

Registration number: NI006692



Caterpillar (NI) Limited

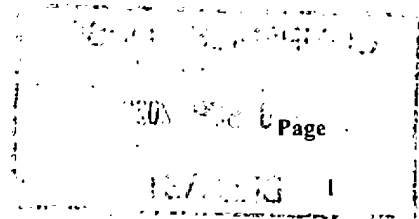
Annual Report and Financial Statements

for the Year Ended 31 December 2021

Caterpillar (NI) Limited

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Caterpillar (NI) Limited

Company Information

Directors P A Lyttle
S Narayanan
D W Anderson
H Reilly
D Bain

Company secretary T G Dickson

Registered office The Company Secretary
Old Glenarm Road
Larne
County Antrim
BT40 1EJ

Independent Auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast Merchant Square
20-26 Wellington Place
Belfast
BT1 6GE

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Business review

The results for the financial year show an operating profit before tax of £20,161,000 (2020: £8,306,000). The company has net assets of £158,775,000 (2020: £140,865,000) at the end of the financial accounting period. The 2020 numbers included a recognition of £9,485,000 related to the restructure of the company's place in the global Electric Power Division operations and manufacturing footprint. The £9,485,000 net impact was a result of £22,668,000 in redundancy cost to be paid to employees in addition to £1,312,000 of costs incurred by a group service provider with recovery from group headquarters to the value of £14,495,000.

2021 saw a decrease in the company's turnover. Whilst the component supply business volumes recovered after a low 2020, this was offset by the outworking of the restructuring of the global Electric Power Division operations footprint which drove the reduction in employee numbers during the year. The 2021 numbers include a £13,712,000 impairment release. This includes a reversal of the remaining carrying 2019 impairment of £17,569,000 of tangible assets and £469,000 of intangible assets due to the upturn in the component supply business. This reversal was offset by an impairment of £4,300,000 of surplus tangible assets and £26,000 of surplus intangible assets related to the Electric Power footprint restructure.

Excluding the two unusual items of the Impairment release and the 2020 recognition of restructure costs the underlying profit reduced year on year in line with the reduction in turnover.

In 2022, the company expects to see electric power sales revenue as a whole decrease slightly again with the final phase of the restructuring of the manufacturing footprint seeing standard Gensets assembly revenue being partially replaced by the future steady state of higher value Power Module business. This decrease is expected to be offset by the continued year on year growth in the component supply business.

Financial key performance indicators

The company's key financial performance indicators during the financial year were as follows:

	Unit	2021	2020
Sales decrease	%	9	10
Operating profit movement	%	143	176
Headcount	Number	1,084	1,509
Volume of Gensets	Units	2,884	6,544

Turnover decreased by 9% mainly due to the restructuring of the global Electric Power Division operations footprint.

The operating profit movement improved to 143% largely attributable to a £13,712,000 impairment release which encompasses the reversal of the remaining carrying 2019 impairment due to the upturn in the component supply business offset by an impairment of surplus assets related to the Electric Power footprint restructure.

Non-financial key performance indicators

People

We are committed to developing our talent; our people's skills and perspectives are the heartbeat behind the success of our products and services. We work in an inclusive environment, encouraging ideas and feedback, in order to create a positive employee experience. We conduct annual employee insights surveys to understand employee engagement levels and to identify opportunities for improvement.

Safety

Safety amongst employees is the company's top priority with an expectation of zero recordable injuries. Metrics indicate that performance in 2021 was comparable with 2020 in regards to recordable injuries and other safety metrics.

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Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

Key business risk

Performance in the sector is affected by general economic conditions as well as specific sectorial factors. The board carries out regular strategic reviews including assessments of competitor activity, market trends and forecasts, and customer behaviour. The security of product supply is monitored by the directors on an ongoing basis with supplier financial strength, product quality and service levels regularly reviewed. The company's active review of the market prices both provides protection and maximised opportunities from anticipated price rises.

The previously announced restructuring of the global electric power operations and engineering footprint commenced implementation in 2021 with the execution of a severance programme for affected employees along with reconfiguration of the Larne facility to facilitate the changes in product mix towards more higher value electric power product.

Environmental risk

The company's operations can create environmental risks including emissions to air, odour emissions, noise and waste management. The business operates under environmental permits issued and monitored by government authorities. As well as managing compliance to these permits the company completes the following in its mitigation processes:

- Keeps up to date with regulation changes to determine what is applicable to the company.
- Completes internal Caterpillar Inc. audits on environmental risk processes.
- Performs external assessments every 6 months from ISO 14001 audit.
- Maintains a corporate database with corrective actions and mitigations noted.
- Environmental calendar planning with environmental permit logging and review.

LIBOR reform risk

During 2021 the company received/paid interest on intercompany loan balances with fellow UK companies based on the interest rate of the London Inter-bank Offered rate (LIBOR) plus 0.5%. On 31 December 2021 there was a mandatory change from the LIBOR rate to the Sterling Overnight Index Average (SONIA) Rate. The Caterpillar Treasury project team prepared interest rates for this change which resulted in the calculation of similar market-based rates to those that were used for LIBOR. The switch over to the new rates, SONIA Term plus 0.5%, occurred on 1 November 2021.

Cyber risk

The Caterpillar Inc. group of companies approaches information security risk management through a comprehensive program to identify, assess, quantify, mitigate, transfer or formally accept information security risk at an appropriate level of the company. The program is chartered to operate across the extended enterprise to protect the company's people, information, property, products and brand from the cyber risks by seeking to preserve the confidentiality, integrity and availability of information, and to enable the safe operation of our connected machines.

The Caterpillar Inc. group of companies have established, implemented, work hard to maintain, and seek continually to improve the information security risk management program aligned with ISO 27001, which includes various procedures and controls to mitigate such cyber risks. Our program gives confidence to our people, partners and customers that information risks are adequately managed. Supported by Enterprise Policies and Procedures, the program also includes sophisticated technologies and detailed security processes we execute 24 hours a day, every day.

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Strategic Report for the Year Ended 31 December 2021 (continued)

The company is aware of the risk of a cyber-attack taking place and education programs in the form of communications and mandatory online training are deployed ensuring company employees are aware of potential threats and have appropriate IT security awareness. Robust onboarding and offboarding processes ensure any employee turnover is managed in accordance with cyber security protocols.

Further details, specifically relating to financial risk, are covered within the Directors' Report.

Streamlined Energy and Carbon Report (SECR)

The Streamlined Energy Carbon Report is disclosed within the Directors' Report.

Section 172(1) Statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under section 414CZA, of The Companies Act 2006.

Board of Directors

The Board of Directors appointed to manage Caterpillar (NI) Limited participates in, oversees, advises and counsels the management of the company and monitors the management team's performance and legal and ethical compliance.

Caterpillar (NI) Limited's board members have been given training regarding duties, responsibilities and liabilities of Directors. Members of the board also participate in the management of the business. As leaders and managers, they are regularly exposed to formal leadership and business-related training. Board members have access to other members of the company's management, and will, from time to time, invite other executives and employees to participate in, or provide information for use at Board meetings so that the Board has additional insight on items or issues to be decided by the Board. The Board may, from time to time, engage outside advisors or other experts as it deems necessary or appropriate to assist it in carrying out its responsibilities.

Employee engagement

The directors recognise the need to maintain good communications with employees and to increase their involvement in their work. Management is responsible for the detailed development of communications and participation practices as required by their local situations. The practices involved include providing information to employees on the company's performance through house journals, news bulletins, briefing meetings and video presentations, such as the division's All Employee Meetings and Weekly News bulletins.

Human resource development is a key element of the company's long term strategic priorities, with particular emphasis on learning. There is a share scheme which enables employees to invest in shares of the ultimate parent company, Caterpillar Inc.

Stakeholder engagement

The company is committed to understanding the needs of its customers, and together with its partners, delivering industry-leading products and services.

The company maintains a collaborative working relationship with distributors and customers and has dedicated account managers allocated enabling the provision of regular updates regarding the company's business and products.

The company has high standards for quality, delivery, and price and its suppliers play a key role in the company's commitment to excellence. Suppliers are given access to a dedicated portal that provides transparency to our suppliers on performance requirements, our organisation, and how to begin doing business. The portal also provides the key information that any supplier needs to know regarding the requirements, policies, and procedures in the areas of Business Requirements and Regulations, Quality and Supply Chain. Each supplier also has a dedicated buyer who partners them, for ease of communication and continuous improvement.

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Communities and environment

Caterpillar (NI) Limited takes its responsibility to the various communities in which we work very seriously and follows a company-wide strategy of sustainability and energy efficiency. Manufacturing is a process that unavoidably uses energy however we've committed to sustainable manufacturing processes that minimise both the energy consumed and the waste produced.

The company takes its responsibility to the various communities it works in very seriously and has a philosophy of 'think global, act local'. The company also follows a company-wide strategy of sustainability and energy efficiency.

This report was approved by the Board of Directors and signed on its behalf by:

D Bain
Director



Date: 28 September 2022

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the audited financial statements for Caterpillar (NI) Limited for the year ended 31 December 2021.

Directors of the company

The directors who served during the year, and up to the date of signing the financial statements, unless otherwise stated, were as follows:

P A Lyttle

P McCartan (appointed 12 March 2021 and resigned 7 February 2022)

M McClure (resigned 13 October 2021)

S Narayanan (appointed 12 March 2021)

D W Anderson (appointed 19 July 2021)

H Reilly (appointed 3 November 2021)

The following director was appointed after the year end:

D Bain (appointed 7 February 2022)

Dividends

There were no dividends paid in the financial year under review (2020 - £Nil).

The directors recommend that no dividend be proposed or declared for the year ended 31 December 2021 (2020 - £Nil).

Cash pooling / cash funding

The company is part of the Caterpillar Inc. group's cash pooling / funding arrangements. This is administered by Caterpillar Corporate Treasury, who ensure the company receives the funds it requires in order to meet its obligations.

Receipts and payments between fellow group companies are transacted via the intercompany loan accounts. Any other receipts and payments are transacted through the company bank accounts.

The balances of these accounts are then transferred to the bank account of Caterpillar UK Holdings Limited (the Counterparty) on a daily basis. This enables the funds to be utilised by the Corporate Treasury function in the wider Caterpillar Inc. group.

The company has an intercompany loan agreement with Caterpillar UK Holdings Limited. This Agreement may be terminated by either party upon 30 days advance written notice to the other party. Upon termination, the borrower shall pay the principal amount outstanding under the loan with accrued interest, unless otherwise agreed among the parties.

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Going concern

The company meets its day-to-day working capital requirements through intercompany cash pooling / funding arrangements. This provides the company access to the cashflows necessary for the day-to-day running of the company, and to support the going concern assertion.

The impact of COVID-19 on the company has gradually receded during 2021 with the vaccination program roll-out and the continuing careful management and mitigation of risks associated with the pandemic. As facilities continue their return to work programs, we do not anticipate any significant impact on future operations or results that may be directly attributable to the pandemic.

Ongoing geopolitical tensions, increasing energy prices and global inflationary pressures are contributing to a level of uncertainty in relation to the impact on operations and the future financial results of the business. Whilst the impact of this uncertainty does not currently warrant significant action to be taken, the company continues to monitor these developments, as well as the potential for any material impacts, which may subsequently require consideration in future business planning.

The company has obtained a letter of support from Caterpillar Inc. that confirms the availability of funding necessary to enable Caterpillar (NI) Limited to continue in existence as a going concern to meet its liabilities as they fall due and to carry on its business in the 12 months from the date of the approval of these financial statements.

Considering all the above, the directors have a reasonable expectation that the company has adequate financial and other resources to continue in operation for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employment of disabled persons

The policy of the company for the employment of disabled persons and for the continued employment of persons becoming disabled while in the company's employment is to provide equal opportunities with other employees, having regard to the maintenance of a safe working environment and the constraints of their disabilities. The company subscribes to the policies established by the Equality Commission.

All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled people are not treated differently in this respect.

Engagement with employees

See Section 172(1) Statement within the Strategic Report.

Engagement with stakeholders

See Section 172(1) Statement within the Strategic Report.

Research and development

During the year the company continued to carry out research and development in order to maintain its position at the forefront of technology.

As part of this policy of continually upgrading company products and introducing new models to the market, the company has an ongoing major commitment to research and development. The expenditure on research and development continues to be considerable and is written off during each financial year.

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Financial risk management

Objectives and policies

The company is exposed to a variety of financial risks. The company's overall risk management programme seeks to minimise potential risks for the company. Management reviews and agrees policies for managing risks. The most important components of financial risk affecting the company are

Price risk, foreign exchange risk, credit risk, liquidity risk and interest rate cash flow risk

Price risk

The company is exposed to commodity price risk as a result of its operations and this is mitigated by commodity price hedging carried out on its behalf by the parent company. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity instruments.

Foreign exchange risk

While a substantial part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business with a large part of sales and costs denominated in US dollars. The company operates a Risk Management Service Agreement with its parent company to mitigate this foreign exchange risk. The company has not used third party financial instruments to hedge foreign exchange exposure.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the Board.

Liquidity risk

All company debt is inter-company and short term; Caterpillar Treasury ensures the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rate, whilst the primary interest-bearing liability is our intercompany loan funding arrangement with Caterpillar UK Holdings Limited which bears interest at LIBOR plus 0.5%. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Future developments

As a result of Brexit the new EU - UK Trade & Cooperation Agreement came into force on 1 January 2021. The company was well prepared for this so has not experienced any major issues as a result so far.

The restructuring of the Electric Power global manufacturing footprint has precipitated the optimisation of the Lame facility layout for the future steady state primarily centred on high value power modules and this work is to be mostly completed in 2022. An element of this was the intended sale of the South Campus of the Lame site which was listed in late 2021.

The company, irrespective of the outcome of the recently announced contemplation of the discontinuation of the manufacture of F G Wilson generating sets in Lame, will continue to act as a sales hub for the distribution of globally manufactured F G Wilson sets to the dealer network and support the expected growth in that sector of the business.

The component supply business based in Belfast is expected to experience steady growth in 2022 to build on the upturn experienced in 2021.

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Directors' Report for the Year Ended 31 December 2021 (continued)

Streamlined Energy and Carbon Report (SECR)

The gross greenhouse gas (GHG) emissions for Caterpillar (NI) Limited is 4,315 tonnes of carbon dioxide equivalent (tCO₂e) at an emissions intensity of 10.9 tCO₂e per £m revenue for the year 1 January 2021 to 31 December 2021. This represents an overall decrease in emissions of 21% compared to the previous twelve months and a 13% reduction in carbon emissions intensity from the business activities.

The gross GHG emissions figure includes all material Scope 1, 2 plus Scope 3 required to be disclosed by the legislation; that is the emissions associated with the purchase of electricity, the combustion of gas and the consumption of fuel for the purposes of transport.

Caterpillar (NI) Limited greenhouse gas emissions are broken down in the following sections.

Emissions and energy consumption

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2021:

Description	% of total	2021	2020
Fuel combustion: Natural gas	55%	2,388	2,841
Fuel combustion: Transport	3%	121	118
Emissions from the consumption of Electricity	42%	<u>1,806</u>	<u>2,505</u>

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2021:

Description	Unit	2021	2020
Combustion of Natural Gas	tCO ₂ e	2,388	2,841
Fuel combustion: Transport	tCO ₂ e	107	101
		<u>2,495</u>	<u>2,942</u>

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2021:

Description	Unit	2021	2020
Consumed Electricity	tCO ₂ e	<u>1,660</u>	<u>2,306</u>

Summary of scope 3 (other indirect) greenhouse gas emissions for the year ended 31 December 2021:

Description	Unit	2021	2020
Fuel combustion: Transport	tCO ₂ e	14	17
Consumed electricity	tCO ₂ e	147	198
		<u>161</u>	<u>215</u>

Summary of energy consumption for the year ended 31 December 2021:

Description	Unit	2021	2020
Electricity	kWh	13,035,864	9,893,188
Natural gas	kWh	7,815,698	15,451,723
Transport fuel	kWh	527,474	490,479
		<u>21,379,036</u>	<u>25,835,390</u>

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

The data contained in this document is calculated and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, March 2019.

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of buildings within the scope of the regulation, plus transport; company-owned vehicles used for business travel. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies. The report also includes emissions from waste generated from a range of sources and transmission distribution (T&D), this is a voluntary scope 3 emission that means the losses in transmission between sources of supply and points of distribution are included in the carbon emissions. By combining the T&D emissions with those from the generation of purchased electricity provides the emissions associated with electricity consumption, which is considered best practice.

Caterpillar (NI) Limited is not listed on a stock exchange such as the London Stock Exchange, so is classified as a Non-Quoted Large Company for the purpose of regulatory compliance.

Emissions have been calculated using the 2021 conversion factors provided by Department for Business, Energy & Industrial Strategy. The reporting period is 1 January 2021 to 31 December 2021.

- Programme of replacement of light fittings with high efficiency LED units.
- Air leak detection and repair programme managed through the Maintenance Department.
- Reduction in number of fork trucks on site.
- Enhanced shut down processes and out of hours work, including audit programme to verify plant, machinery, and workstations turned off.
- Refocus on energy management through governance meetings, with focus on purchasing strategy, metering and control, communications, energy metrics and performance.
- Energy recovery from reliability testing (greater than 250hrs run time).
- Installation of air locks and upgrade to rapid response roller doors to minimise heat losses.

Qualifying third party indemnity provisions

At the time this report is approved, and during the financial year, a qualifying third party indemnity provision was in place for the benefit of one or more of the directors.

Statement of Directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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Directors' Report for the Year Ended 31 December 2021 (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors after these financial statements were sent to members, or after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Post balance sheet event

The recent announcement on the contemplation of the discontinuation of the manufacture of the FG Wilson brand generating sets in the Larne facility opens a consultation process, to be concluded by the end of 2022, that could see the reduction of manufacturing and support headcount of approximately 83 heads accompanied by a voluntary severance programme. The contemplation could also see the disposal of surplus assets in the Larne facility. The company fully expects all of these costs to be recovered from the group principal.

This report was approved by the Board of Directors on and signed on its behalf by:

D Bain
Director



Date: 28 September 2022

Caterpillar (NI) Limited

Independent Auditors' Report to the Members of Caterpillar (NI) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Caterpillar (NI) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion, or except to the extent otherwise explicitly stated in our report, any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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Independent Auditors' Report to the Members of Caterpillar (NI) Limited (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of accounting estimates which could be subject to management bias or the posting of unusual journals. Audit procedures performed by the engagement team included:

- Understanding and evaluating the key elements of the company's internal control related to estimates
- Reviewing legal expense accounts, board minutes and in-house legal counsel documentation
- Understanding and evaluating the key elements of the company's internal control related to estimates.
- Substantive testing of journal entries, particularly focused around journals which have unexpected account relationships

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Independent Auditors' Report to the Members of Caterpillar (NI) Limited (continued)

- Substantive testing of journal entries, particularly focused around journals which have unexpected account relationships.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

- Confirmation and enquiry of management and those charged with governance over compliance with taxation legislation, including consideration of actual or potential litigation and claims.
- Reviewing accounting estimates for bias and validating the support behind the assumptions and judgements made by management including challenging against possible alternatives
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management
- Reviewing accounting estimates for bias and validating the support behind the assumptions and judgements made by management including challenging against possible alternatives.
- Incorporating elements of unpredictability.
- Incorporating elements of unpredictability
- Reviewing minutes of meetings of those charged with governance.
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Caterpillar (NI) Limited

Independent Auditors' Report to the Members of Caterpillar (NI) Limited (continued)

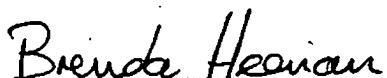
OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Brenda Heenan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Belfast Merchant Square
20-26 Wellington Place
Belfast
BT1 6GE

29 September 2022

Caterpillar (NI) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	5	399,890	439,472
Cost of sales		<u>(374,341)</u>	<u>(403,241)</u>
Gross profit		25,549	36,231
Distribution costs		(4,920)	(5,487)
Administrative expenses		(1,002)	(23,668)
Other operating income	9	<u>534</u>	<u>1,230</u>
Operating profit	10	20,161	8,306
Interest receivable and similar income	11	2,090	293
Interest payable and similar expenses	12	<u>(819)</u>	<u>(1,518)</u>
Profit before tax		21,432	7,081
Tax on profit	13	<u>(3,946)</u>	<u>(1,299)</u>
Profit for the financial year		17,486	5,782
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>17,486</u></u>	<u><u>5,782</u></u>

The above results were derived from continuing operations.

Caterpillar (NI) Limited

**(Registration number: NI006692)
Balance Sheet as at 31 December 2021.**

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	14	555	303
Tangible assets	15	32,647	26,217
Investments	16	-	60
		<u>33,202</u>	<u>26,580</u>
Current assets			
Stocks	17	85,831	92,656
Debtors	18	122,413	124,022
Cash at bank and in hand		42	674
		<u>208,286</u>	<u>217,352</u>
Creditors: Amounts falling due within one year	19	<u>(78,695)</u>	<u>(76,100)</u>
Net current assets		<u>129,591</u>	<u>141,252</u>
Total assets less current liabilities		162,793	167,832
Creditors: Amounts falling due after more than one year	19	(2,191)	(3,203)
Provisions for liabilities	20	<u>(1,827)</u>	<u>(23,764)</u>
Net assets		<u>158,775</u>	<u>140,865</u>
Capital and reserves			
Called up share capital	23	688	688
Share premium account		1,350	1,350
Capital redemption reserve		15	15
Retained earnings		<u>156,722</u>	<u>138,812</u>
Total equity		<u>158,775</u>	<u>140,865</u>

The financial statements on pages 16 to 40 were authorised for issue by the Board of Directors and signed on its behalf by:



.....
D Bain
Director

Date: 28 September 2022

Caterpillar (NI) Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Note	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021		688	1,350	15	138,812	140,865
Profit for the year		-	-	-	17,486	17,486
Total comprehensive income		-	-	-	17,486	17,486
Share based payment transactions	21	-	-	-	424	424
At 31 December 2021		<u>688</u>	<u>1,350</u>	<u>15</u>	<u>156,722</u>	<u>158,775</u>

	Note	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020		688	1,350	15	132,414	134,467
Profit for the year		-	-	-	5,782	5,782
Total comprehensive income		-	-	-	5,782	5,782
Share based payment transactions	21	-	-	-	616	616
At 31 December 2020		<u>688</u>	<u>1,350</u>	<u>15</u>	<u>138,812</u>	<u>140,865</u>

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by shares, incorporated in United Kingdom and registered in Northern Ireland.

The address of its registered office is:

The Company Secretary
Old Glenarm Road
Larne
County Antrim
BT40 1EJ

The principal activities of the company are the design, manufacture and assembly of diesel and gas generating sets and associated equipment, along with the manufacture of axle and transmission components.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and Companies Act 2006.

3 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention.

The company's functional and presentation currency is pounds sterling.

The preparation of financial statements, in compliance with FRS 102, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Group financial statements

The company is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006 and section 9 paragraph 3 of the Financial Reporting Standard 102.

These financial statements are the company's separate financial statements presenting information about the company as an individual undertaking and not about its consolidated group.

The financial statements of Caterpillar (NI) Limited are included in the consolidated financial statements of Caterpillar Inc., the ultimate parent undertaking and the smallest and largest group to consolidate these financial statements.

The financial statements of Caterpillar Inc. may be obtained from The Company Secretary, 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland";

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 (b), 11.41 (c), 11.41 (e), 11.41 (f), 11.42, 11.44 to 11.45, 11.47, 11.48 (a)(ii), 11.48 (a)(iv), 11.48 (b) and 11.48 (c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29 (a), 12.29 (b) and 12.29 A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18 (b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Caterpillar Inc. as at 31 December 2021 and these financial statements may be obtained from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

Going concern

The company meets its day-to-day working capital requirements through intercompany cash pooling / funding arrangements. This provides the company access to the cashflows necessary for the day-to-day running of the company, and to support the going concern assertion.

The impact of COVID-19 on the company has gradually receded during 2021 with the vaccination program roll-out and the continuing careful management and mitigation of risks associated with the pandemic. As facilities continue their return to work programs, we do not anticipate any significant impact on future operations or results that may be directly attributable to the pandemic.

Ongoing geopolitical tensions, increasing energy prices and global inflationary pressures are contributing to a level of uncertainty in relation to the impact on operations and the future financial results of the business. Whilst the impact of this uncertainty does not currently warrant significant action to be taken, the company continues to monitor these developments, as well as the potential for any material impacts, which may subsequently require consideration in future business planning.

The company has obtained a letter of support from Caterpillar Inc. that confirms the availability of funding necessary to enable Caterpillar (NI) Limited to continue in existence as a going concern to meet its liabilities as they fall due and to carry on its business in the 12 months from the date of the approval of these financial statements.

Considering all the above, the directors have a reasonable expectation that the company has adequate financial and other resources to continue in operation for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Turnover

Turnover reported within these financial statements relates to the sale of diesel and gas generating sets, axles and transmissions (for use in articulated trucks), and associated supply of aftermarket parts.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is only recognised when:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Employee benefits

The company provides a range of benefits to employees, including paid sickness and holiday arrangements, defined contribution pension plans and an annual bonus.

Short-term benefits

Short term benefits including holiday and sickness pay are recognised as an expense in the period in which the cost is incurred. An annual bonus is not guaranteed and is only paid if pre set triggers are achieved. If paid, the cost of this is recognised as an expense in the year it relates to.

Long term benefits

Employees are given the option to join the Caterpillar (U.K.) Limited defined contribution pension plan. The company pays fixed contributions into the plan, which is recognised as an expense in the period in which the cost is incurred. See the Share based payments and Pensions accounting policies for more information.

Share based payments

Where Caterpillar Inc. equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to wages, within profit or loss over the vesting period, offset with a credit entry to retained earnings, reported in the statement of changes in equity. When shares are exercised the difference between the grant and exercise value is charged to wages and credited to intercompany payables with Caterpillar Inc.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme). Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The company has no cash settled share based payments. More details can be found in the Caterpillar Inc. consolidated financial statements, which are publicly available from the Company Secretary and the Caterpillar Inc. website.

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense within profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Finance leases: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating leases: Lessee

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Research and development

Research expenditure is expensed in the year in which it is incurred.

Development expenditure is expensed in the year it is incurred unless the directors are satisfied as to the technical, commercial or financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency at the spot exchange rate on the day of the transaction and then retranslated to a monthly FX Peg Rate, which is set by the Corporate Risk Management Team.

This monthly rate is used to translate foreign currency transactions to the company's functional currency in the following month.

At period end, foreign currency monetary items in the balance sheet are revalued using the month end rate advised by the Corporate Risk Management Team, that is applicable for that month. Non-monetary items in the balance sheet are measured at historical cost, translated using the FX Peg Rate applicable at the date of the transaction. They are not revalued.

Foreign exchange gains and losses, resulting from the settlement of transactions, and from the revaluation of foreign currency monetary assets and liabilities, are recognised in profit or loss within administrative expenses.

Interest receivable and similar income

Interest is recognised in the profit or loss using the effective interest rate method.

Interest payable and similar expenses

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated financial instrument.

Current and deferred tax

Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- a) The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities other future taxable profits; and
- b) Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

These financial statements include a benefit, netted against research and development, within administrative expenses, relating to the prior year, based on the company's election to adopt the UK's Research and Development Expenditure Credit (RDEC) Scheme.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the directors assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Any impairment charged or reversed in the year will be recognised in profit or loss within administrative expenses.

Amortisation

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is charged to profit or loss within cost of sales.

Asset class	Amortisation method and rate
Software	Straight line over 5 years

Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. This is charged to the profit or loss within administrative expenses/cost of sales.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the cost of sales section of profit or loss.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Depreciation

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Land held within freehold land and buildings is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets, less their residual value, over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Depreciation is charged to profit or loss within cost of sales.

Asset class	Depreciation method and rate
Freehold land and buildings	Straight line 4%
Plant and machinery	Straight line 10-20%

Freehold land is not depreciated.

Investments

Investments reported within these financial statements include subsidiaries investments and other investments. Other investments are those where holdings are less than 20% of the nominal value of share capital. Both of these are measured at cost less provision for accumulated impairment.

The company undertakes an annual assessment of the subsidiaries where it has investments, to determine if there is an indication that an investment may be impaired. If any such indication exists, the company will estimate the recoverable amount of the asset. The recoverable amount is determined by calculating the higher of the fair value less costs to sell and the value in use. Value in use is defined as the present value of the future cashflows. These cashflows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable value is lower than the investment value then an impairment is required and the investment value is adjusted to the recoverable value and charged to the profit and loss account. An impairment to the subsidiary can be reversed if there is evidence of an improvement in the performance of the company and cashflows on a continuing basis.

Impairment charges or reversals are included within profit or loss within administrative expenses.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis and includes work in progress and finished goods, including labour and attributable overheads (based on normal operating costs and capacity).

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss. If the value of an impaired item increases in a later period, some, or all of the impairment will be reversed back to the profit or loss.

Impairment of stock is charged to profit or loss within cost of sales.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Financial Instruments

Classification

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows, discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not been previously recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire, or are settled, or b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset, and settle the liability, simultaneously.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Cash pooling / cash funding

The company is part of the Caterpillar Inc. group's cash pooling / funding arrangements. This is administered by Caterpillar Corporate Treasury, who ensure the company receives the funds it requires in order to meet its obligations.

Receipts and payments between fellow group companies are transacted via the intercompany loan accounts. Any other receipts and payments are transacted through the company bank accounts.

The balances of these accounts are then transferred to the bank account of Caterpillar UK Holdings Limited (the Counterparty) on a daily basis. This enables the funds to be utilised by the Corporate Treasury function in the wider Caterpillar Inc. group.

The company has an intercompany loan agreement with Caterpillar UK Holdings Limited. This Agreement may be terminated by either party upon 30 days advance written notice to the other party. Upon termination, the borrower shall pay the principal amount outstanding under the loan with accrued interest, unless otherwise agreed among the parties.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in profit or loss in the same period as the related expenditure.

In the year the company received grant income under the Coronavirus Job Retention Scheme. This was accounted for when the income was received, crediting profit or loss.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Warranty

Provision is made for the estimated warranty liability of all products still under warranty. Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Contingencies

Contingent liabilities arise as a result of past events when:

- it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or
- when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resource is remote. They are recognised in the financial statements as a provision, or creditor, if considered probable.

Dividends

Dividend income is recognised when the right to receive payment is established. These are presented within the financial statements in note 11, Interest receivable and similar income.

4 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires the company to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

There are no critical accounting judgements included within these financial statements.

Key sources of estimation uncertainty

Transfer pricing

The company is counterparty to a number of transfer pricing arrangements with other group companies, in respect of various services, physical goods transactions, and other activities provided within the Caterpillar Inc. group.

The directors have assessed these arrangements and concluded that they reflect the commercial substance of the associated transactions, are transacted at arm's length, and reflect the appropriate remuneration for the functions, assets and risks assumed by the company and the transfer pricing counterparty and have been correctly calculated in accordance with the transfer pricing arrangements.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Impairment

The carrying value of the Impairment charge dating from 2019 was reversed in the year as a result of the reversal of the relevant triggering events from that time.

A remaining impairment charge of £4,326,000 is specifically related to an analysis of surplus assets within the Lame plant driven by the restructure of the group Electric Power global manufacturing footprint that was implemented during 2021 and is based on expected recoverable sales values for those assets.

5 Turnover

The analysis of the company's turnover for the year is as follows:

	2021	2020
	£ 000	£ 000
Sale of goods	399,890	439,472

The analysis of the company's turnover for the year by market is as follows:

	2021	2020
	£ 000	£ 000
United Kingdom	154,653	103,273
Rest of Europe	94,954	161,187
Rest of world	150,283	175,012
	399,890	439,472

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	44,935	58,200
Social security costs	4,703	4,486
Pension costs, defined contribution scheme	2,212	2,682
Pension costs, defined benefit scheme	-	1
	51,850	65,369

Included within wages and salaries is £424,000 (2020 - £616,000) for share based payments.

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Staff costs (continued)

	2021	2020
	No.	No.
Administration, sales and technical staff	487	668
Production	565	805
Management	32	36
	<u>1,084</u>	<u>1,509</u>

7 Directors' remuneration

Directors' remuneration relates to 6 directors (2020 - 4).

The directors' remuneration for the year was as follows:

	2021	2020
	£ 000	£ 000
Remuneration	526	510
Contributions paid to defined contribution pension schemes	33	26
	<u>559</u>	<u>536</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021	2020
	No.	No.
Received or were entitled to receive shares under long term incentive schemes	4	-
Exercised share options	3	3
Accruing benefits under defined benefit pension scheme	-	1
Accruing benefits under defined contribution pension scheme	6	4
	<u>6</u>	<u>4</u>

In respect of the highest paid director:

	2021	2020
	£ 000	£ 000
Remuneration	132	271
Company contributions to defined contribution pension schemes	7	12
	<u>7</u>	<u>12</u>

8 Auditors' remuneration

	2021	2020
	£ 000	£ 000
Fees payable to the company's auditors and associates for the audit of the company's annual financial statements	<u>131</u>	<u>139</u>

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021	2020
	£ 000	£ 000
Royalties receivable	264	225
Government grants	66	971
Miscellaneous other operating income	204	34
	534	1,230

Government grants represents grant amounts received in respect of the UK Coronavirus Government Job Retention Scheme. There are no unfulfilled conditions and other contingencies attaching to grants that have been recognised in income. The company has not directly benefited from any other forms of government assistance.

10 Operating profit

Arrived at after charging/(crediting):

	2021	2020
	£ 000	£ 000
Research and development cost	5,113	6,198
Depreciation expense	6,290	6,910
Loss on disposal of property, plant and equipment	13	631
Amortisation expense	227	287
Asset impairment release	(13,713)	(3,661)
Foreign exchange losses/(gains)	495	(1,916)
Operating lease expense - other	968	1,074
Hire of plant and machinery	585	534
Prior year capital grants released	(571)	(633)
Bad debt	(752)	(993)
Severance costs to employees	(1,556)	22,668
Group severance charge	(19)	1,312
Group severance recovery	977	(14,495)

The asset impairment release consists of Intangible assets impairment release of £443,000 (2020: £472,000) and Tangible assets impairment release of £13,269,000 (2020: £3,189,000)

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Interest receivable and similar income

	2021	2020
	£ 000	£ 000
Interest receivable from group companies	136	76
Dividend income	1,751	-
Other interest receivable	203	217
	2,090	293

The dividend income pertains to a dividend distribution received upon the winding up of F G Wilson Proprietary Limited.

12 Interest payable and similar expenses

	2021	2020
	£ 000	£ 000
Factoring costs	819	1,518

13 Tax on profit

Tax (credited)/charged in the Statement of Comprehensive Income:

	2021	2020
	£ 000	£ 000
Current taxation		
UK corporation tax	1,236	1,791
UK corporation tax adjustment in respect of prior years	124	80
Foreign tax relief / other relief	-	(51)
	1,360	1,820
Foreign tax	129	51
Total current tax	1,489	1,871
Deferred taxation		
Origination and reversal of timing differences	2,703	(181)
Deferred tax adjustments in respect of prior years	55	(20)
Changes in tax rates and laws	(301)	(371)
	2,457	(572)
Total deferred taxation	2,457	(572)
Tax expense in the Statement of Comprehensive Income	3,946	1,299

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Tax on profit (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	21,432	7,081
Profit multiplied by standard rate of corporation tax in the UK	4,072	1,345
Higher rate taxes on overseas earnings	123	-
Adjustments to tax charge in respect of prior years	124	80
Adjustments to deferred tax charge in respect of prior years	55	(20)
Non-taxable income	(526)	(201)
Tax rate changes	(301)	(371)
Expenses not deductible for tax purposes	399	466
Total tax charge	3,946	1,299

Factors that may affect future tax charges

The company's profit for accounting year ended 31 December 2021 was taxed at a rate of 19% (2020: 19%).

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 31 December 2021, the impact would have been to reduce the deferred tax asset by £301,000 with a corresponding debit to the income statement.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Intangible assets

	Software £ 000	Total £ 000
Cost		
At 1 January 2021	10,240	10,240
Additions	239	239
Disposals	(44)	(44)
Transfers between classes	(204)	(204)
At 31 December 2021	<u>10,231</u>	<u>10,231</u>
Accumulated amortisation		
At 1 January 2021	9,937	9,937
Amortisation charge	226	226
Amortisation eliminated on disposals	(44)	(44)
Impairment	(443)	(443)
At 31 December 2021	<u>9,676</u>	<u>9,676</u>
Net book value		
At 31 December 2021	<u>555</u>	<u>555</u>
At 31 December 2020	<u>303</u>	<u>303</u>

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Tangible assets

	Freehold land and buildings £ 000	Plant & machinery £ 000	Total £ 000
Cost			
At 1 January 2021	79,681	91,537	171,218
Additions	966	1,422	2,388
Disposals	(6,966)	(4,099)	(11,065)
Transfers	-	204	204
At 31 December 2021	<u>73,681</u>	<u>89,064</u>	<u>162,745</u>
Accumulated depreciation			
At 1 January 2021	64,323	80,678	145,001
Charge for the year	2,602	3,688	6,290
Eliminated on disposal	(3,946)	(3,978)	(7,924)
Impairment	(9,164)	(4,105)	(13,269)
At 31 December 2021	<u>53,815</u>	<u>76,283</u>	<u>130,098</u>
Net book value			
At 31 December 2021	<u>19,866</u>	<u>12,781</u>	<u>32,647</u>
At 31 December 2020	<u>15,358</u>	<u>10,859</u>	<u>26,217</u>

Included within the net book value of land and buildings above is £672,578 (2020 - £672,578) in respect of freehold land.

16 Investments

	£ 000
Cost or valuation	
At 1 January 2021	79
Disposals	<u>(79)</u>
At 31 December 2021	<u>-</u>
Impairment	
At 1 January 2021	19
Eliminated on disposals	<u>(19)</u>
At 31 December 2021	<u>-</u>
Carrying amount	
At 31 December 2021	<u><u>-</u></u>

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Investments (continued)

	£ 000
At 31 December 2020	60

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

* denotes direct holding

Undertaking	Registered office	Class of share	Holding 2021	2020
Subsidiary undertakings				
F G Wilson (Proprietary) Limited*	St Georges Street, 1st Floor Bedford Centre, Yeoville 2143 South Africa	Ordinary	100%	100%
Other investments				
Caterpillar India Private Limited*	7th Floor, International Tech Park, Chennai Taramani Road, Taramani, Chennai, Tamil Nadu, IN 600 113 India	Ordinary	0.43%	0.43%

The other investments reported above relates to investments where the proportion of holding is less than 20%.

F G Wilson Proprietary (Limited) is currently in the process of being wound up.

17 Stocks

	2021 £ 000	2020 £ 000
Raw materials and consumables	61,117	68,873
Work in progress	19,617	15,939
Finished goods and goods for resale	5,097	7,844
	85,831	92,656

There is no significant difference between the replacement cost of inventory and the balance sheet carrying values.

Impairment of stocks

The amount of impairment loss included in profit or loss is £1,883,000 (2020 - £706,000).

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

18 Debtors

	Note	2021 £ 000	2020 £ 000
Trade debtors		7,684	7,709
Amounts owed by group undertakings		107,981	108,849
Other debtors		5,339	2,724
Prepayments and accrued income		155	1,030
Deferred taxation	13	1,254	3,710
		122,413	124,022
Less non-current portion		(1,254)	(2,569)
		121,159	121,453

Trade debtors include a bad debt provision of £1,506,880 (2020 - £2,371,000).

Amounts owed by group undertakings include £51,919,000 (2020 - £57,471,00) that is unsecured, repayable by mutual agreement and bears interest at one month LIBOR plus 0.5%. See the cash pooling / cash funding accounting policy for more details.

Also reported within amounts owed by group undertakings is £13,517,000 (2020 - £14,495,000) that relates to the group severance recovery reported in note 10.

All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Non-current debtors

£1,254,000 (2020 - £2,569,000) of deferred taxation is classified as non current.

Deferred tax

The deferred tax asset is made up as follows:

	2021 £ 000	2020 £ 000
Accelerated capital allowances	1,254	2,569
Other timing differences	-	1,141
	1,254	3,710

The deferred tax recoverable within 12 months is £Nil (2020 - £1,141,000).

The company also has an unrecognised deferred tax asset of £2,196,874 (2020 - £1,048,000) relating to losses.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Creditors: Amounts falling due within one year

	Note	2021 £ 000	2020 £ 000
Amounts falling due within one year			
Trade creditors		52,459	42,535
Amounts owed to group undertakings		13,968	20,365
Corporation tax	13	1,236	1,740
Other taxation and social security		2,357	9,138
Other creditors		1	644
Accruals and deferred income		<u>8,674</u>	<u>1,678</u>
		<u>78,695</u>	<u>76,100</u>
Amounts falling due after one year			
Deferred income - grants		<u>2,191</u>	<u>3,203</u>

Included with amounts owed to group undertakings is £Nil (2020 - £1,312,000) relating to the group severance charge reported in Note 10.

All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20 Provisions for liabilities

	Warranty £ 000	Severance £ 000
At 1 January 2021	1,096	22,668
Charged to profit or loss	643	-
Increase (decrease) in existing provisions	18	-
Utilised in year	<u>(1,114)</u>	<u>(21,484)</u>
At 31 December 2021	<u>643</u>	<u>1,184</u>

These warranty provisions are a point in time accruals on the applicable sales covered under warranty.

21 Share-based payments

The company has taken advantage of the disclosure exemption covering the requirements of FRS 102 Section 26 Share-based payment paragraphs 26.18 (b), 26.19 to 26.21 and 26.23.

In respect to share based payment arrangements, total charges to profit and loss, reported with wages and salaries were £424,000 (2020 - £616,000).

The directors consider that these amounts are not material and hence no further detailed disclosures have been made.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

22 Pension commitments

Defined contribution pension scheme

The company is a member of the Caterpillar (U.K.) Limited defined contribution pension plan.

The defined contribution pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £2,212,000 (2020 - £2,682,000).

23 Called up share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	688	688	688	688

24 Commitments under operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£ 000	£ 000
Not later than one year	1,035	1,341
Later than one year and not later than five years	611	1,637
	1,646	2,978

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2020 - £Nil).

25 Contingent liabilities

The company has given a performance guarantee in relation to contracts completed and in progress. The amount guaranteed is £245,000 (2020 - £245,000).

The company also has import guarantees and standby credits as follows:

Duty deferment £Nil (2020 - £1,000,000)

Other £63,712 (2020 - £216,000)

There is also a commitment for Caterpillar (NI) Limited to pay a warehousing charge relating to the parts business of £1,004,106 per year through to the end of December 2022.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

26 Parent and ultimate parent undertaking

The company's immediate parent is Caterpillar Skinningrove Limited, incorporated in United Kingdom.

The ultimate parent and controlling party is Caterpillar Inc., incorporated in United States of America.

The most senior parent entity producing publicly available financial statements is Caterpillar Inc. These financial statements are available upon request from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

The parent of the largest group in which these financial statements are consolidated is Caterpillar Inc..

The parent of the smallest group in which these financial statements are consolidated is Caterpillar Inc..

27 Post balance sheet event

The recent announcement on the contemplation of the discontinuation of the manufacture of the FG Wilson brand generating sets in the Larne facility opens a consultation process, to be concluded by the end of 2022, that could see the reduction of manufacturing and support headcount of approximately 83 heads accompanied by a voluntary severance programme. The contemplation could also see the disposal of surplus assets in the Larne facility. The company fully expects all of these costs to be recovered from the group principal.