credit of $6,454,000 as of March 31, 2015. The outstanding letters of credit at March 31, 2015 consisted of $1,790,000 in commercial letters of credit and $4,664,000 of standby letters of credit.

The gross balances of deferred financing costs were $1,825,000 and $4,133,000 as of March 31, 2015 and 2014, respectively. The accumulated amortization balances were $61,000 and $1,531,000 as of March 31, 2015 and 2014, respectively.

On June 22, 2007, the Company recorded a capital lease resulting from the sale and partial leaseback of its facility in Charlotte, NC under a 10 year lease agreement. The Company also has capital leases on certain production machinery and equipment. The outstanding balance on the capital lease obligations of $2,270,000 and $3,608,000 as of March 31, 2015 and 2014, respectively, are included in current portion of long-term debt and senior debt in the consolidated balance sheets.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of March 31, 2015, unsecured credit lines totaled approximately $4,508,000, of which $0 was drawn. In addition, unsecured lines of $8,748,000 were available for bank guarantees issued in the normal course of business of which $4,609,000 was utilized.

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CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual obligations in millions of dollars as of March 31, 2015, by period of estimated payments due:

	Total	Fiscal 2016	Fiscal 2017- Fiscal 2018	Fiscal 2019- Fiscal 2020	More Than Five Years
Long-term debt obligations (a)	$127.3	$13.3	$26.4	$87.6	$—
Operating lease obligations (b)	32.5	5.6	8.9	5.4	12.6
Purchase obligations (c)	—	—	—	—	—
Interest obligations (d)	15.7	3.9	6.6	5.2	—
Letter of credit obligations	6.5	6.5	—	—	—
Bank guarantees	4.6	4.6			
Uncertain tax positions	1.8	—	1.8	—	—
Other long-term liabilities reflected on the Company's balance sheet under GAAP (e)	85.4	—	11.2	5.2	69.0
Total	$273.8	$33.9	$54.9	$103.4	$81.6

(a) As described in Note 12 to consolidated financial statements.
(b) As described in Note 18 to consolidated financial statements.
(c) We have no purchase obligations specifying fixed or minimum quantities to be purchased. We estimate that, at any given point in time, our open purchase orders to be executed in the normal course of business approximate $40 million.
(d) Estimated for our Term Loan and interest rate swap as described in Note 10 and Note 12 to our consolidated financial statements. Calculated using a 3-month LIBOR rate of 0.3% plus applicable margin of 1.5%.
(e) For additional details, see Note 11 to our consolidated financial statements. Excludes uncertain tax positions of $1.8 million shown separately above.

We have no additional off-balance sheet obligations that are not reflected above.

CAPITAL EXPENDITURES

In addition to keeping our current equipment and plants properly maintained, we are committed to replacing, enhancing and upgrading our property, plant and equipment to support new product development, improve productivity and customer responsiveness, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements and enhance safety. Our capital expenditures for fiscal 2015, 2014 and 2013 were $17,243,000, $20,846,000 and $14,879,000, respectively. Excluded from fiscal 2015 capital expenditures is $1,216,000 in property, plant and equipment purchases included in accounts payable at March 31, 2015. We expect capital expenditure spending in fiscal 2016 to be in the range of $18,000,000 to $22,000,000, excluding acquisitions and strategic alliances.

INFLATION AND OTHER MARKET CONDITIONS

Our costs are affected by inflation in the U.S. economy and, to a lesser extent, in non-U.S. economies including those of Europe, Canada, Mexico, South America and Asia-Pacific. We do not believe that general inflation has had a material effect on our results of operations over the periods presented primarily due to overall low inflation levels over such periods and our ability to generally pass on rising costs through annual price increases and surcharges. However, increases in U.S. employee benefits costs such as health insurance and workers compensation insurance have exceeded general inflation levels. In the future, we may be further affected by inflation that we may not be able to pass on as price increases. With changes in worldwide demand for steel and fluctuating scrap steel prices over the past several years, we experienced fluctuations in our costs that we have reflected as price increases and surcharges to our customers. We believe we have been successful in instituting surcharges and price increases to pass on these material cost increases. We will continue to monitor our costs and reevaluate our pricing policies.

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SEASONALITY AND QUARTERLY RESULTS

Our quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, restructuring charges and other costs attributable to plan closures as well as divestitures and acquisitions. Therefore, our operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

DIVESTITURE

During the year ended March 31, 2013 the Company sold certain assets of the Gaffey division of Crane Equipment and Service, Inc. The sale of the Gaffey assets did not have a material effect on the Company's financial statements and therefore was not reclassified as a discontinued operation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We continually evaluate the estimates and their underlying assumptions, which form the basis for making judgments about the carrying value of our assets and liabilities. Actual results inevitably will differ from those estimates. If interpreted differently under different conditions or circumstances, changes in our estimates could result in material changes to our reported results. We have identified below the accounting policies involving estimates that are critical to our financial statements. Other accounting policies are more fully described in Note 2 of our consolidated financial statements.

Revenue Recognition. Sales are recorded when title passes to the customer which is generally at the time of shipment to the customer. The Company performs ongoing credit evaluations of its customers' financial condition, but generally does not require collateral to support customer receivables. The credit risk is controlled through credit approvals, limits and monitoring procedures. Accounts receivable are reported at net realizable value and do not accrue interest. Sales tax is excluded from revenue.

Pension and Other Postretirement Benefits. The determination of the obligations and expense for pension and postretirement benefits is dependent on our selection of certain assumptions that are used by actuaries in calculating such amounts. Those assumptions are disclosed in Note 13 to our fiscal 2015 consolidated financial statements and include the discount rates, expected long-term rate of return on plan assets and rates of future increases in compensation and healthcare costs. Changes in these assumptions can result in the calculation of different plan expense and liability amounts. Further, actual experience can differ from the assumptions.

The weighted average pension discount rate assumptions of 3.83%, 4.60%, and 4.35%, as of March 31, 2015, 2014, and 2013, respectively, are based on long-term AA rated corporate and municipal bond rates. The decrease in the discount rate for fiscal 2015 resulted in a $19,400,000 increase in the projected benefit obligation. Additionally, the Company adopted updated mortality tables in calculating its U.S. pension obligation. The change in mortality tables resulted in a $15,400,000 increase in the projected benefit obligation. The increase in the discount rates for fiscal 2014 resulted in a $9,300,000 decrease in the projected benefit obligation. The rate of return on plan assets assumptions of 7.50% for the years ended March 31, 2015, 2014 and 2013 is based on the targeted plan asset allocation (approximately 65% equities and 35% fixed income) and their long-term historical returns. Our under-funded status for all pension plans as of March 31, 2015 and 2014 was $57,339,000 and $37,457,000, or 21.9% and 16.6% of the projected benefit obligation, respectively. Our pension contributions during fiscal 2015 and 2014 were approximately

$11,013,000 and $11,041,000, respectively. The under-funded status may result in future pension expense increases. Pension expense for the March 31, 2016 fiscal year is expected to approximate $700,000, less than the fiscal 2015 amount of $1,361,000. Pension funding contributions for the March 31, 2016 fiscal year are expected to approximate $5,908,000. The compensation increase assumption of 2.3% as of March 31, 2015 and 2.0% as of March 31, 2014 and 2013 is based on expected wage trends and historical patterns.

The healthcare costs inflation assumptions of 7.0% 7.0%, and 7.5% for fiscal 2015, 2014, and 2013, respectively, are based on anticipated trends. While the healthcare inflation rate assumptions have been decreasing, healthcare costs continue to outpace inflation in the U.S.

Insurance Reserves. Our accrued general and product liability reserves as described in Note 16 to consolidated financial statements involve actuarial techniques including the methods selected to estimate ultimate claims, and assumptions including emergence patterns, payment patterns, initial expected losses and increased limit factors. These actuarial estimates are subject to a high degree of uncertainty due to a variety of factors, including extended lag time in the reporting and resolution of claims, trends or changes in claim settlement patterns, insurance industry practices, and legal interpretations. Changes to these estimates could result in material changes to the amount of expense and liabilities recorded in our financial statements. Further, actual costs could differ significantly from the estimated amounts. Adjustments to estimated reserves are recorded in the period in which the change in estimate occurs. Other insurance reserves such as workers compensation and group health insurance are based on actual historical and current claim data provided by third party administrators or internally maintained.

Goodwill impairment testing. Our goodwill balance of $121,461,000 as of March 31, 2015 is subject to impairment testing. We test goodwill for impairment at least annually, as of the end of February, and more frequently whenever events occur or circumstances change that indicate there may be impairment. These events or circumstances could include a significant long-term adverse change in the business climate, poor indicators of operating performance, or a sale or disposition of a significant portion of a reporting unit.

We test goodwill at the reporting unit level, which is one level below our operating segment. We identify our reporting units by assessing whether the components of our operating segment constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components. We also aggregate components that have similar economic characteristics into single reporting units (for example, similar products and / or services, similar long-term financial results, product processes, classes of customers, etc.). We have four reporting units, only two of which have goodwill. Duff-Norton and Rest of Products reporting units have goodwill totaling $9,563,000, and $111,898,000, respectively, at March 31, 2015.

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

We performed our qualitative assessment as of February 28, 2015 and determined that it was not more likely than not that the fair value of each of our reporting units other than Rest of Products was less than its applicable carrying value. Accordingly, we did not perform the two-step goodwill impairment test for any of our reporting units other than the Rest of Products reporting unit.

In order to perform the two-step impairment test, we use the discounted cash flow method and comparable market method to estimate fair value. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. Management projects revenue growth rates, operating margins and cash flows based on each reporting unit’s current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, we consider our historical and projected results, as well as the economic environment in which the reporting unit operates. The discount rates utilized for each reporting unit reflect management’s assumptions of marketplace participants’ cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy. The comparable market method estimates fair value based on prices obtained in actual transactions. The method consists of examining selling prices for comparable assets. After studying the selling prices, value adjustments are made for any dissimilarities.

We performed step one of the two-step impairment test for the Rest of Products reporting unit. Testing goodwill for impairment under the two-step method requires us to estimate fair values of reporting units using significant estimates and judgmental factors. The key estimates and factors used in our discounted cash flow valuation include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows. The compound annual growth rate for revenue during the first six years of our projections was approximately 3.8%. The terminal value was calculated assuming a projected growth rate of 3.0% after six years. These rates reflect our estimate of long-term growth into perpetuity and approximate the long-term gross domestic product growth expected on a global basis as well as our normal annual price increases. The estimated weighted-average cost of capital for the reporting units was determined to be 10.1% based upon an analysis of similar companies and their debt to equity mix, their related volatility and the size of their market capitalization. We also consider any additional risk of the Rest of Product reporting unit achieving its forecast, and adjust the weighted-average cost of capital applied when determining the reporting unit's estimated fair value. Future changes in these estimates and assumptions could materially affect the results of our goodwill impairment tests. For example, a decline in the terminal growth rate by 50 basis points would decrease fair market value by $10,851,000 and an increase in the weighted-average cost of capital by 100 basis points would result in a decrease in fair market value by $33,478,000 for the Rest of Products reporting unit. Even with such changes the fair value of the reporting unit would be greater than its net book value as of February 28, 2015, necessitating no Step 2 calculations.

Purchase Price Allocations for Business Combinations. During the fiscal year ended March 31, 2015, we completed a business combination for a total purchase price of $25,423,000 plus $6,487,000 in the assumption of debt. Under purchase accounting, we recorded assets and liabilities at fair value as of the acquisition dates. We identified and assigned value to trademarks and trade names, customer relationships, non-compete agreements, backlog, and patents. We estimated the useful lives over which these intangible assets would be amortized. Valuations of these assets were performed largely using discounted cash flow models and estimates of replacement cost. These valuations support the conclusion that identifiable intangible assets had a value of $3,408,000. The resulting goodwill was $9,487,000.

Assigning value to intangible assets requires estimates used in projecting relevant future cash flows and estimates of replacement costs, in addition to estimating useful lives of such assets.

Accounts Receivable Reserves. Allowances for doubtful accounts and credit memo reserves are also judgmentally determined based on formulas applied to historical bad debt write-offs and credit memos issued, assessing potentially uncollectible customer accounts and analyzing the accounts receivable aging. Accounts receivable are charged against the allowance for doubtful accounts once all collection efforts have been exhausted. At March 31, 2015 the allowance for doubtful accounts totaled $2,155,000.

Impairment of depreciable and amortizable long-lived assets. Property, plant and equipment and certain intangibles are depreciated or amortized over their assigned lives. We test long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable and exceed their fair market value. The following summarizes the value of long-lived assets subject to impairment testing when events or circumstances indicate potential impairment (amounts in millions):

	Balance as of March 31, 2015
Property, plant and equipment, net	$91.1
Acquired intangibles with estimable useful lives	19.1

Other assets	12.0

Impairment may exist if the carrying amount of the asset in question exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. The impairment loss, if any, would be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair market value as determined by appropriate valuation techniques.

Marketable Securities. On a quarterly basis, we review our marketable securities for declines in market value that may be considered other than temporary. We generally consider market value declines to be other than temporary if there are declines for a period longer than six months and in excess of 20% of original cost. We also consider the nature of the underlying investments and other market conditions or when other evidence indicates impairment.

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Deferred Tax Asset Valuation Allowance. In fiscal year 2013 income taxes as a percentage of income before income taxes was not reflective of U.S. statutory rates. The Company had a valuation allowance of $53,325,000 at March 31, 2012 due to the uncertainty of whether U.S. federal and certain foreign net operating loss carryforwards ("NOLs") and deferred tax assets might ultimately be realized. In fiscal year 2013, we utilized the remaining U.S. federal NOLs thereby, reducing the valuation allowance by $5,107,000. As a result of our increased operating performance over the past several years, we reevaluated the certainty as to whether our remaining NOLs and other deferred tax assets may ultimately be realized. Management concluded that it is more likely than not that almost all of the remaining deferred tax assets will be realized; therefore, $49,161,000 of the remaining U.S. valuation allowance was reversed as of March 31, 2013.

Effects of New Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance also requires retrospective application to all prior periods presented. ASU 2015-03 is effective for the first interim period for fiscal years beginning after December 15, 2015. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis." This update is intended to improve certain areas of consolidation guidance by simplifying the consolidation evaluation process, and by placing more emphasis on risk of loss when determining a controlling financial interest. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements — Going Concern (Subtopic 205-40).” ASU 2014-15 addresses management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period." ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." ASU 2014-11 changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements.

ASU 2014-11 also requires new disclosures about transfers that are accounted for as sales in transactions that are economically similar to repurchase agreements and increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. This ASU is effective for the first interim or annual period beginning after December 15, 2014. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

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In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exists." ASU 2013-11 requires entities to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when settlement in this manner is available under the tax law. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a significant effect on the Company's consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, “Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.” This ASU addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have an effect on the Company's consolidated financial statements.

In February 2013, the FASB, issued ASU No. 2013-04, “Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date.” This ASU addresses the recognition, measurement, and disclosure of certain obligations resulting from joint and several arrangements including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The ASU is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a significant effect on the Company's consolidated financial statements.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report may include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, facility consolidations and other restructurings, our asbestos-related liability, the integration of acquisitions and other factors disclosed in our periodic reports filed with the Commission. Consequently such forward-looking statements should be regarded as our current plans, estimates and beliefs. We do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We are exposed to various market risks, including commodity prices for raw materials, foreign currency exchange rates and changes in interest rates. We may enter into financial instrument transactions, which attempt to manage and reduce the impact of such changes. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Our primary commodity risk is related to changes in the price of steel. We control this risk through negotiating purchase contracts on a consolidated basis and by attempting to build changes in raw material costs into the selling prices of or surcharges on our products. We have not entered into financial instrument transactions related to raw material costs.

In fiscal 2015, 42% of our net sales were from manufacturing plants and sales offices in foreign jurisdictions. We manufacture our products in the United States, China, Germany, United Kingdom, Hungary, Mexico and France and sell our products in approximately 50 countries. Our results of operations could be affected by factors such as changes in foreign currency rates or weak economic conditions in foreign markets. Our operating results are exposed to fluctuations between the U.S. dollar and the Canadian dollar, European currencies, the South African Rand, the Mexican peso, the Brazilian real, and the Chinese yuan. For example, when the U.S. dollar weakens against the Euro, the value of our net sales and net income denominated in Euros increases when translated into U.S. dollars for inclusion in our consolidated results. We are also exposed to foreign currency fluctuations in relation to purchases denominated in foreign currencies. Our foreign currency risk is mitigated since the majority of our foreign operations' net sales and the related expense transactions are denominated in the same currency so therefore a significant change in foreign exchange rates would likely have a very minor impact on net income. For example, a 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $900,000 on our income from operations. In addition, the majority of our export sale transactions are denominated in U.S. dollars.

The Company has a foreign currency forward agreement in place to offset changes in the value of an intercompany loan to a foreign subsidiary due to changes in foreign exchange rates. The notional amount of this derivative is $590,000 and the contract matures on April 15, 2016. This contract is marked to market each balance sheet date and is not designated as a hedge.

The Company has foreign currency forward agreements in place to hedge changes in the value of recorded foreign currency assets and liabilities due to changes in foreign exchange rates at the settlement date. The notional amount of those derivatives is $672,000 and all contracts mature within twelve months of March 31, 2015. These contracts are marked to market each balance sheet date and are not designated as hedges.

The Company has foreign currency forward agreements that are designated as cash flow hedges to hedge a portion of forecasted inventory purchases denominated in a foreign currency. The notional amount of those derivatives is $8,624,000 and all contracts mature within twelve months of March 31, 2015. From its March 31, 2015 balance of accumulated other comprehensive loss, the Company expects to reclassify approximately $54,000 out of accumulated other comprehensive loss during the next 12 months based on the underlying transaction of the sale of the goods purchased.

We control risk related to changes in interest rates by structuring our debt instruments with a combination of fixed and variable interest rates and by evaluating the need to enter into financial instrument transactions as appropriate. On

February 19, 2015, the Company entered into a Term Loan, which has a variable interest rate. The Company's desired capital structure, is comprised of 50-70% of fixed rate long-term debt and 30-50% of variable rate long-term debt. As such, the Company entered into an interest rate swap agreement that is designated as a cash flow hedge to hedge changes in interest expense due to changes in the interest rate of the senior secured term loan. The amortizing interest rate swap matures on February 19, 2020 and has a notional amount of $86,250,000 as of March 31, 2015. The effective portion of the change in fair value of the interest rate swap is reported in AOCL and will be reclassified to interest expense over the life of the underlying debt obligation. The ineffective portion was not material and was recognized in the current period interest expense. From its March 31, 2015 balance of accumulated other comprehensive loss, the Company expects to reclassify approximately $1,026,000 out of accumulated other comprehensive loss during the next 12 months.

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Item 8. Financial Statements and Supplemental Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Columbus McKinnon Corporation

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Columbus McKinnon Corporation

We have audited the accompanying consolidated balance sheets of Columbus McKinnon Corporation as of March 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbus McKinnon Corporation at March 31, 2015 and 2014 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Columbus McKinnon Corporation’s internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated May 28, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
May 28, 2015

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COLUMBUS McKINNON CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2015	2014
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$63,056	$112,309
Trade accounts receivable, less allowance for doubtful accounts ($2,155 and $2,323, respectively)	80,531	93,223
Inventories	103,187	97,576
Prepaid expenses and other	27,255	23,444
Total current assets	274,029	326,552
Net property, plant, and equipment	91,127	78,687
Goodwill	121,461	119,303
Other intangibles, net	19,104	20,842
Marketable securities	19,867	21,941
Deferred taxes on income	28,695	23,406
Other assets	12,041	7,943
Total assets	$566,324	$598,674
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$33,406	$35,359
Accrued liabilities	50,263	52,348
Current portion of long-term debt	13,292	1,588
Total current liabilities	96,961	89,295
Senior debt, less current portion	1,478	2,020
Subordinated debt	—	148,685
Term loan	111,942	—
Other non-current liabilities	87,224	67,388
Total liabilities	297,605	307,388
Shareholders' equity:		
Voting common stock: 50,000,000 shares authorized; 19,989,548 and 19,806,300 shares issued and outstanding	200	198
Additional paid-in capital	203,156	198,546
Retained earnings	157,811	133,820
ESOP debt guarantee: 0 and 8,369 shares	—	(142)
Accumulated other comprehensive loss	(92,448)	(41,136)
Total shareholders' equity	268,719	291,286
Total liabilities and shareholders' equity	$566,324	$598,674

See accompanying notes.

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COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	2015	2014	2013
	(In thousands, except per share data)		
Net sales	$579,643	$583,290	$597,263
Cost of products sold	398,036	402,242	423,032
Gross profit	181,607	181,048	174,231
Selling expenses	69,819	68,963	65,608
General and administrative expenses	54,874	55,754	52,271
Amortization of intangibles	2,266	1,981	1,981
Income from operations	54,648	54,350	54,371
Interest and debt expense	12,390	13,492	13,757
Cost of bond redemption	8,567	—	—
Investment (income) loss	(2,725)	(1,595)	(1,546)
Foreign currency exchange loss (gain)	863	1,124	(45)
Other income, net	(462)	(1,393)	(417)
Income from continuing operations before income tax expense (benefit)	36,015	42,722	42,622
Income tax expense (benefit)	8,825	12,301	(35,674)
Net income	$27,190	$30,421	$78,296
Average basic shares outstanding	19,939	19,655	19,425
Average diluted shares outstanding	20,224	19,950	19,687
Basic income per share:			
Basic income per share	$1.36	$1.55	$4.03
Diluted income per share:			
Diluted income per share	$1.34	$1.52	$3.98
Dividends declared per common share	$0.16	$0.04	$—

See accompanying notes.

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COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	March 31,		
	2015	2014	2013
	(In thousands)		
Net income	$27,190	$30,421	$78,296
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(29,907)	3,067	(2,183)
Pension liability adjustments, net of taxes of $12,409, $(8,086), and $52	(19,724)	12,595	(362)
Other post retirement obligations adjustments, net of taxes of $233, $(49), and $(242)	(371)	75	381
Split-dollar life insurance arrangement adjustments, net of taxes of $42, $(43), and $(47)	(67)	68	76
Change in derivatives qualifying as hedges, net of taxes of $233, $(119), and $159	(334)	254	(388)
Change in investments:			
Unrealized holding gain arising during the period, net of taxes of $(234), $(35), and $(406)	433	395	725
Reclassification adjustment for gain included in net income, net of taxes of $723, $773, and $268	(1,342)	(1,435)	(497)
Net change in unrealized gain (loss) on investments	(909)	(1,040)	228
Total other comprehensive income (loss)	(51,312)	15,019	(2,248)
Comprehensive income (loss)	$(24,122)	$45,440	$76,048

See accompanying notes.

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COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock ($.01 par value)	Additional Paid-in Capital	Retained Earnings	ESOP Debt Guarantee	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at April 1, 2012	$193	$189,260	$25,895	$(975)	$(53,907)	$160,466
Net income 2013	—	—	78,296	—	—	78,296
Change in foreign currency translation adjustment	—	—	—	—	(2,183)	(2,183)
Change in net unrealized gain on investments, net of tax of $(138)	—	—	—	—	228	228
Change in derivatives qualifying as hedges, net of tax of $159					(388)	(388)
Change in pension liability and postretirement obligations, net of tax of $(237)	—	—	—	—	95	95
Stock compensation - directors	—	361	—	—	—	361
Stock options exercised, 39,878 shares	2	293	—	—	—	295
Stock compensation expense	—	2,973	—	—	—	2,973
Tax effect of exercise of stock options		(576)				(576)
Earned 26,480 ESOP shares	—	(3)	—	423	—	420
Balance at March 31, 2013	$195	$192,308	$104,191	$(552)	$(56,155)	$239,987
Net income 2014	—	—	30,421	—	—	30,421
Dividends declared			(792)			(792)
Change in foreign currency translation adjustment	—	—	—	—	3,067	3,067
Change in net unrealized gain on investments, net of tax of $695	—	—	—	—	(1,040)	(1,040)
Change in derivatives qualifying as hedges, net of tax of $119	—	—	—	—	254	254
Change in pension liability and postretirement obligations, net of tax of $8,178	—	—	—	—	12,738	12,738
Stock compensation - directors	—	315	—	—	—	315
Stock options exercised, 229,516 shares	2	2,192	—	—	—	2,194
Stock compensation expense	—	3,318	—	—	—	3,318
Tax effect of exercise of stock options	—	613	—	—	—	613
Earned 25,611 ESOP shares	—	195	—	410	—	605
Restricted stock units released, 56,203 shares, net of shares withheld for minimum statutory tax obligation	1	(395)				(394)
Balance at March 31, 2014	$198	$198,546	$133,820	$(142)	$(41,136)	$291,286
Net income 2015	—	—	27,190	—	—	27,190

Dividends declared	—	—	(3,199)	—	—	(3,199)
Change in foreign currency translation adjustment	—	—	—	—	(29,907)	(29,907)
Change in net unrealized gain on investments, net of tax of $489	—	—	—	—	(909)	(909)
Change in derivatives qualifying as hedges, net of tax of $233	—	—	—	—	(334)	(334)
Change in pension liability and postretirement obligations, net of tax of $12,684	—	—	—	—	(20,162)	(20,162)
Stock compensation - directors	—	440	—	—	—	440
Stock options exercised, 87,210 shares	2	1,605	—	—	—	1,607
Stock compensation expense	—	3,455	—	—	—	3,455
Tax effect of exercise of stock options	—	(65)	—	—	—	(65)
Earned 8,369 ESOP shares	—	109	—	142	—	251
Restricted stock units released, 78,734 shares, net of shares withheld for minimum statutory tax obligation	—	(934)	—	—	—	(934)
Balance at March 31, 2015	$200	$203,156	$157,811	$—	$ (92,448)	$268,719

See accompanying notes.

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COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31,		
	2015	2014	2013
Operating activities:	(In thousands)		
Net income	$27,190	$30,421	$78,296
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,562	13,380	12,115
Deferred income taxes	2,074	5,031	(42,047)
Gain on sale of real estate/investments and other	(1,897)	(2,332)	(827)
Cost of bond redemption	8,567	—	—
Amortization of deferred financing costs and discount on subordinated debt	805	870	592
Stock-based compensation	3,895	3,633	3,334
Changes in operating assets and liabilities, net of effects of business acquisitions and divestitures:			
Trade accounts receivable	8,302	(9,318)	6,712
Inventories	(9,080)	1,312	10,106
Prepaid expenses and other	(3,192)	(3,750)	(1,283)
Other assets	(572)	(273)	(354)
Trade accounts payable	1,084	(2,821)	(5,465)
Accrued liabilities	(872)	1,081	(12,268)
Non-current liabilities	(12,612)	(7,727)	(6,533)
Net cash provided by operating activities	38,254	29,507	42,378
Investing activities:			
Proceeds from sale of marketable securities	6,919	6,689	6,573
Purchases of marketable securities	(3,689)	(4,099)	(4,138)
Capital expenditures	(17,243)	(20,846)	(14,879)
Other	(74)	—	2,357
Purchases of businesses, net of cash acquired	(19,992)	(22,169)	—
Net cash used for investing activities	(34,079)	(40,425)	(10,087)
Financing activities:			
Proceeds from exercise of stock options	1,607	2,194	295
Payment of dividends	(3,192)	—	—
Payment of bond redemption tender fees	(5,907)	—	—
Restricted cash related to purchase of business	(5,431)	—	—
Payments under line-of-credit agreements	—	(7)	(54)
Repayment of debt	(157,203)	(858)	(1,066)
Proceeds from issuance of long term debt	124,423	—	—
Payment of deferred financing costs	(1,825)	—	(684)
Change in ESOP debt guarantee and other	(859)	410	423
Net cash provided by (used for) financing activities	(48,387)	1,739	(1,086)
Effect of exchange rate changes on cash	(5,041)	(172)	982
Net change in cash and cash equivalents	(49,253)	(9,351)	32,187
Cash and cash equivalents at beginning of year	112,309	121,660	89,473
Cash and cash equivalents at end of year	$63,056	$112,309	$121,660

Supplementary cash flows data:			
Interest paid	$13,750	$13,003	$13,115
Income taxes paid, net of refunds	$10,215	$11,769	$9,419
Property, plant and equipment purchases included in trade accounts payable	$1,216	$2,624	—

See accompanying notes.

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COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands, except share data)

1. Description of Business

Columbus McKinnon Corporation (the Company) is a leading designer, marketer and manufacturer of material handling products and services which efficiently and safely move, lift, position and secure material. Key products include hoists, rigging tools, cranes, and actuators. The Company's material handling products are sold globally principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During fiscal 2015, approximately 58% of sales were to customers in the United States.

2. Accounting Principles and Practices

Advertising

Costs associated with advertising are expensed as incurred and are included in selling expense in the consolidated statements of operations. Advertising expenses were $2,147,000, $2,492,000, and $2,900,000 in fiscal 2015, 2014, and 2013, respectively.

Cash and Cash Equivalents

The Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

Concentrations of Labor

In the U.S., approximately 13% of the Company's employees are represented by four separate collective bargaining agreements which terminate at various times between August 2016 and April 2018. None of the collective bargaining agreements expire within 12 months.

Consolidation

These consolidated financial statements include the accounts of the Company and its global subsidiaries; all significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translations

The Company translates foreign currency financial statements as described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, "Foreign Currency Matters." Under this method, all items of income and expense are translated to U.S. dollars at average exchange rates during the year. All assets and liabilities are translated to U.S. dollars at the year-end exchange rate. Gains or losses on translations are recorded in accumulated other comprehensive loss in the shareholders' equity section of the balance sheet. The functional currency is the foreign currency in which the foreign subsidiaries conduct their business. Gains and losses from foreign currency transactions are reported in foreign currency exchange loss (gain). There were losses/(gains), including changes in the fair value of derivatives, on foreign currency transactions of approximately $863,000, $1,124,000, and $(45,000) in fiscal 2015, 2014, and 2013, respectively.

COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

Goodwill

Goodwill is not amortized but is tested for impairment at least annually, or more frequently if indicators of impairment exist, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company’s reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company’s reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the reporting segment level as defined under ASC Topic 280-10-50-10 “Segment Reporting – Disclosure.” The Company’s one segment is subdivided into four reporting units.

When the Company evaluates the potential for goodwill impairment, it assesses a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for its products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company proceeds to a two-step impairment test.

To perform the two-step impairment test, the Company uses the discounted cash flow method to estimate the fair value of the reporting units. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. The Company projects revenue growth rates, operating margins and cash flows based on each reporting unit’s current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, the Company considers its historical and projected results, as well as the economic environment in which its reporting units operate. The discount rates utilized for each reporting unit reflect the Company’s assumptions of marketplace participants’ cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy.

The Company performed its qualitative assessment as of February 28, 2015 and determined that it was not more likely than not that the fair value of each of its reporting units other than Rest of Products was less than that its applicable carrying value. Accordingly, the Company did not perform the two-step goodwill impairment test for any of its reporting units other than the Rest of Products reporting unit.

The Company performed step one of the two-step impairment test for the Rest of Products reporting unit. Based on the results of the impairment test, the Company determined that the Rest of Products reporting unit's fair value was not less than its applicable carrying value. See Note 9 for further discussion of goodwill and intangible assets.

Impairment of Long-Lived Assets

The Company assesses impairment of its long-lived assets in accordance with the provisions of ASC Topic 360 “Property, Plant, and Equipment.” This statement requires long-lived assets, such as property and equipment and purchased intangibles subject to amortization to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

In assessing long-lived assets for an impairment loss, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Asset grouping requires a significant amount of judgment. Accordingly, facts and circumstances will influence how asset groups are determined for impairment testing. In assessing long-lived assets for impairment, management considered the Company's product line portfolio, customers and related commercial agreements, labor agreements and other factors in grouping assets and liabilities at the lowest level for which identifiable cash flows are independent. The Company considers projected future undiscounted cash flows, trends and other factors in its assessment of whether impairment conditions exist. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such factors as future production volumes, customer pricing, economics and productivity and cost initiatives, could significantly affect its estimates. In determining fair value of long-lived assets, management uses management estimates, discounted cash flow calculations, and appraisals where necessary.

Intangible Assets

At acquisition, the Company estimates and records the fair value of purchased intangible assets which primarily consist of trade names, customer relationships and technology. The fair values are estimated based on management's assessment as well as independent third party appraisals. Such valuations may include a discounted cash flow of anticipated revenues resulting from the acquired intangible asset.

Amortization of intangible assets with finite lives is recognized over their estimated useful lives using an amortization method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The straight line method is used for customer relationships. As a result of the negligible attrition rate in our customer base, the difference between the straight line method and attrition method is not considered significant. The estimated useful lives for our intangible assets range from 2 to 25 years.

Inventories

Inventories are valued at the lower of cost or market. Cost of approximately 35% and 40% of inventories at March 31, 2015 and March 31, 2014, respectively, have been determined using the LIFO (last-in, first-out) method. Costs of other inventories have been determined using the FIFO (first-in, first-out) or average cost method. FIFO cost approximates replacement cost. Costs in inventory include components for direct labor and overhead costs.

Marketable Securities

All of the Company's marketable securities, which consist of equity securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders' equity section of the consolidated balance sheet unless unrealized losses are deemed to be other than temporary. In such instance, the unrealized losses are reported in the consolidated statements of operations within investment income. Estimated fair value is based on published trading values at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations.

The marketable securities are carried as long-term assets since they are held for the settlement of the Company’s general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and depreciated principally using the straight-line method over their respective estimated useful lives (buildings and building equipment—15 to 40 years; machinery and equipment—3 to 18 years). When depreciable assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operating results. Included within Other assets is a building that is held for sale in the amount of $854,000 at March 31, 2015 and 2014. The building was closed as part of the Company's fiscal 2010 restructuring activities.

COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

Research and Development

Research and development costs as defined in ASC Topic 730, “Research and Development,” were $5,242,000, $5,470,000, and $5,172,000 for the years ended March 31, 2015, 2014 and 2013, respectively, and are classified as general and administrative expense in the consolidated statements of operations.

Revenue Recognition, Accounts Receivable and Concentration of Credit Risk

Sales are recorded when title passes to the customer which is generally at time of shipment to the customer. The Company performs ongoing credit evaluations of its customers’ financial condition, but generally does not require collateral to support customer receivables. The credit risk is controlled through credit approvals, limits and monitoring procedures. Accounts receivable are reported at net realizable value and do not accrue interest. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other factors. Accounts receivable are charged against the allowance for doubtful accounts once all collection efforts have been exhausted. The Company does not routinely permit customers to return product. However, sales returns are permitted in specific situations and typically include a restocking charge or the purchase of additional product. Sales tax is excluded from revenue.

Shipping and Handling Costs

Shipping and handling costs are a component of cost of products sold.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, “Compensation – Stock Compensation.” This Statement requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of operations based on the grant date fair value of the award. Stock compensation expense is included in cost of goods sold, selling, and general and administrative expense. The Company uses a straight-line method of attributing the value of stock-based compensation expense, subject to minimum levels of expense, based on vesting. See Note 15 for further discussion of stock-based compensation.

Leases

All leases are reviewed for capital or operating classification at their inception. Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including any option periods included in the determination of the lease term.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

Warranties

The Company offers warranties for certain products it sells. The specific terms and conditions of those warranties vary depending upon the product sold and the country in which the Company sold the product. The Company generally provides a basic limited warranty, including parts and labor for any product deemed to be defective for a period of one year and for certain products a lifetime warranty. The Company estimates the costs that may be incurred under its basic limited warranty, based largely upon actual warranty repair costs history, and records a liability in the amount of such costs in the month that the product revenue is recognized. The resulting accrual balance is reviewed during the year. Factors that affect the Company’s warranty liability include the number of units sold, historical and anticipated rate of warranty claims, and cost per claim. Changes in the Company’s product warranty accrual are as follows:

	March 31,	
	2015	2014
Balance at beginning of year	$759	$791
Accrual for warranties issued	1,388	1,573
Warranties settled	(1,492)	(1,605)
Balance at end of year	$655	$759

3. Acquisitions

On June 1, 2013, the Company acquired 100% of the outstanding common shares of Hebetechnik Gesellschaft m.b.H (“Hebetechnik”) located in Austria, a privately owned company with annual sales of approximately $10,000,000. Hebetechnik has been a value-added partner of the Company in the lifting industry in the Austrian market for over 20 years. The results of Hebetechnik are included in the Company’s consolidated financial statements from the date of acquisition. The acquisition of Hebetechnik is not considered significant to the Company’s consolidated financial position and results of operations.

The acquisition of Hebetechnik was funded with existing cash. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $5,324,000 was recorded as goodwill. The identifiable intangible asset consists of order backlog at the date of the acquisition and was estimated to have a three month useful life, all of which has been expensed as of March 31, 2015. Goodwill recorded in connection with the acquisition is deductible for Austrian tax purposes. The assignment of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	212
Other current assets	58
Property, plant and equipment	446
Goodwill	5,324
Long term debt	(193)
Total purchase consideration	$5,847

On February 28, 2014 the Company acquired 100% of the outstanding common shares of Unified Industries, Inc. (“Unified”) located in Howell, Michigan, a privately-owned company with annual sales of approximately $13,000,000. Unified designs, manufacturers and markets overhead aluminum light rail workstations primarily used in automotive and other industrial applications. Unified's products are a natural extension of the Company's hoist portfolio and are expected to broaden the scope of the Company's bundled product solutions. The results of Unified are included in the Company’s consolidated financial statements from the date of acquisition. The acquisition of Unified is not considered significant to the Company’s consolidated financial position and results of operations.

COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

The acquisition of Unified was funded with existing cash. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $6,980,000 was recorded as goodwill. The identifiable intangible assets acquired include engineered drawings of $4,960,000, customer relationships of $2,300,000, trademark and trade names of $1,200,000, backlog of $185,000, and non-compete agreements of $14,000. The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 20.3 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for U.S. income tax purposes.

The assignment of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	3,854
Property, plant and equipment	210
Identifiable intangible assets	8,659
Other long term assets	97
Other long term liabilities	(3,293)
Goodwill	6,980
Total purchase consideration	$16,507

On December 30, 2014 the Company acquired 100% of the outstanding common shares of Stahlhammer Bommern GmbH ("STB") located in Hamm, Germany, a privately-owned company with annual sales of approximately $16,000,000. STB manufactures a large range of lifting tools and forged parts that are able to withstand particularly heavy, static and dynamic loads, including single and ramshorn lifting hooks. The Company believes STB is a strong strategic fit allowing further expansion of the rigging business globally. The results of STB are included in the Company's consolidated financial statements from the date of acquisition. The acquisition of STB is not considered significant to the Company's consolidated financial position and results of operations.

The acquisition of STB was funded with existing cash. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of the acquisition. The excess consideration of $9,487,000 has preliminarily been recorded as goodwill. The identifiable intangible assets acquired include customer relationships of $1,730,000, trademark and trade names of $1,301,000, non-compete agreements of $221,000, backlog of $74,000, and patents of $82,000. The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 9 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes. The terms of the acquisition require the Company to pay additional consideration to the seller if certain performance measures are met by STB. The potential additional consideration ranges from $0 to $3,681,000. The Company has estimated the fair value of the liability related to this contingent consideration to be $982,000. This liability is included in the Company's consolidated balance sheet within other non-current liabilities. The value has been estimated by simulating the future performance of STB in a Geometric Brownian Motion model. Key assumptions used in this model include a volatility factor of 45% and a credit risk adjusted discount rate of 3%. External acquisition related costs totaling $150,000 have been expensed.

The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$9,444

Property, plant and equipment	13,616
Intangible assets	3,334
Other long term assets	67
Debt	(6,487)
Other liabilities	(4,038)
Goodwill	9,487
Total purchase consideration	$25,423

COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

In connection with the acquisition of STB, the Company withheld $5,431,000 to be paid to the seller upon satisfaction of certain conditions. Of this amount, $822,000 is expected to be paid to the seller within one year of the acquisition and the remaining $4,609,000 is expected to be paid to the seller in a time period exceeding one year of the acquisition. The Company has recorded assets on its consolidated balance sheet consisting of current restricted cash of $822,000 within prepaid expenses and other and long term restricted cash of $4,609,000 in other assets. Further, the Company has recorded a short term liability to the seller of $822,000 within accrued liabilities and a long term liability to the seller of $4,609,000 within other non current liabilities.

For each acquisition, goodwill represents future economic benefits arising from other assets acquired that do not meet the criteria for separate recognition apart from goodwill, including assembled workforce, growth opportunities and increased presence in the markets served by the target companies.

See Note 5 for assumptions used in the valuing of the intangible assets acquired.

4. Divestitures

During the year ended March 31, 2013, the Company sold certain assets of the Gaffey division of Crane Equipment and Service, Inc. The sale of the Gaffey assets did not have a material effect on the Company's financial statements for year ended March 31, 2013 and therefore was not reclassified as a discontinued operation.

5. Fair Value Measurements

ASC Topic 820 "Fair Value Measurements and Disclosures" establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the valuation techniques that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is separated into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, involving some degree of judgment.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The availability of observable inputs can vary and is affected by a wide variety of factors, including the type of asset/liability, whether the asset/liability is established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date.

COLUMBUS McKINNON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(tabular amounts in thousands, except share data)

In fiscal 2014, the fair market value of unearned ESOP shares was determined based on the quoted market value of the Company's stock and consequently, the fair value was based on Level 1 inputs.

The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company's derivatives is based on Level 2 inputs. The carrying value of the Company's Term Loan and senior debt approximate fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, their fair values are based on Level 2 inputs. In fiscal 2014, the Company used quoted prices in an inactive market when valuing its Subordinated Debt, represented by the 7 7/8% Notes due 2019, registered under the Securities Act of 1933, as amended (unregistered 7 7/8% Notes) and, consequently, the fair value was based on Level 2 inputs.

The following table provides information regarding financial assets and liabilities measured or disclosed at fair value on a recurring basis:

	Fair value measurements at reporting date using	
	Quoted prices in active markets for identical assets	Significant other observable inputs