


Registered number: NI006692

CATERPILLAR (NI) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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CATERPILLAR (NI) LIMITED

COMPANY INFORMATION

DIRECTORS	P Lyttle (appointed 1 January 2019) M McClure
COMPANY SECRETARY	T G Dickson
REGISTERED NUMBER	NI006692
REGISTERED OFFICE	Old Glenarm Road Larne County Antrim BT40 1EJ
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR

CATERPILLAR (NI) LIMITED

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CATERPILLAR (NI) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activity of the company is the design, manufacture and assembly of diesel and gas generating sets and associated equipment.

The results for the financial year show a loss on continuing operations before tax of £13,654,000 (2018: £8,568,000 loss). The 2018 numbers include a reversal of a previous impairment charge of £3,929,000. A review of future cash flows in the context of the net assets position of the company at year end has precipitated an impairment charge of £21,700,000 in the year. The impairment was triggered by a decline in demand from our customers as well as the pressures that a change in product mix placed on working capital flows. The company has net assets of £134,467,000 at the end of the financial accounting period.

2019 saw a decrease in the company's turnover. This can be attributed to continuing challenging market conditions in the company's generator business despite an increase in activity at the Springvale site for focused components. Overall headcount in the year fell slightly in line with the overall reduction in volumes. As a result of the completion of the consolidation of manufacturing activities there was an improvement in the profitability of the company during the year.

The company expects to see a reduction in volume in 2020 and inside that a shift in mix to higher value electric power products.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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 company announced in November 2020 its intention to open a consultation process in relation to the restructuring of its Electric Power operations. The contemplations would involve the relocation of manufacturing and engineering activities to other group facilities along with the consideration of the sale of the Millennium Offices building in Springvale Business Park with the remaining employees being relocated to the Larne facility. The consultation process is to last into 2021 and specific definitive actions and impacts have not yet been determined.

The company is also exposed to the following risks:

Cyber Risk

The Caterpillar group of companies approaches information security risk management through a comprehensive program to identify, assess, quantify, treat, 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 we face by seeking to preserve the confidentiality, integrity and availability of information, and to enable the safe operation of our connected machines.

The Caterpillar 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. 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.

CATERPILLAR (NI) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 to manage environmental risk:

- Subscribes to the Caterpillar Inc. group corporate website with regulation changes to determine what is applicable to the company.
- Complete Internal Caterpillar Inc. audits on Environmental risk processes.
- External assessments are performed every 6 months from ISO 14001 audit.
- Maintains a corporate database with corrective actions and mitigations noted.
- Environmental calendar planning with environmental permits are logged and reviewed for renewal and compliance.

Brexit Risk

Following the United Kingdom's departure from the European Union on 31 January 2020, uncertainty on the nature of the UK's future trading relationship with the European Union continues.

The risk remains that both sides fail to reach a trade agreement that secures frictionless free trade by the end of this year, leading to businesses facing an increase in future trade barriers.

Caterpillar continues to stay engaged with the UK and the EU governments and trade associations through a team that both advocates for the best outcome for our company, our customers and our integrated value chain, and seeks to ensure that Caterpillar Inc. and its UK and European entities are kept fully informed and prepared. The company supports maintaining unrestricted market access for goods and services to and from the EU Single Market and continuing close regulatory alignment and the continuation of preferential trade with third countries.

Based on our current assumptions regarding Brexit, Caterpillar (NI) Ltd is covered by the NI Protocol and is working to mitigate any impacts as a result of Brexit due to our ongoing business relationship with customers based in EU Free Trade countries and goods inbound and outbound to Great Britain. Areas of mitigation include:

- Transportation Processes – as a result of Brexit and the expected friction at the border, we have to consider transit processes required for the shipments from the EU & EU Free Trade countries routed via GB to NI. Process development is underway to cater for increased process requirements aimed at minimising friction at the border. Ongoing process reviews are scheduled for the balance of the year to cater for further clarification on process requirements from HMRC and the Government.
- Inventory & warehousing – incremental inventory and warehousing has been implemented to cater for anticipated disruption at the borders during the 1st quarter of 2021.
- Duty Impact – analysis has been completed to understand the impact of applying duty on goods from GB to NI. A duty management system has been implemented to mitigate the impact of this yet further clarification is needed from HMRC.

Until we understand the full extent of the Brexit deal between the UK & EU it will be difficult to quantify any impact.

CATERPILLAR (NI) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

COVID-19 Pandemic

The Pandemic had some impact on our supply chains and production as follows: Production at the Springvale facility was suspended in April 2020, but was able to restart production in May. The facility at Larne has been able to remain open for production, despite COVID-19. The company is currently not envisaging any significant impact from the pandemic and has put in place mitigating actions during 2020 which should support the potential for limited disruption if further Pandemic issues arise.

The company has utilised the government Furlough scheme due to reduction in specific work activities and suspension of production. Administrative and management employees continued to work from home in this period, adopting safe working practices to allow decisions on future trading and to support the continuation of business activities.

To protect the safety, health and well-being of employees, customers, dealers, suppliers and communities, the company has implemented several preventative measures whilst also meeting the needs of global customers. They include increased frequency of cleaning and disinfecting of facilities, social distancing practices, personal protective equipment, remote working when possible, restrictions on business travel, cancellation of certain events and limitations on visitor access to facilities.

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

FINANCIAL KEY PERFORMANCE INDICATORS

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

	Unit	2019	2018
Sales (decrease) / increase	%	(4)	14
Operating loss movement	%	(66)	(69)
Headcount	Number	1,559	1,661
Volume of gensets	Units	8,413	10,153

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 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.

CATERPILLAR (NI) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

SECTION 172(1) STATEMENT (continued)

Communities and Environment

Caterpillar (NI) Limited takes its responsibility to the various communities in which we work very seriously. They follow 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.

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

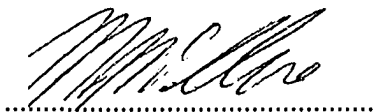
The company is committed to understanding the needs of its customers, and together with its partners, delivering industry-leading products and services.

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.

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 and signed on its behalf.



.....
M McClure
Director

Date: 22/12/2020

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CATERPILLAR (NI) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements for Caterpillar (NI) Limited for the year ended 31 December 2019.

DIRECTORS

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

P Lyttle (appointed 1 January 2019)
W Bates (resigned 7 September 2020)
P Creighton (resigned 16 September 2020)
M McClure

PRINCIPAL ACTIVITY

The principal activity of the company is the design, manufacture and assembly of diesel and gas generating sets and associated equipment.

RESULTS AND DIVIDENDS

The loss for the financial year, amounted to £11,795,000 (2018: loss £15,131,000).

There were no dividends paid in the financial year under review (2018: £0).

The directors recommend that no dividend be proposed or declared for the year ended 31 December 2019 (2018: £0).

CASH POOLING / CASH FUNDING

The company is part of the Caterpillar Inc. group's cash pooling / funding arrangements.

The cash funding pool 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.

CATERPILLAR (NI) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

On March 11 2020 the World Health Organisation declared the outbreak of the coronavirus (COVID-19) a pandemic.

As at the date of signing these financial statements, the company is not envisaging any further problems to be caused by the COVID-19 pandemic, apart from those detailed in the Principal Risks and Uncertainties section of the Strategic Report which have contributed to a reduction in turnover at the Springvale facility in 2020 whilst the Larne facility has been able to operate without major effect on turnover and profitability. The full magnitude of this Pandemic, including the extent of any impact on the company's business, financial position or results of operations cannot be reasonably estimated at this time due to the rapid development and fluidity of the situation. It will be determined by the duration of the Pandemic, its geographic spread, business disruptions and overall impact on the global economy.

The company has obtained a letter of support from Caterpillar Inc. that confirms the funding necessary for the operations of Caterpillar (NI) Limited so as to enable it 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.

As reported in note 3.15, the company is part of the Caterpillar Inc. group's cash pooling/funding arrangements and the going concern assessment for Caterpillar (NI) Limited is linked to the financial strength of Caterpillar Inc., the ultimate parent undertaking. From a liquidity perspective Caterpillar Inc. ended the third quarter of 2020 with \$9.3 billion of cash and available global credit facilities of more than \$14 billion. The directors have satisfied themselves that there has been no significant change in this position as of the date of signing of these financial statements.

As of mid-December 2020, globally and across the Caterpillar Inc. group's three primary segments, all of the company's primary production facilities are operating within their local COVID guidance for safe working. The production facilities continue to support the Group strategy within the framework of the new COVID required operating practices.

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.

EMPLOYEE ENGAGEMENT

See the Section 172(1) Statement which is included on page 4 of the Strategic Report and is included in this report by cross reference.

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.

STAKEHOLDER ENGAGEMENT

See the Section 172(1) Statement which is included on page 4 of the Strategic Report and is included in this report by cross reference.

CATERPILLAR (NI) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RISK MANAGEMENT

Objectives and policies

The company's operations expose it to a variety of financial risks. All funding required is inter-company, and all financial risk involved in relation to this funding is managed on our behalf by the corporate treasury function of Caterpillar Inc. ("Cat Corporate"). Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by Cat Corporate are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage risk and circumstances where it would be appropriate to use financial instruments to manage these.

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.

RESEARCH AND DEVELOPMENT ACTIVITIES

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

FUTURE DEVELOPMENTS

The recent announcement on the contemplation of the restructuring of the electric power generating business in the Larne facility is a strategic evaluation to improve utilisation of the group manufacturing footprint and to better place the company for improved competitiveness in future years in that sector.

The focused components site at Springvale despite 2020 demand challenges sees solid growth into 2021 and beyond in serving its customers.

On 11 March 2020 the World Health Organisation declared the outbreak of the Coronavirus (COVID-19) a pandemic. See the disclosures relating to the COVID-19 Pandemic within the Directors' Report for details on how Caterpillar (NI) Limited is expecting this to impact 2020 and the company's future plans, including the impact on the Going Concern status of the company.

BRANCHES OUTSIDE THE UNITED KINGDOM

The company had a branch in Moscow, Russia, which was closed in 2019.

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 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

CATERPILLAR (NI) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

POST BALANCE SHEET EVENTS

On 11 March 2020 the World Health Organisation declared the outbreak of Coronavirus (COVID-19) a Pandemic. Whilst we have seen a reduction in turnover at the Springvale facility in 2020 partially attributable to the Pandemic due to the extended shutdowns, the Larne facility has been able to maintain operations. The full magnitude of this Pandemic, including the extent of any impact on the company's future business, financial position or results of operations is unclear due to the rapid development and fluidity of the situation. This will be determined by the duration of the pandemic, its geographical spread, business disruptions and overall impact on the global economy.

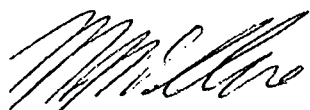
Whilst we have taken steps to adapt our operations and take precautionary measures to protect our business and our people, these disruptions could have a negative impact on our business and future performance.

The recent announcement on the contemplation of the restructuring of the electric power generating business in Northern Ireland opens up a consultation process that could see the relocation of manufacturing and engineering activities to other group locations and a subsequent reduction in the level of factory activity and turnover. Whilst the specific outcome of the consultation process is not known at this time, it is possible that the volume impact of the actions under contemplation could result in a further impairment of the asset base in future years by an amount of up to an estimated maximum of £40,000,000. This estimated maximum further impairment could be significantly lower depending on the outcome of decisions yet to be agreed by the company which will impact on a number of areas of the company.

INDEPENDENT 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.

This report was approved by the board and signed on its behalf.



M McClure
Director

Date: 22/12/2020

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 2019 and of its loss 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, which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Caterpillar (NI) Limited

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 2019 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 Statement of Director's responsibilities in respect of the financial statements set out on page 8, 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.

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.

Independent auditors' report to the members of Caterpillar (NI) Limited

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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, 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
23 December 2020

CATERPILLAR (NI) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000
Turnover	5	487,656	397	488,053	508,773	489	509,262
Cost of sales		(444,475)	-	(444,475)	(485,448)	(677)	(486,125)
Gross profit		43,181	397	43,578	23,325	(188)	23,137
Distribution costs		(6,169)	-	(6,169)	(11,670)	-	(11,670)
Administrative expenses		(48,331)	(304)	(48,635)	(18,522)	193	(18,329)
Other operating income	6	319	-	319	307	-	307
Operating loss	7	(11,000)	93	(10,907)	(6,560)	5	(6,555)
Interest receivable and similar income	10	531	-	531	639	-	639
Interest payable and similar expenses	11	(3,185)	(54)	(3,239)	(2,647)	(54)	(2,701)
Loss before tax		(13,654)	39	(13,615)	(8,568)	(49)	(8,617)
Tax on loss	12	1,827	(7)	1,820	(4,195)	(2,319)	(6,514)
Loss for the financial year		(11,827)	32	(11,795)	(12,763)	(2,368)	(15,131)

There was no other comprehensive income / (expense) for the years ended 31 December 2019 or 31 December 2018.

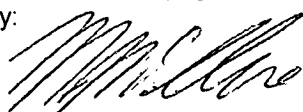
The notes on pages 16 to 40 form an integral part of these financial statements.

CATERPILLAR (NI) LIMITED
REGISTERED NUMBER: NI006692

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	-	919
Tangible assets	14	27,521	50,324
Investments	15	60	60
		27,581	51,303
Current assets			
Stocks	16	103,316	85,261
Debtors	17	94,768	121,126
Bank and cash balances		363	709
		198,447	207,096
Creditors: amounts falling due within one year	18	(86,107)	(106,331)
Net current assets		112,340	100,765
Total assets less current liabilities			
		139,921	152,068
Creditors: amounts falling due after more than one year	19	(3,836)	(4,533)
Provisions for liabilities			
Provisions For Other Liabilities	21	(1,618)	(1,794)
		(1,618)	(1,794)
Net assets		134,467	145,741
Capital and reserves			
Called up share capital	22	688	688
Share premium account		1,350	1,350
Capital redemption reserve		15	15
Retained earnings		132,414	143,688
Total equity		134,467	145,741

The financial statements on pages 13 to 40 were authorised for issue by the board of directors and were signed on its behalf by:



.....
M McClure

Director

Date: 22/12/2020

The notes on pages 16 to 40 form an integral part of these financial statements.

CATERPILLAR (NI) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 January 2018	688	1,350	15	158,244	160,297
Loss for the financial year	-	-	-	(15,131)	(15,131)
Total comprehensive expense for the year	-	-	-	(15,131)	(15,131)
Share based payments	-	-	-	575	575
Total transactions with owners recognised directly in equity	-	-	-	575	575
At 31 December 2018 and 1 January 2019	688	1,350	15	143,688	145,741
Loss for the financial year	-	-	-	(11,795)	(11,795)
Total comprehensive expense for the year	-	-	-	(11,795)	(11,795)
Share based payments	-	-	-	521	521
Total transactions with owners recognised directly in equity	-	-	-	521	521
At 31 December 2019	688	1,350	15	132,414	134,467

The notes on pages 16 to 40 form an integral part of these financial statements.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Caterpillar (NI) Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in Northern Ireland. The address of the registered office is Old Glenarm Road, Larne, County Antrim, Northern Ireland, BT40 1EJ.

Caterpillar (NI) Limited designs, manufactures and assembles diesel and gas generating sets and associated equipment.

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 the Companies Act 2006.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

The preparation of financial statements, in compliance with FRS 102, requires use of certain critical accounting estimates. It also required 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.

The company is a wholly owned subsidiary company of Caterpillar Skinningrove Limited and of its ultimate parent, Caterpillar Inc. It is included in the consolidated financial statements of Caterpillar Inc., which are publicly available.

The company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006 and section 9 paragraph 3 of the Financial Reporting Standard 102. The ultimate parent undertaking, and the smallest and largest group to consolidate these financial statements, is Caterpillar Inc. The address of ultimate parent's registered office is 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

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.

These following principal accounting policies have been consistently applied to all years presented, unless otherwise stated.

(All amounts in £'000 unless otherwise stated).

3.2 DISCONTINUED OPERATIONS

Discontinued operations are defined as a significant element of the company's activities which have ceased by the end of the reporting period. These include a closure of a facility or the ceasing of production of a significant, identifiable range of our product offerings.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.3 FINANCIAL REPORTING STANDARD 102 - REDUCED 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 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 2019 and these financial statements may be obtained from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

3.4 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.

On March 11 2020 the World Health Organisation declared the outbreak of the coronavirus (COVID-19) a pandemic.

As at the date of signing these financial statements, the company is not envisaging any further problems to be caused by the COVID-19 pandemic, apart from those detailed in the Principal Risks and Uncertainties section of the Strategic Report which have contributed to a reduction in turnover at the Springvale facility in 2020 whilst the Larne facility has been able to operate without major effect on turnover and profitability. The full magnitude of this Pandemic, including the extent of any impact on the company's business, financial position or results of operations cannot be reasonably estimated at this time due to the rapid development and fluidity of the situation. It will be determined by the duration of the Pandemic, its geographic spread, business disruptions and overall impact on the global economy.

The company has obtained a letter of support from Caterpillar Inc. that confirms the funding necessary for the operations of Caterpillar (NI) Limited so as to enable it 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.

As reported in note 3.15, the company is part of the Caterpillar Inc. group's cash pooling/funding arrangements and the going concern assessment for Caterpillar (NI) Limited is linked to the financial strength of Caterpillar Inc., the ultimate parent undertaking. From a liquidity perspective Caterpillar Inc. ended the third quarter of 2020 with \$9.3 billion of cash and available global credit facilities of more than \$14 billion. The directors have satisfied themselves that there has been no significant change in this position as of the date of signing of these financial statements.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (continued)

As of mid-December 2020, globally and across the Caterpillar Inc. group's three primary segments, all of the company's primary production facilities are operating within their local COVID guidance for safe working. The production facilities continue to support the Group strategy within the framework of the new COVID required operating practices.

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.

3.5 TURNOVER

Revenue reported within these financial statements relates to the sale of diesel and gas generating sets, axels and transmissions (for use in articulated trucks), wheeled material handler machines 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. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- 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.

3.6 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 and 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 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.7 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. The treatment of leases is described below.

LEASED ASSETS: 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

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

3.8 FOREIGN CURRENCY

Functional and presentation currency

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

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.

The 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.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.9 INTEREST INCOME

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

3.10 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest 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 capital instrument.

3.11 CURRENT AND DEFERRED TAX

The tax expense for the year comprises 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:

- 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 or other future taxable profits; and
- 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 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 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.12 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 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.

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.

The estimated useful lives range as follows:

Software	-	5	years
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Amortisation is charged to profit or loss within cost of sales.

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

3.13 TANGIBLE ASSETS

Tangible fixed 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.

The company adds to the carrying amount of an item of fixed assets 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.

The depreciation methods and estimated useful lives range as follows:

Freehold land and buildings	-	Straight line 4%
Plant and machinery	-	Straight line 10 - 20%
Capital in progress	-	Not depreciated until put into use

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 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.

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

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.14 INVESTMENTS

Investments in subsidiaries are measured at cost less provision for accumulated impairment.

Investments are reviewed on an annual basis to determine whether there have been any changes to the carrying value of the investment and financial statements are adjusted accordingly for impairment, or reversal of impairment, as required.

3.15 CASH POOLING / CASH FUNDING

The company is part of the Caterpillar Inc. group's cash pooling / funding arrangements.

The cash funding pool 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.

3.16 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. Work in progress and finished goods include labour and attributable overheads.

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.

3.17 FINANCIAL INSTRUMENTS

The company has chosen to adopt the 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.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.17 FINANCIAL INSTRUMENTS (CONTINUED)

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.

3.18 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 the profit or loss in the same period as the related expenditure.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.19 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 the 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.

3.20 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. The 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 in a fixed contribution into the plan, which is recognised as an expense in the period in which the cost is incurred.

See the Share Based Payments accounting policy 3.21 and Pensions accounting policy 3.22 for more information.

3.21 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 2019

3. ACCOUNTING POLICIES (CONTINUED)

3.21 SHARE BASED PAYMENTS (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. 10K, which is publicly available from the Company Secretary and the Caterpillar Inc. website.

3.22 PENSIONS

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 payments 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.

Further details of the Caterpillar (U.K.) defined contribution pension plan are included in note 24.

3.23 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.24 CONTINGENCIES

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) 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

(ii) 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.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. CRITICAL 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 judgements included within these financial statements.

Estimations of uncertainty

Impairment

The impairment charge of £21,700,000 was triggered by a decline in demand from our customers as well as the pressures that a change in product mix placed on working capital flows.

The nature of the impairment calculation based on future discounted cash flows has an element of uncertainty

A 1% fluctuation in the discount rate used would have a £3M impact on the level of impairment charged in the 2019 numbers.

A 1% fluctuation in the assumed macro-economic growth rate of 2% would have a £5M impact to the level of impairment charges.

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.

The company is also expecting to pay interest to HMRC, relating to the late payment of tax on a prior years transfer pricing enquiry where the tax charge was recognised in 2018, so this has been accrued for within the financial statements (see note 11). This accrual is driven by the agreed tax charges taking account of published HMRC interest charge rates for the years in question.

No penalties have been accrued in respect of this settlement as the conditions imposed by HMRC are not expected to be breached.

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Estimations of uncertainty (continued)

Warranty

The company warrants the performance of the products which it manufactures and sells to its customers. If the products fails to meet the contracted performance requirement, the company is required to repair or provide a replacement.

These warranties vary in length depending on the type of product, the application and the customer requirement. The provision for warranty is based on management's best estimate of the expenditure required to settle the company's obligation based on prior experience and any specific known events.

Warranty provisions are based on actuarial calculations incorporating the variants of volume, product mix, regional sales and specific known issues. Appropriate warranty provisions are recorded such that the financial statements most accurately represent all costs associated with product sales, and therefore indicate the true profitability associated with those sales in the given period.

5. TURNOVER

An analysis of turnover by class of business is as follows:

	2019	2018
	£000	£000
Sales of goods	488,053	509,262
	488,053	509,262
	488,053	509,262

Analysis of turnover by country of destination:

	2019	2018
	£000	£000
United Kingdom	178,686	160,423
Rest of Europe	118,835	120,360
Rest of the World	190,532	228,479
	488,053	509,262
	488,053	509,262

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. OTHER OPERATING INCOME

	2019	2018
	£000	£000
Royalty receivable	260	139
Sundry income	59	168
	319	307
	319	307

Sundry income includes adjustment relating to receipts of aged refunds, income from cheques not being presented for payment, insurance claims along with miscellaneous write offs of aged ledger.

7. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2019	2018
	£000	£000
Research & development charged as an expense	7,037	7,025
Depreciation on tangible fixed assets	6,762	7,498
Loss on sale/disposal of tangible fixed assets	796	1,472
Impairment charge / (reversal)	21,700	(3,929)
Amortisation of intangible assets	302	242
Fees payable to the company's auditor and associates for the audit of the company's annual financial statements	120	117
Exchange differences	(2,499)	(2,082)
Other operating lease rentals	1,418	1,319
Hire of plant and machinery	209	271
Capital grants released	(696)	(897)
Bad debt release	(413)	(659)
	(413)	(659)
	(413)	(659)

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2019	<i>2018</i>
	£000	<i>£000</i>
Wages and salaries	53,612	<i>60,529</i>
Social security costs	4,755	<i>5,904</i>
Cost of defined contribution scheme	2,804	<i>2,853</i>
	61,171	<i>69,286</i>
	61,171	<i>69,286</i>

Included within wages and salaries is £521,000 (2018 £575,000) for share based payments.

The average monthly number of employees, including the directors, during the year was as follows:

	2019	<i>2018</i>
	No.	<i>No.</i>
Administration, sales and technical staff	692	<i>686</i>
Production	827	<i>925</i>
Management	40	<i>50</i>
	1,559	<i>1,661</i>
	1,559	<i>1,661</i>

9. DIRECTORS' REMUNERATION

Directors remuneration reported below relates to 4 directors (2018: 5 directors).

	2019	<i>2018</i>
	£000	<i>£000</i>
Directors' emoluments	862	<i>808</i>
Company contributions to defined contribution pension schemes	42	<i>37</i>
	904	<i>845</i>
	904	<i>845</i>

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. DIRECTORS' REMUNERATION (CONTINUED)

During the year retirement benefits were accruing to 4 directors (2018: 5) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 directors (2018: 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £501,000 (2018: £385,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,000 (2018: £14,000).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £1,000 (2018: £0).

During the year 2 directors exercised share options (2018: 4 directors).

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Interest receivable from group companies	206	367
Other interest receivable	325	272
	531	639
	531	639

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	2018 £000
Other interest payable	977	615
Factoring costs	2,262	2,086
	3,239	2,701
	3,239	2,701

Other interest payable includes relates to an accrual for interest expected to be paid to HMRC covering the years 2010 to 2017.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. TAX ON LOSS

	2019 £000	2018 £000
CORPORATION TAX		
UK Corporation tax on loss for the year	1,477	(2,807)
Adjustments in respect of prior years	(3,394)	8,030
	<u>(1,917)</u>	<u>5,223</u>
FOREIGN TAX		
Foreign tax on income for the year	77	4
	<u>77</u>	<u>4</u>
TOTAL CURRENT TAX	<u>(1,840)</u>	<u>5,227</u>
DEFERRED TAX		
Origination and reversal of timing differences	(1,687)	1,308
Adjustment in respect of prior years	1,529	117
Changes to tax rates	178	(138)
TOTAL DEFERRED TAX	<u>20</u>	<u>1,287</u>
TAX ON LOSS	<u>(1,820)</u>	<u>6,514</u>

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£000	£000
Loss before tax	(13,615)	(8,617)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,587)	(1,637)
EFFECTS OF:		
Expenses not deductible for tax purposes	2,616	670
Higher rate taxes on overseas earnings	77	4
Adjustments to tax charge in respect of prior years	(3,394)	8,030
Adjustments to deferred tax charge in respect of prior years	1,529	117
Non-taxable income	(239)	(532)
Tax rate changes	178	(138)
TOTAL TAX (CREDIT) / CHARGE FOR THE YEAR	(1,820)	6,514

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company's profits for this accounting year are taxed at a rate of 19%. The standard rate of corporation tax was due to fall further to 17% with effect from 1 April 2020 and therefore closing deferred tax balances are stated at 17%. It was announced in the Budget on 11 March 2020 that the reduction to 17% will be reversed but that change was not substantively enacted at the balance sheet date.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. INTANGIBLE ASSETS

	Software £000
COST	
At 1 January 2019	9,877
Additions	324
Disposals	(79)
At 31 December 2019	<u>10,122</u>
AMORTISATION	
At 1 January 2019	8,958
Charge for the year	302
On disposals	(79)
Impairment charge	941
At 31 December 2019	<u>10,122</u>
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>919</u>

A review of future cash flows in the context of the net assets position of the company at year end has precipitated the decision to impair all of the intangible assets, totalling £941,000. This impairment was triggered by a decline in demand from our customers as well as the pressures that a change in product mix placed on working capital flows.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. TANGIBLE ASSETS

	Freehold land and buildings £000	Plant and machinery £000	Capital in progress £000	Total £000
COST				
At 1 January 2019	77,545	93,403	185	171,133
Additions	1,598	3,826	89	5,513
Disposals	(133)	(6,461)	-	(6,594)
Transfers between classes	190	(5)	(185)	-
At 31 December 2019	<u>79,200</u>	<u>90,763</u>	<u>89</u>	<u>170,052</u>
DEPRECIATION				
At 1 January 2019	47,902	72,907	-	120,809
Charge for the year	2,774	3,988	-	6,762
Disposals	(103)	(5,696)	-	(5,799)
Impairment charge	12,248	8,511	-	20,759
At 31 December 2019	<u>62,821</u>	<u>79,710</u>	<u>-</u>	<u>142,531</u>
NET BOOK VALUE				
At 31 December 2019	<u>16,379</u>	<u>11,053</u>	<u>89</u>	<u>27,521</u>
At 31 December 2018	<u>29,643</u>	<u>20,496</u>	<u>185</u>	<u>50,324</u>

Included within freehold land and buildings is freehold land at a cost of £672,578 (2018: £672,578).

A review of future cash flows in the context of the net assets position of the company at year end has precipitated an impairment charge of £20,759,000 in the year. The impairment was triggered by a decline in demand from our customers as well as the pressures that a change in product mix placed on working capital flows.

Including within the depreciation charge for the year is £0 (2018: £8,000) relating to depreciation on assets held under finance leases. These assets were fully depreciated as at 31 December 2018.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2019	79
At 31 December 2019	<u>79</u>
IMPAIRMENT	
At 1 January 2019	19
At 31 December 2019	<u>19</u>
NET BOOK VALUE	
At 31 December 2019	<u>60</u>
At 31 December 2018	<u>60</u>

SUBSIDIARY UNDERTAKING

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
F G Wilson (Proprietary) Limited	St Georges Street, 1st Floor Bedford Centre, Yeoville 2143, South Africa	Dormant	Ordinary	100%

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. STOCKS

	2019	2018
	£000	£000
Raw materials and consumables	75,850	62,809
Work in progress (goods to be sold)	19,996	11,117
Finished goods and goods for resale	7,470	11,335
	103,316	85,261
	103,316	85,261

Stock recognised in cost of sales during the year as an expense was £279,901,000 (2018: £310,791,000)

An impairment charge of £1,012,000 (2018: £141,000) has been included within cost of sales against stock during the year due to slow-moving and obsolete stock.

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

17. DEBTORS

Amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	11,444	16,691
Amounts owed by group undertakings	76,729	98,843
Other debtors	2,116	996
Prepayments and accrued income	1,342	1,439
Deferred taxation	3,137	3,157
	94,768	121,126
	94,768	121,126

Trade debtors include bad debt provisions of £3,368,000 (2018: £4,169,000).

Amounts owed by group undertakings include £45,259,000 (2018: £39,686,000) that is unsecured, repayable by mutual agreement and bears interest at one month LIBOR plus 0.5%.

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

CATERPILLAR (NI) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£000	£000
Trade creditors	42,547	56,750
Amounts owed to group undertakings	25,916	26,607
Corporation tax	1,477	1,481
Other taxation and social security	9,367	9,507
Other creditors	9	128
Accruals and deferred income	6,791	11,858
	86,107	106,331
	86,107	106,331

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

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

	2019	2018
	£000	£000
Deferred income - grants	3,836	4,533
	3,836	4,533
	3,836	4,533

20. DEFERRED TAX

	2019
	£000
At beginning of year	3,157
Charged to the profit or loss	(20)
At 31 December 2019	3,137
	3,137

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. DEFERRED TAX (CONTINUED)

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Decelerated capital allowances	2,725	2,617
Other timing differences	412	540
	<u>3,137</u>	<u>3,157</u>

The net deferred tax recoverable within 12 months is £1,971,000 (2018: £650,000).

21. PROVISIONS FOR OTHER LIABILITIES

	Warranty £000
At 1 January 2019	1,794
Charged to profit or loss	1,618
Unused / released	(178)
Utilised in year	(1,616)
AT 31 DECEMBER 2019	<u><u>1,618</u></u>

These warranty provisions are a point in time accruals on the applicable sales covered under warranty and there is no payments that is made out of it. It is an estimated accrual at a point in time for the sales made based on the warranty.

22. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Allotted, called up and fully paid		
688,450 (2018: 688,450) Ordinary shares of £1.00 each	<u>688</u>	<u>688</u>

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. SHARE BASED PAYMENTS

In respect to these share-based payment arrangements, total charges to profit and loss, reported within wages and salaries were £521,000 (2018: £575,000).

The directors consider that these amounts are not material and no further detailed disclosures have been made as have claimed the exemption allowable under FRS 102.

24. PENSION COMMITMENTS

Defined contribution plan

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 plan and amounted to £2,804,000 (2018: £2,853,000).

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	1,356	924
Later than 1 year and not later than 5 years	2,138	2,630
Later than 5 years	33	706
	<u>3,527</u>	<u>4,260</u>

26. CONTINGENT LIABILITIES

The company has given a performance guarantee in relation to contracts completed and in progress. The amount guaranteed is £245,000 (2018: £1,132,000).

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

Duty deferment	£7,000,000	(2018: £7,000,000)
Other	£ 228,000	(2018: £ 226,000)

There is also a commitment for Caterpillar (NI) Limited to pay a warehousing charge relating to the parts business of £2,008,212 per year (2018: £2,000,000) and through to end of December 2021.

CATERPILLAR (NI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

27. POST BALANCE SHEET EVENTS

On 11 March 2020 the World Health Organisation declared the outbreak of Coronavirus (COVID-19) a Pandemic. Whilst we have seen a reduction in turnover at the Springvale facility in 2020 partially attributable to the Pandemic due to the extended shutdowns, the Larne facility has been able to maintain operations. The full magnitude of this Pandemic, including the extent of any impact on the company's future business, financial position or results of operations is unclear due to the rapid development and fluidity of the situation. This will be determined by the duration of the pandemic, its geographical spread, business disruptions and overall impact on the global economy.

Whilst we have taken steps to adapt our operations and take precautionary measures to protect our business and our people, these disruptions could have a negative impact on our business and future performance.

The recent announcement on the contemplation of the restructuring of the electric power generating business in Northern Ireland opens up a consultation process that could see the relocation of manufacturing and engineering activities to other group locations and a subsequent reduction in the level of factory activity and turnover. Whilst the specific outcome of the consultation process is not known at this time, it is possible that the volume impact of the actions under contemplation could result in a further impairment of the asset base in future years by an amount of up to an estimated maximum of £40,000,000. This estimated maximum further impairment could be significantly lower depending on the outcome of decisions yet to be agreed by the company which will impact on a number of areas of the company.

28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent undertaking is Caterpillar Skinningrove Limited.

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

The smallest group to consolidate these financial statements is Caterpillar Inc.

The largest group to consolidate these financial statements is Caterpillar Inc.

Copies of the Caterpillar Inc. consolidated financial statements can be obtained from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.