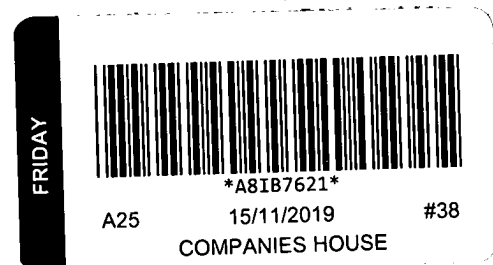


Registered number: 3788156

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**COMPANY INFORMATION**

<b>DIRECTORS</b>	N J Burroughs S J Downing (appointed 25 April 2018) J Scholefield
<b>REGISTERED NUMBER</b>	3788156
<b>REGISTERED OFFICE</b>	Peckleton Lane Desford Leicester Leicestershire LE9 9JT
<b>INDEPENDENT AUDITORS</b>	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 2018**

#### **INTRODUCTION**

The directors present their strategic report for the year ended 31 December 2018.

#### **BUSINESS REVIEW**

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

The results for the financial year show a profit before tax of £1,075,000 (2017: £736,000) and turnover of £12,639,000 (2017: £10,191,000). The company has net assets of £7,579,000 (2017: £7,040,000).

Turnover for the year was higher than 2017 by 24%.

Net assets increased in 2018 mainly due to higher debtors as a result of increased turnover.

The company's transfer pricing agreements with fellow group companies was reviewed by HMRC. The outcome of this review resulted in an additional tax charge covering the years 2010 to 2017 of £322,000. This additional charge has increased the tax charge reported in the 2018 financial statements (see note 10). The company is also expecting to pay interest to HMRC, relating to the late payment of this tax, so this has been accrued for within these financial statements (see note 9).

#### **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.

We continue to stay engaged with the UK and the EU governments to advocate for the best outcome for our company, our customers, and our integrated value chain. Caterpillar supports maintaining unrestricted access to and from the EU Single Market for goods and services and continuing close regulatory alignment. Caterpillar is preparing for all scenarios to minimise disruption and mitigate risks to the business, and is hopeful all parties will reach an agreement expeditiously.

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

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**FINANCIAL KEY PERFORMANCE INDICATORS**

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

	<b>2018</b>	<b>2017</b>
Gross profit %	9.0%	7.7%
Profit before tax %	8.5%	7.2%
Current assets ratio	2.4	3.2

There were no significant changes compared to last year.

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

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

Date: **1 November 2019**

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the audited financial statements for Caterpillar Commercial Northern Europe Limited for the year ended 31 December 2018.

#### **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  
S J Downing (appointed 25 April 2018)  
G A Parsons (resigned 31 July 2018)  
J Scholefield  
P D De La Iglesia (resigned 27 February 2018)  
S Virmani (resigned 1 December 2018)

#### **PRINCIPAL ACTIVITY**

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

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £539,000 (2017: £582,000).

There were no dividends paid in the financial year under review (2017: £0).

The directors recommend that no dividend be proposed or declared for the year ended 31 December 2018 (2017: £0).

#### **CASH POOLING / CASH FUNDING**

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

Bank balances are swept into the intracountry UK cash funding pool, held by a fellow group company, so the company does not carry a bank balance / only carries a small bank balance.

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.

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **GOING CONCERN**

The directors believe that preparing the accounts on the going concern basis is appropriate due to the company's cash forecast and projections.

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

The company has received confirmation from Caterpillar Inc. that the group has no intention to withdraw the intercompany cash pooling / funding arrangements in the foreseeable future. In the unlikely and unforeseen circumstance it was withdrawn, for whatever reason, Caterpillar Inc. will allow the company sufficient time to obtain further financing arrangements to meet its obligations.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative in the future.

After making enquires, the directors have a reasonable expectation that the company has adequate financial and other resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **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 2018**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom 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 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 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.

**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.

**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
- the director has 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.

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

  
N J Burroughs  
Director

Date: 1 November 2019



## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

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

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### Opinion

In our opinion, Caterpillar Commercial Northern Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in 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 a 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

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

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

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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 Directors' Responsibilities in Respect of the Financial Statements set out on page 5, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

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

*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.

**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.



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

Date: 12 NOVEMBER 2019

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 £000</b>	<b>2017 £000</b>
Turnover	4	<b>12,639</b>	<i>10,191</i>
Cost of sales		<b>(11,504)</b>	<i>(9,409)</i>
<b>Gross profit</b>		<b>1,135</b>	<i>782</i>
Administrative expenses		<b>(91)</b>	<i>(85)</i>
<b>Operating profit</b>	5	<b>1,044</b>	<i>697</i>
Interest receivable and similar income	8	<b>64</b>	<i>39</i>
Interest payable and similar expenses		<b>(33)</b>	<i>-</i>
<b>Profit before tax</b>		<b>1,075</b>	<i>736</i>
Tax on profit	10	<b>(536)</b>	<i>(154)</i>
<b>Profit for the financial year</b>		<b>539</b>	<i>582</i>
Other comprehensive income		<b>-</b>	<i>-</i>
<b>Total comprehensive income for the year</b>		<b>539</b>	<i>582</i>

The notes on pages 12 to 25 form an integral 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 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	11	2,596	2,712
		<u>2,596</u>	<u>2,712</u>
<b>Current assets</b>			
Debtors	12	8,695	6,439
Creditors: amounts falling due within one year	13	(3,615)	(2,023)
<b>Net current assets</b>		<u>5,080</u>	<u>4,416</u>
<b>Total assets less current liabilities</b>		<u>7,676</u>	<u>7,128</u>
<b>Provisions for other liabilities</b>			
Deferred tax	15	(97)	(88)
		<u>(97)</u>	<u>(88)</u>
<b>Net assets</b>		<u><u>7,579</u></u>	<u><u>7,040</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	10	10
Retained earnings		7,569	7,030
<b>Total equity</b>		<u><u>7,579</u></u>	<u><u>7,040</u></u>

The financial statements on pages 9 to 25 were approved and authorised for issue by the board and were signed on its behalf by:

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

Date: 1 November 2019

The notes on pages 12 to 25 form an integral part of these financial statements.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2017</b>	<b>10</b>	<b>6,448</b>	<b>6,458</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	582	582
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>582</b>	<b>582</b>
<b>At 31 December 2017 and 1 January 2018</b>	<b>10</b>	<b>7,030</b>	<b>7,040</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	539	539
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>539</b>	<b>539</b>
<b>At 31 December 2018</b>	<b>10</b>	<b>7,569</b>	<b>7,579</b>

The notes on pages 12 to 25 form an integral part of these financial statements.

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

#### **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, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

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).

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

(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 2018 and these financial statements may be obtained from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.3 GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the company's cash forecast and projections.

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

The company has received confirmation from Caterpillar Inc. that the group has no intention to withdraw the intercompany cash pooling / funding arrangements in the foreseeable future. In the unlikely and unforeseen circumstance it was withdrawn, for whatever reason, Caterpillar Inc. will allow the company sufficient time to obtain further financing arrangements to meet its obligations.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative in the future.

After making enquires, the directors have a reasonable expectation that the company has adequate financial and other resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

### 2.4 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 relates to the recharge of total costs, plus 7% mark up, to Caterpillar SARL, and is usually invoiced monthly.

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.



## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.5 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 operation leases. The treatment of leases is described below.

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

##### 2.6 FOREIGN CURRENCY TRANSLATION

**Functional and presentation currency**

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 profit or loss within administrative expenses.

##### 2.7 INTEREST INCOME

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

## **CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.8 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.9 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.

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:

The depreciation methods and estimated useful lives range as follows:

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

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 'within profit or loss; other operating income' in the cost of sales section.

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 profit or loss within administration expenses.

### 2.10 CASH POOLING / CASH FUNDING

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

Bank balances are swept into the intracountry UK cash funding pool, held by a fellow group company, so the company does not carry a bank balance / only carries a small bank balance.

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.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.11 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.

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 profit or loss.

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 and loans from fellow group companies 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. 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.

#### **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.

### 2.12 FINANCE COSTS

Finance costs are charged to the Statement of comprehensive income 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.

## CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 undertook an impairment review and assessed 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.

###### 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 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's transfer pricing agreements with fellow group companies was reviewed by HMRC. The outcome of this review resulted in an additional tax charge covering the years 2010 to 2017 of £322,000. This additional charge has increased the tax charge reported in the 2018 financial statements (see note 10). The company is also expecting to pay interest to HMRC, relating to the late payment of this tax, so this has been accrued for within these financial statements (see note 9).

In the opinion of the directors, the additional charge covering the tax years 2010 to 2017 represents a change in estimation, and so not a material error, because the previous transfer pricing policy had been correctly applied. As such, the additional charge has been all charged in the current year.

No penalties are expected to be payable.

##### **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.

###### Debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management primarily considers the current credit rating of the debtor, the aging profile of debtors and historical experience.

# CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 4. TURNOVER

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

	2018 £000	2017 £000
Services	12,639	10,191
	<u>12,639</u>	<u>10,191</u>

Analysis of turnover by country of destination:

	2018 £000	2017 £000
Europe	12,639	10,191
	<u>12,639</u>	<u>10,191</u>

### 5. OPERATING PROFIT

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

	2018 £000	2017 £000
Depreciation of tangible assets	116	128
Fees payable to the company's auditor and associates for the audit of the company's annual financial statements	12	12
Exchange differences	51	(8)
Other operating lease rentals	31	31
	<u>190</u>	<u>153</u>

### 6. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2017: £0).

All administrative support is given to the company by other Caterpillar Inc. subsidiaries, for which no charge/recharges are paid or payable (2017: £0).

### 7. DIRECTORS' REMUNERATION

None of the directors received any emoluments for their services to the company during the year (2017: £0). The directors are remunerated by fellow group companies in their capacity as executives in those companies as their services to this entity are incidental to their services to the group. No charges or recharges are paid or payable by the company for the services of these directors.

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>64</b>	<b>39</b>
	<u><b>64</b></u>	<u><b>39</b></u>
	<u><u><b>64</b></u></u>	<u><u><b>39</b></u></u>

**9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Other interest payable	<b>33</b>	<b>-</b>
	<u><b>33</b></u>	<u><b>-</b></u>
	<u><u><b>33</b></u></u>	<u><u><b>-</b></u></u>

Interest payable relates to an accrual for interest expected to be paid to HMRC cover the years from 2010 through to 2017.

**10. TAX ON PROFIT**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>CORPORATION TAX</b>		
Current tax on profits for the year	<b>206</b>	<b>143</b>
Adjustments to tax charge in respect of prior years	<b>322</b>	<b>-</b>
	<u><b>528</b></u>	<u><b>143</b></u>
	<u><u><b>528</b></u></u>	<u><u><b>143</b></u></u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>9</b>	<b>12</b>
Changes to tax rates	<b>(1)</b>	<b>(1)</b>
	<u><b>8</b></u>	<u><b>11</b></u>
	<u><u><b>8</b></u></u>	<u><u><b>11</b></u></u>
<b>TAX ON PROFIT</b>	<u><u><b>536</b></u></u>	<u><u><b>154</b></u></u>

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. TAX ON PROFIT (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than *(2017 - higher than)* the standard rate of corporation tax in the UK of 19.00% *(2017: 19.25%)*. The differences are explained below:

	<b>2018 £000</b>	<b>2017 £000</b>
Profit before tax	<b>1,075</b>	<b>736</b>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	<b>204</b>	<b>142</b>
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	<b>11</b>	<b>14</b>
Adjustments to tax charge in respect of prior years	<b>322</b>	<b>-</b>
Tax rate changes	<b>(1)</b>	<b>(2)</b>
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>536</b>	<b>154</b>

**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 will fall further to 17% with effect from 1 April 2020. The reduction to 17% was enacted during a previous year 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 2018**

**11. TANGIBLE ASSETS**

	Freehold property £000	Short-term leasehold property £000	Fixtures and fittings £000	Total £000
<b>COST OR VALUATION</b>				
At 1 January 2018	3,406	139	551	4,096
At 31 December 2018	3,406	139	551	4,096
<b>DEPRECIATION</b>				
At 1 January 2018	870	38	476	1,384
Charge for the year	85	3	28	116
At 31 December 2018	955	41	504	1,500
<b>NET BOOK VALUE</b>				
At 31 December 2018	2,451	98	47	2,596
At 31 December 2017	2,536	101	75	2,712

**12. DEBTORS**

	2018 £000	2017 £000
<b>Amounts falling due within one year</b>		
Trade debtors	-	9
Amounts owed by group undertakings	8,688	6,037
Other debtors	7	54
Prepayments and accrued income	-	339
	<u>8,695</u>	<u>6,439</u>

Amounts owed by group undertakings include £7,067,000 (2017: £5,291,000) 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 2018**

**13. CREDITORS: Amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	<b>2,178</b>	<b>1,202</b>
Corporation tax	<b>671</b>	<b>303</b>
Accruals and deferred income	<b>766</b>	<b>518</b>
	<b>3,615</b>	<b>2,023</b>

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

Corporation tax is expected to be settled through group relief.

**14. FINANCIAL INSTRUMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>FINANCIAL ASSETS</b>		
Financial assets that are debt instruments measured at amortised cost	<b>8,688</b>	<b>6,100</b>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<b>(2,944)</b>	<b>(1,720)</b>

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  
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**15. DEFERRED TAX**

	<b>2018 £000</b>
At beginning of year	(88)
Charged to the profit or loss	(9)
<b>At 31 December 2018</b>	<b>(97)</b>

The provision for deferred taxation is made up as follows:

	<b>2018 £000</b>	<b>2017 £000</b>
Accelerated capital allowances	(97)	(88)
	<b>(97)</b>	<b>(88)</b>

The net deferred tax liability expected to reverse in 2019 is £0 (2018 £88,000).

**16. SHARE CAPITAL**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>Allotted, called up and fully paid</b>		
10,001 (2017: 10,001) Ordinary shares of £1.00 each	<b>10</b>	<b>10</b>

**17. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018 £000</b>	<b>2017 £000</b>
Not later than 1 year	<b>31</b>	<b>31</b>
Later than 1 year and not later than 5 years	<b>5</b>	<b>36</b>
	<b>36</b>	<b>67</b>

**CATERPILLAR COMMERCIAL NORTHERN EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. ULTIMATE PARENT COMPANY AND 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., 510 Lake Cook Road, Deerfield, Illinois, 60015, USA.