

Registered number: 3788156

# **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

N J Burroughs  
M D Cleaver  
G A Parsons  
J Scholefield  
P Nourisson  
P D De La Iglesia

**COMPANY SECRETARY**

J M Nicholls

**REGISTERED NUMBER**

3788156

**REGISTERED OFFICE**

Peckleton Lane  
Desford  
Leicestershire  
LE9 9JT

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

# CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

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# **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

### **INTRODUCTION**

The directors present their strategic report for the year ended 31 December 2016.

### **BUSINESS REVIEW**

The principal activity of the company is the provision of marketing support services.

The results for the financial year show a profit on ordinary activities before tax of £712,000 (2015: £634,000) and turnover of £9,118,000 (2015: £11,562,000). The company has net assets of £6,458,000 (2015: £5,916,000).

Turnover for the year was lower than 2015 by 21% but lower costs resulted in an increase of profit before tax by 12.3%. The main reason for the fall in turnover was the ending of the Tigers sponsorship agreement during 2016, which Caterpillar Commercial Northern Europe then recharged to a fellow group companies and disclosed as turnover within the financial statements.

Net assets increased in 2016 mainly due to the release of historic provisions totalling £513,000 relating to ISE tax as it was determined that these were no longer required.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

The key risk and business uncertainty affecting the company is a reduction in sales and hence a reduction in marketing support activities in the UK and Northern Europe. As Caterpillar continues to expand its markets and new business opportunities the management do not consider this to be a significant risk.

There is also the continued uncertainty which is a result of the UK referendum held in June 2016 where the United Kingdom voted to leave the European Union.

Prior to the referendum, the company initiated a team to assess the potential impact of the United Kingdom leaving the European Union. This team has been fully operational since 2016 and continues to assess potential impacts across all aspects of our business. With negotiations having now started much uncertainty continues to exist and so this work continues considering all cases, including 'worst case scenarios' to the business, (eg no tariff free access to the single market, being outside of the Customs Union etc.) and will adapt as final details emerge of any final or transitional agreement. Caterpillar continues to advocate for the best climate for business.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL KEY PERFORMANCE INDICATORS**

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

	<b>2016</b>	<b>2015</b>
Gross profit %	8.7%	6.0%
Profit before tax %	7.8%	5.4%
Current assets ratio	2.9	2.1

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

.....  
  
**N J Burroughs**  
Director

Date: 27 September 2017

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements for Caterpillar Commercial Northern Europe Limited for the year ended 31 December 2016.

#### **DIRECTORS**

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

N J Burroughs  
M D Cleaver  
C Lindahl (resigned 1 March 2015)  
G A Parsons  
J Scholefield  
P Nourisson  
P D De La Iglesia

#### **PRINCIPAL ACTIVITY**

Caterpillar Commercial Northern Europe Limited is a limited company incorporated and domiciled in England and Wales. The company is a subsidiary undertaking of Caterpillar UK Holdings Limited, registered in England.

The principal activity of the company is the provision of marketing support services.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £542,000 (2015: £450,000).

There were no dividends paid in the financial year under review (2015: £nil).

The directors recommend that no dividend be declared for the year ended 31 December 2016 (2015: £nil).

#### **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. The board reviews and agrees policies for managing risks. The most important component of financial risk affecting the company is liquidity risk.

##### **Liquidity risk**

Liquidity is managed centrally by the treasury department which seeks to ensure it is able to pay obligations when due. The board is satisfied that the company is not subject to significant liquidity risk.

#### **FUTURE DEVELOPMENTS**

The directors foresee no significant changes to the nature and operations of the business in the foreseeable future.

#### **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.

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 applicable law and United Kingdom Accounting 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 for the company's financial statements 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.

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.

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.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

#### **INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days 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.

  
N J Burroughs  
Director

Date: 27 September 2017

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Our opinion**

In our opinion, Caterpillar Commercial Northern Europe Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice.)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

##### **Adequacy of accounting records and information and explanations received**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jas Khela (Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

28 September 2017

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Note</b>	<b>2016 £000</b>	<b>2015 £000</b>
Turnover	4	9,118	11,562
Cost of sales		(8,323)	(10,865)
<b>Gross profit</b>		<u>795</u>	<u>697</u>
Administrative expenses		(120)	(100)
<b>Operating profit</b>	5	<u>675</u>	<u>597</u>
Interest receivable and similar income	8	37	37
<b>Profit before tax</b>		<u>712</u>	<u>634</u>
Tax on profit	9	(170)	(184)
<b>Profit for the year</b>		<u><u>542</u></u>	<u><u>450</u></u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>542</u></u>	<u><u>450</u></u>

There were no other gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 10 to 22 form part of these financial statements.

All amounts relate to continuing operations.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**  
**REGISTERED NUMBER: 3788156**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	10	2,840	2,852
		<u>2,840</u>	<u>2,852</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	5,611	5,734
		<u>5,611</u>	<u>5,734</u>
Creditors: amounts falling due within one year	12	(1,916)	(2,603)
		<u>(1,916)</u>	<u>(2,603)</u>
<b>Net current assets</b>		3,695	3,131
<b>Total assets less current liabilities</b>		<u>6,535</u>	<u>5,983</u>
<b>Provisions for liabilities</b>			
Deferred tax	14	(77)	(67)
		<u>(77)</u>	<u>(67)</u>
<b>Net assets</b>		<u>6,458</u>	<u>5,916</u>
<b>Capital and reserves</b>			
Called up share capital	15	10	10
Retained earnings		6,448	5,906
<b>Total equity</b>		<u>6,458</u>	<u>5,916</u>

The financial statements on pages 7 to 22 were approved and authorised for issue by the board and were signed on its behalf by:

.....  
**N J Burroughs**  
 Director

Date: 27 September 2017  
 The notes on pages 10 to 22 form part of these financial statements.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2016	10	5,906	5,916
<b>Comprehensive income for the year</b>			
Profit for the year	-	542	542
<b>Total comprehensive income for the year</b>	-	542	542
<b>At 31 December 2016</b>	<b>10</b>	<b>6,448</b>	<b>6,458</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2015	10	5,456	5,466
<b>Comprehensive income for the year</b>			
Profit for the year	-	450	450
<b>Total comprehensive income for the year</b>	-	450	450
<b>At 31 December 2015</b>	<b>10</b>	<b>5,906</b>	<b>5,916</b>

The notes on pages 10 to 22 form part of these financial statements.

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. GENERAL INFORMATION**

Caterpillar Commercial Northern Europe Limited provides marketing support services for the other Caterpillar facilities based in Europe.

Caterpillar Commercial Northern Europe Limited is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Peckleton Lane, Desford, Leicestershire, LE9 9JT.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE**

The financial statements have been prepared on a going concern basis under the historical cost convention and in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

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 (see note 3).

The following principal accounting policies have been applied:

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

##### **2.2 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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Caterpillar Inc. as at 31 December 2016 and these financial statements may be obtained from the Secretary at Caterpillar Inc., 100 NE Adams Street, Peoria, Illinois, 61629, USA.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.3 TURNOVER

Turnover represents the invoiced value of marketing support services provided by the company adjusted for deferred income, net of value added tax and trade discounts. Turnover is recognised monthly when an invoice is raised to recharge total costs, plus 7% mark up, to Caterpillar SARL.

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:

#### Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

### 2.4 LEASES

#### Lease Classification

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 operation leases.

#### Operating Leases

The company only has leases that are classified as operating leases as these do not transfer substantially all the risks and rewards incidental to ownership.

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

### 2.5 FOREIGN CURRENCY TRANSLATION

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

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income within administrative expenses.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.6 INTEREST INCOME

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

##### 2.7 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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.

##### 2.8 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.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 TANGIBLE ASSETS (continued)**

Depreciation 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 estimated useful lives range as follows:

Depreciation is provided on the following basis:

Freehold property	- Straight line over 40 years
Short-term leasehold property	- Straight line over term of leasehold
Fixtures and fittings	- Modified sum of the digits over 10 years
Computer equipment	- Straight line over 3 years

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 cost of sales section of the Profit and loss account.

If the company identifies that an asset's carrying value is not achievable it will impair this so the value reported in the financial statements reflects the expected net worth of that asset.

Any impairment charged or reversed in the year will be recognised in the Statement of Comprehensive Income within administration expenses.



## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.9 FINANCIAL ASSETS AND LIABILITIES

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities for example trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

##### **Financial assets**

Debt instruments (other than those wholly receivable within one year), including loans and other accounts receivable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are receivable within one year, typically trade receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured at cost less impairment.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income. The impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

##### **Financial liabilities**

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

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

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

##### **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 COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.10 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF 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**

###### Tangible Fixed Assets and Impairment

Management reviewed the assets and made a judgement that the carrying value of these assets was recoverable on the basis of future cash flows and so no impairment charge was deemed necessary following this assessment.

##### **Estimations of uncertainty**

###### Depreciation of Fixed Assets

The company estimates the useful life and residual values of intangible fixed assets and calculates appropriate amortisation on these, using the basis described in the accounting policies, across the life of the asset, by an asset by asset basis. This is done to ensure that the net book value of intangible fixed assets within these financial statements is reported at realistic carrying values.

The annual depreciation charge applied to tangible fixed assets is sensitive to changes in the estimated useful life and residual value of the asset. These are reviewed annually and amended where necessary to reflect the current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the asset.

###### Foreign Exchange Transactions

Transactions received in currencies other than GB Pounds Sterling are converted into GB Pounds Sterling, the company's functional currency as at year end. The exchange rate used is a corporate rate estimated by the company's financial services division based on current and forecast market information.

# CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 4. TURNOVER

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

	2016 £000	2015 £000
Services	9,118	11,562
	<u>9,118</u>	<u>11,562</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
Europe	9,118	11,562
	<u>9,118</u>	<u>11,562</u>

### 5. OPERATING PROFIT

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

	2016 £000	2015 £000
Depreciation of tangible fixed assets	141	146
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	12	14
Exchange differences	(19)	48
Other operating lease rentals	31	26
	<u>165</u>	<u>234</u>

### 6. EMPLOYEES

The company has no employees other than the directors, who did not receive any remuneration (2015: £0).

### 7. DIRECTORS' REMUNERATION

None of the directors received any emoluments for their services to the company during the year (2015: £0). The directors are remunerated by fellow group companies in their capacity as executives in those companies.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>37</b>	<b>37</b>
	<u><b>37</b></u>	<u><b>37</b></u>
	<u><u><b>37</b></u></u>	<u><u><b>37</b></u></u>

**9. TAX**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>CORPORATION TAX</b>		
Current tax on profits for the year	<b>159</b>	<b>175</b>
Adjustments in respect of prior years	<b>1</b>	<b>(1)</b>
	<u><b>160</b></u>	<u><b>174</b></u>
	<u><u><b>160</b></u></u>	<u><u><b>174</b></u></u>
<b>TOTAL CURRENT TAX</b>	<b>160</b>	<b>174</b>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>16</b>	<b>18</b>
Changes to tax rates	<b>(6)</b>	<b>(8)</b>
	<u><b>10</b></u>	<u><b>10</b></u>
	<u><u><b>10</b></u></u>	<u><u><b>10</b></u></u>
<b>TOTAL DEFERRED TAX</b>	<b>10</b>	<b>10</b>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u><u><b>170</b></u></u>	<u><u><b>184</b></u></u>

# CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. TAX (CONTINUED)

#### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	712	634
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	142	128
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	33	67
Adjustments to tax charge in respect of prior years	1	(1)
Tax rate changes	(6)	(8)
Group relief	-	(2)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>170</b>	<b>184</b>

The corporation tax charge has not been impacted (2015: reduced by £2,000) as a result of group relief expected to be settled with fellow group undertakings at a rate different to standard rate.

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits for this accounting year are taxed at an effective rate of 20%. The standard rate will fall further to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020. The reduction to 17% was enacted during the current period and any deferred tax balances have been stated at a rate of 17%.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. TANGIBLE FIXED ASSETS**

	Freehold property £000	Short-term leasehold property £000	Fixtures and fittings £000	Total £000
<b>COST OR VALUATION</b>				
At 1 January 2016	3,295	138	534	3,967
Additions	111	1	17	129
At 31 December 2016	<u>3,406</u>	<u>139</u>	<u>551</u>	<u>4,096</u>
<b>DEPRECIATION</b>				
At 1 January 2016	693	30	392	1,115
Charge for the period on owned assets	90	4	47	141
At 31 December 2016	<u>783</u>	<u>34</u>	<u>439</u>	<u>1,256</u>
<b>NET BOOK VALUE</b>				
At 31 December 2016	<u>2,623</u>	<u>105</u>	<u>112</u>	<u>2,840</u>
At 31 December 2015	<u>2,602</u>	<u>108</u>	<u>142</u>	<u>2,852</u>

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016 £000	2015 £000
Trade debtors	52	77
Amounts owed by group undertakings	5,515	5,596
Other debtors	44	61
	<u>5,611</u>	<u>5,734</u>

Amounts owed by group undertakings include £4,586,000 (2015: £3,985,000) 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 are repayable on demand.

# CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Amounts owed to group undertakings	1,243	10
Corporation tax	335	305
Accruals and deferred income	338	2,288
	<u>1,916</u>	<u>2,603</u>

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

Corporation tax is expected to be settled through group relief.

### 13. FINANCIAL INSTRUMENTS

	2016 £000	2015 £000
<b>FINANCIAL ASSETS</b>		
Financial assets that are debt instruments measured at amortised cost	5,611	5,734
	<u>5,611</u>	<u>5,734</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	(1,581)	(2,298)
	<u>(1,581)</u>	<u>(2,298)</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings and accruals.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**14. DEFERRED TAX**

	<b>2016 £000</b>
At beginning of year	<b>(67)</b>
Charged to the profit or loss	<b>(10)</b>
<b>AT 31 DECEMBER 2016</b>	<b>(77)</b>

The provision for deferred taxation is made up as follows:

	<b>2016 £000</b>	<b>2015 £000</b>
Accelerated capital allowances	<b>(77)</b>	<b>(67)</b>
	<b>(77)</b>	<b>(67)</b>

None of the net deferred tax liability is expected to reverse in 2017 (2016: £nil).

**15. SHARE CAPITAL**

	<b>2016 £000</b>	<b>2015 £000</b>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
10,001 Ordinary shares of £1 each	<b>10</b>	<b>10</b>



## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	31	31
Later than 1 year and not later than 5 years	66	97
	<u>97</u>	<u>128</u>

#### 17. CONTROLLING PARTY

The immediate parent undertaking is Caterpillar UK Holdings 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., 100 NE Adams Street, Peoria, 61629, USA.