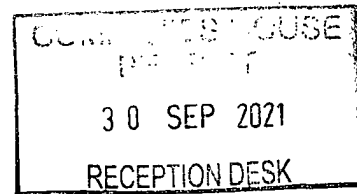


Registration number: NI006692

Caterpillar (NI) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Caterpillar (NI) Limited

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Caterpillar (NI) Limited

Company Information

| | |
|-----------------------------|--|
| Directors | P A Lyttle P McCartan M McClure S Narayanan D W Anderson |
| Company secretary | T G Dickson |
| Registered office | The Company Secretary Old Glenarm Road Larne County Antrim BT40 1EJ |
| Independent Auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR |

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Business review

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

The results for the financial year show a profit on continuing operations before tax of £7,081,000 (2019 - £13,615,000 loss). The 2019 numbers include an impairment of £21,700,000. This was driven by pressure on working capital and a forecasted decline in demand. Included in the 2020 numbers is a recognition of redundancy costs for the previously announced Electric Power Division restructure for costs paid to employees of £22,668,000 in addition to £1,312,000 of costs incurred by a group service provider and a recovery from group headquarters of £14,495,000 resulting in an impact of £9,485,000 on the results for the year. The company has net assets of £140,865,000 (2019 - £134,467,000) at the end of the financial accounting period.

2020 saw a decrease in the company's turnover. This can be primarily attributed to a reduction in demand in our component supply business with the challenges of the COVID-19 Pandemic driving most of that change. Despite a reduction in genset volumes, overall revenue in the electric power business held up well with a mix to higher value electric power products. Employment numbers slightly reduced driven by the outsourcing of select finance and accounting services to Accenture and the management of contingency headcount in the manufacturing areas.

In 2021 the company expects to see an increase in the component supply business after the 2020 challenges but the company will also see the outworking of its previously announced restructure of its global electric power operations and engineering footprint.

Financial key performance indicators

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

| | Unit | 2020 | 2019 |
|------------------------------------|--------|-------|-------|
| Sales decrease | % | 10 | 4 |
| Operating profit / (loss) movement | % | 176 | (66) |
| Headcount | Number | 1,509 | 1,559 |
| Volume of gensets | Units | 6,544 | 8,413 |

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.

Following the announcement in November 2020 of the company's intention to open a consultation process in relation to the restructuring of its Electric Power operations, projects and workstreams to effect the transfer of manufacturing and engineering activity to other group sites was initiated and the company embarked on a process of separations in 2021 with affected employees which is still in progress.

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

Other risks include:

COVID-19 Pandemic risk

The economic uncertainties created by the COVID-19 Pandemic led the company to take actions to mitigate potential future risk. These actions included adopting safe working practices for employees on site and encouraging employees to work from home. The company also utilised the Government Coronavirus Job Retention Grant Scheme with support of £971,000 in relation to the period of suspended operations during 2020 and the accommodation of specific employee circumstances.

The above measures have enabled the company to continue trading, so minimising the risk of any future impact and the company will continue to adopt these safe working practices as we begin to move towards the end of this pandemic and it is brought under control.

The company continues through 2021 to manage the challenges in the supply chain posed by the pandemic. Manufacturing activities continue and home working is supported and the company continues to adhere to government guidance as we see the situation develop with the improvement in the public health position.

Brexit risk

Following the United Kingdom's departure from the European Union and the end of the UK/EU Transition Period on 31 December 2020, Great Britain is outside of the EU Single Market and Customs Union, with Northern Ireland remaining within the EU Customs Union and the UK Customs Regime.

Caterpillar's planning and preparations ahead of the EU-UK Trade Cooperation Agreement reached at the end of 2020 has been successful in minimising Brexit-related disruption to our business.

Environmental risk

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

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

LIBOR reform risk

The company currently receives interest from the Loan receivable balance with Caterpillar (UK) Holdings Limited based on the interest rate of the London Inter-bank Offered rate (LIBOR) plus 0.5%. On 31 December 2021 there is a mandatory change from the LIBOR rate to the Secured Overnight Financing rate (SOFR). The Corporate Treasury project team have been preparing interest rates for this change and have calculated similar market based rates to those currently used for LIBOR.

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Cyber risk

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

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

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

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

Streamlined Energy and Carbon Report (SECR)

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

Section 172(1) Statement

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

Board of Directors

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

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

Employee engagement

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

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

Caterpillar (NI) Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

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.

Communities and environment

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

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

Approved by the Board on 30 September 2021 and signed on its behalf by:



.....
P McCartan
Director

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company

The directors who held office during the year were as follows:

P A Lyttle

M McClure

The following directors were appointed after the year end:

P McCartan (appointed 12 March 2021)

S Narayanan (appointed 12 March 2021)

D W Anderson (appointed 19 July 2021)

The directors above served during the year, and up to the date of signing the financial statements, unless otherwise stated.

Principal activities

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

Dividends

There were no dividends paid in the financial year under review (2019 - £Nil).

The directors recommend that no dividend be proposed or declared for the year ended 31 December 2020 (2019 - £Nil).

Cash pooling / cash funding

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

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

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

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

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

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

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

As detailed in the Principal Risk and Uncertainties section of the Strategic Report, the company continues to work to mitigate any potential adverse impacts of the pandemic and to protect employee safety. It also utilised the Government Coronavirus Job Retention Grant Scheme with support of £971,000 in relation to the period of suspended operations and the accommodation of specific employee circumstances.

The company does not envisage significant problems ahead caused by the pandemic but challenges remain in our supply chain to be managed and the effects of the pandemic may well continue to be felt even as the public health position improves.

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

As reported above, 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 second quarter of 2021 with \$10.8 billion of cash and available global credit facilities of more than \$10.3 billion.

As of 30 June 2021, globally and across the Caterpillar Inc. group's three primary segments, all of the company's primary production facilities are operating within their local guidance for safe working. The production facilities continue to support the group strategy within the framework of the required operating practices that have been introduced due to the COVID-19 Pandemic.

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

Employment of disabled persons

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

Engagement with employees

See Section 172(1) Statement within the Strategic Report

Engagement with stakeholders

See Section 172(1) Statement within the Strategic Report

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Research and development

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

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

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

Price risk

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

Foreign exchange risk

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

Credit risk

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

Liquidity risk

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

Interest rate cash flow risk

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

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Future developments

As a result of Brexit the new EU - UK Trade & Cooperation Agreement came into force on 1 January 2021. The company was well prepared for this so is not expecting any major issues to arise as a result. See further details within the Principal risks and uncertainties section of the Strategic Report.

2021 has seen the implementation of actions related to the previously announced contemplations of the restructuring of the global electric power manufacturing and engineering footprint with the staged transfer of standard genset assembly to other global facilities along with engineering functions during the year. The company expects to complete the engineering relocations by the end of 2021 and by the early part of 2022 to have reached the end of the transition in manufacturing activities to a future in Northern Ireland that will focus on high added value power module work and the company acting as a hub for brand sales and distribution in addition to the component supply business in the Springvale facility which expects to see steady growth in 2021 after a recovery from a low 2020 driven by COVID challenges.

The company continues to manage and mitigate any possible impact of the COVID-19 pandemic on its business. See the additional disclosures relating to the COVID-19 Pandemic and the Going Concern sections within the Directors' Report, for details on how Caterpillar (NI) Limited is expecting this to impact the company's future plans.

Streamline Energy and Carbon Report (SECR)

The gross greenhouse gas (GHG) emissions for Caterpillar (NI) Limited are 5,464 tonnes of carbon dioxide equivalent (tCO₂e) at an emissions intensity of 12.4 tCO₂e per £m for the year 1 January 2020 to 31 December 2020.

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

Emissions and energy consumption

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2020:

| Description | % of total | 2020 |
|---|------------|--------------|
| Fuel combustion: Natural gas | 52% | 2,841 |
| Fuel combustion: Transport | 2% | 118 |
| Emissions from the consumption of Electricity | 46% | <u>2,505</u> |

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2020:

| Description | Unit | 2020 |
|----------------------------|--------------------|--------------|
| Combustion of Natural Gas | tCO ₂ e | 2,841 |
| Fuel combustion: Transport | tCO ₂ e | 101 |
| | | <u>2,942</u> |

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2020:

| Description | Unit | 2020 |
|----------------------|--------------------|--------------|
| Consumed Electricity | tCO ₂ e | <u>2,306</u> |

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Streamline Energy Carbon Report (SECR) - (continued)

Summary of scope 3 (other indirect) greenhouse gas emissions for the year ended 31 December 2020:

| Description | Unit | 2020 |
|----------------------------|--------------------|------------|
| Fuel combustion: Transport | tCO ₂ e | 17 |
| Consumed electricity | tCO ₂ e | 198 |
| | | <u>215</u> |

Summary of energy consumption for the year ended 31 December 2020:

| Description | Unit | 2020 |
|----------------|------|-------------------|
| Electricity | kWh | 9,893,188 |
| Natural gas | kWh | 15,451,723 |
| Transport fuel | kWh | 490,479 |
| | | <u>25,835,390</u> |

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

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

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

Less than 1% of the total carbon emission is estimated (~0.88% gas), which is allowed in accordance with the methodology, in those instances where data is not available.

Emissions have been calculated using the 2020 conversion factors provided by Department for Business, Energy & Industrial Strategy. The reporting period is 1 January 2020 to 31 December 2020.

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

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Qualifying third party indemnity provisions

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

Statement of Directors' responsibilities in respect of the Financial Statements

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

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

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

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

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

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

Directors' confirmations

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

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

Reappointment of auditors

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

Caterpillar (NI) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Important non adjusting events after the financial period

In mid September 2021, the company successfully completed the sale of the Millennium Office building for a consideration that adequately covered the carrying value of the relevant tangible fixed assets in these statements.

Approved by the Board on 30 September 2021 and signed on its behalf by:



.....
P McCartan
Director

Caterpillar (NI) Limited

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatements, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement in 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.

Caterpillar (NI) Limited

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 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 directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of noncompliance with laws and regulations and fraud;
- Identification and testing of significant manual journal entries; and
- Evaluating and, where appropriate, challenging assumptions and judgments made by management in making significant accounting estimates

Caterpillar (NI) Limited

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

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

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.

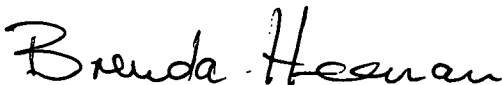
OTHER REQUIRED REPORTING

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, 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
Waterfront Plaza
8 Laganbank Road
Belfast.....
BT1 3LR

30 September 2021

Caterpillar (NI) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

| | Note | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
|--|------|-----------------------|-------------------------|------------------|-----------------------|-------------------------|------------------|
| | | 2020 £ 000 | 2020 £ 000 | 2020 £ 000 | 2019 £ 000 | 2019 £ 000 | 2019 £ 000 |
| Turnover | 5 | 439,472 | - | 439,472 | 487,656 | 397 | 488,053 |
| Cost of sales | | <u>(403,241)</u> | <u>-</u> | <u>(403,241)</u> | <u>(444,475)</u> | <u>-</u> | <u>(444,475)</u> |
| Gross profit | | 36,231 | - | 36,231 | 43,181 | 397 | 43,578 |
| Distribution costs | | (5,487) | - | (5,487) | (6,169) | - | (6,169) |
| Administrative expenses | | (23,668) | - | (23,668) | (48,331) | (304) | (48,635) |
| Other operating income | 9 | <u>1,230</u> | <u>-</u> | <u>1,230</u> | <u>319</u> | <u>-</u> | <u>319</u> |
| Operating profit/(loss) | 10 | <u>8,306</u> | <u>-</u> | <u>8,306</u> | <u>(11,000)</u> | <u>93</u> | <u>(10,907)</u> |
| Interest receivable and similar income | 11 | 293 | - | 293 | 531 | - | 531 |
| Interest payable and similar expenses | 12 | <u>(1,518)</u> | <u>-</u> | <u>(1,518)</u> | <u>(3,185)</u> | <u>(54)</u> | <u>(3,239)</u> |
| | | <u>(1,225)</u> | <u>-</u> | <u>(1,225)</u> | <u>(2,654)</u> | <u>(54)</u> | <u>(2,708)</u> |
| Profit/(loss) before tax | | 7,081 | - | 7,081 | (13,654) | 39 | (13,615) |
| Tax on profit/(loss) | 13 | <u>(1,299)</u> | <u>-</u> | <u>(1,299)</u> | <u>1,827</u> | <u>(7)</u> | <u>1,820</u> |
| Profit/(loss) for the financial year | | <u>5,782</u> | <u>-</u> | <u>5,782</u> | <u>(11,827)</u> | <u>32</u> | <u>(11,795)</u> |

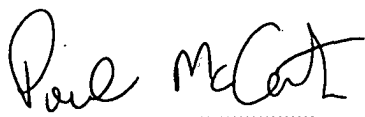
The notes on pages 19 to 42 form an integral part of these financial statements.

Caterpillar (NI) Limited

(Registration number: NI006692)
Balance Sheet as at 31 December 2020

| | Note | 2020 £ 000 | 2019 £ 000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Intangible assets | 14 | 303 | - |
| Tangible assets | 15 | 26,217 | 27,521 |
| Investments | 16 | 60 | 60 |
| | | 26,580 | 27,581 |
| Current assets | | | |
| Stocks | 17 | 92,656 | 103,316 |
| Debtors | 18 | 124,022 | 94,768 |
| Cash at bank and in hand | | 674 | 363 |
| | | 217,352 | 198,447 |
| Creditors: Amounts falling due within one year | 19 | (76,100) | (86,107) |
| Net current assets | | 141,252 | 112,340 |
| Total assets less current liabilities | | 167,832 | 139,921 |
| Creditors: Amounts falling due after more than one year | 19 | (3,203) | (3,836) |
| Other provisions | 20 | (23,764) | (1,618) |
| Net assets | | 140,865 | 134,467 |
| Capital and reserves | | | |
| Called up share capital | 23 | 688 | 688 |
| Share premium account | | 1,350 | 1,350 |
| Capital redemption reserve | | 15 | 15 |
| Retained earnings | | 138,812 | 132,414 |
| Total equity | | 140,865 | 134,467 |

The financial statements on pages 16 to 42 were authorised for issue by the Board of Directors and were signed on its behalf on 30 September 2021 by:



P McCartan
Director

The notes on pages 19 to 42 form an integral part of these financial statements.

Caterpillar (NI) Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

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

| | Note | Called up share capital £ 000 | Share premium account £ 000 | Capital redemption reserve £ 000 | Retained earnings £ 000 | Total equity £ 000 |
|-------------------------------------|------|--|--------------------------------------|---|-------------------------------|-----------------------|
| At 1 January 2019 | | 688 | 1,350 | 15 | 143,688 | 145,741 |
| Loss for the year | | - | - | - | (11,795) | (11,795) |
| Total comprehensive expense | | - | - | - | (11,795) | (11,795) |
| Share based payment transactions | 21 | - | - | - | 521 | 521 |
| At 31 December 2019 | | <u>688</u> | <u>1,350</u> | <u>15</u> | <u>132,414</u> | <u>134,467</u> |

The notes on pages 19 to 42 form an integral part of these financial statements.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

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

The address of its registered office is:

The Company Secretary

Old Glenarm Road

Larne

County Antrim

BT40 1EJ

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

These financial statements were authorised for issue by the Board on 30 September 2021.

2 Statement of compliance

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

3 Accounting policies

Summary of significant accounting policies

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

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

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

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

(All amounts in £000 unless otherwise stated).

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Group financial statements

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

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

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

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

Summary of disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 (b), 11.41 (c), 11.41 (e), 11.41 (1), 11.42, 11.44 to 11.45, 11.47, 11.48 (a)(ii), 11.48 (a)(iv), 11.48 (b) and 11.48 (c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29 (a), 12.29 (b) and 12.29 A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18 (b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Caterpillar Inc. as at 31 December 2020 and these financial statements may be obtained from the Secretary at Caterpillar Inc., 510 Lake Cook Road, Suite 100, Deerfield, Illinois, 60015, USA.

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 2020 (continued)

3 Accounting policies (continued)

Going concern

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

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

As detailed in the Principal Risk and Uncertainties section of the Strategic Report, the company continues to work to mitigate any potential adverse impacts of the pandemic and to protect employee safety. It also utilised the Government Coronavirus Job Retention Grant Scheme with support of £971,000 in relation to the period of suspended operations and the accommodation of specific employee circumstances.

The company does not envisage significant problems ahead caused by the pandemic but challenges remain in our supply chain to be managed and the effects of the pandemic may well continue to be felt even as the public health position improves.

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

As reported in the Directors' Report, 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 second quarter of 2021 with \$10.8 billion of cash and available global credit facilities of more than \$10.3 billion.

As of 30 June 2021, 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.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Turnover

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

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

Turnover is only recognised when:

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

Employee benefits

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

Short term benefits

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

Long term benefits

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

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.

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

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

Defined contribution pension plan

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

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Leases

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

Finance leases: Lessee

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

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

Operating leases: Lessee

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

Research and development

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

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

Foreign currency transactions and balances

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

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

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

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Interest receivable and similar income

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

Interest payable and similar expenses

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

Current and deferred tax

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

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

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

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

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

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

Intangible assets

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

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

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Amortisation

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

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

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

Tangible assets

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

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

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

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

Depreciation

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

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

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

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

| Asset class | Depreciation method and rate |
|-----------------------------|------------------------------------|
| Freehold land and buildings | Straight line 4% |
| Plant and machinery | Straight line 10-20% |
| Capital in progress | Not depreciated until put into use |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Investments

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

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

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

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

Stocks

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

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

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Financial Instruments

Classification

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

Offsetting

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

Cash pooling / cash funding

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

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

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

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

Government grants

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

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

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

Other Provisions

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

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

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Accounting policies (continued)

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.

Share capital

Ordinary shares are classified as equity.

Contingencies

Contingent liabilities arise as a result of past events when:

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

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

4 Critical accounting judgements and estimation uncertainty

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

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

Judgements

There are no critical judgements included within these financial statements.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Key sources of estimation uncertainty

Transfer pricing

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

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

Impairment

In the prior year, an 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 had 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.

There is no impairment charge in the current year.

Severance

As part of the calculation of the provision the company has made estimates around the number of redundancies and the average cost of each redundancy remaining. At the date of signing 73% of the provision has been paid. If the number of redundancies changed by +/- 10% the impact on the provision would be +/- £0.6m. If the average cost of each redundancy changed by +/- 20% the impact on the provision would be +/- £1.216m.

5 Turnover

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

| | 2020 | 2019 |
|---------------|---------|---------|
| | £ 000 | £ 000 |
| Sale of goods | 439,472 | 488,053 |

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

| | 2020 | 2019 |
|----------------|---------|---------|
| | £ 000 | £ 000 |
| United Kingdom | 103,273 | 178,686 |
| Rest of Europe | 161,187 | 118,835 |
| Rest of world | 175,012 | 190,532 |
| | 439,472 | 488,053 |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Staff costs

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

| | 2020 | 2019 |
|--|--------|--------|
| | £ 000 | £ 000 |
| Wages and salaries | 58,200 | 53,610 |
| Social security costs | 4,486 | 4,756 |
| Pension costs, defined contribution scheme | 2,682 | 2,803 |
| Pension costs, defined benefit scheme | 1 | 2 |
| | 65,369 | 61,171 |

Included within wages and salaries is £616,000 (2019 - £521,000) for share based payments. There are also redundancy costs of £10,530,000 (2019 - £64,000). £9,485,000 of these costs are as a result of the company voluntary severance program which opened for applications in late 2020 to employees that would be impacted by the restructure of the manufacturing and engineering global footprints and is comprised of costs paid to employees paid of £22,668,000 in addition to £1,312,000 of costs incurred by a group service provider and a recovery from group headquarters of £14,495,000. The remaining £1,045,000 of redundancy costs were driven by the transition of select finance activities to Accenture that was announced in late 2019 and implemented during the year.

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

| | 2020 | 2019 |
|---|-------|-------|
| | No. | No. |
| Administration, sales and technical staff | 668 | 692 |
| Production | 805 | 827 |
| Management | 36 | 40 |
| | 1,509 | 1,559 |

7 Directors' remuneration

Directors' remuneration relates to 4 directors (2019 - 4).

The directors' remuneration for the year was as follows:

| | 2020 | 2019 |
|--|-------|-------|
| | £ 000 | £ 000 |
| Remuneration | 510 | 861 |
| Contributions paid to money purchase schemes | 26 | 30 |
| | 536 | 891 |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Directors' remuneration (continued)

The 2019 directors' emoluments comparatives have been restated to include Defined Contribution pension costs on their performance bonus that were previously omitted from this disclosure. These costs were fully accrued in the 2019 statutory accounts. The total value of the restatement is £11,146, with £4,198 relating to the highest paid director.

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

| | 2020 | 2019 |
|--|-------------|-------------|
| | No. | No. |
| Exercised share options | 3 | 2 |
| Accruing benefits under defined benefit pension scheme | 1 | 1 |
| Accruing benefits under money purchase pension scheme | 4 | 4 |

In respect of the highest paid director:

| | 2020 | 2019 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Remuneration | 271 | 501 |
| Company contributions to money purchase pension schemes | 12 | 9 |
| Defined benefit accrued pension entitlement at the end of the period | - | 1 |

8 Auditors' remuneration

| | 2020 | 2019 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Fees payable to the company's auditors and associates for the audit of the company's annual financial statements | 139 | 120 |

9 Other operating income

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

| | 2020 | 2019 |
|--------------------------------------|--------------|--------------|
| | £ 000 | £ 000 |
| Royalties receivable | 225 | 260 |
| Government grants | 971 | - |
| Miscellaneous other operating income | 34 | 59 |
| | 1,230 | 319 |

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Operating profit/(loss)

Arrived at after charging/(crediting):

| | 2020 | 2019 |
|---|----------|---------|
| | £ 000 | £ 000 |
| Research and development cost | 6,198 | 7,037 |
| Depreciation expense | 6,910 | 6,762 |
| Loss on disposal of property, plant and equipment | 631 | 797 |
| Amortisation expense | 287 | 302 |
| Asset impairment/release | (3,661) | 21,700 |
| Foreign exchange gains | (1,916) | (2,500) |
| Operating lease expense - other | 1,074 | 1,418 |
| Hire of plant and machinery | 534 | 209 |
| Capital grants released | (633) | (696) |
| Bad debt credit | (993) | (413) |
| Severance costs to employees | 22,668 | - |
| Group severance charge | 1,312 | - |
| Group severance recovery | (14,495) | - |
| | (14,495) | - |

11 Interest receivable and similar income

| | 2020 | 2019 |
|--|-------|-------|
| | £ 000 | £ 000 |
| Interest receivable from group companies | 76 | 206 |
| Other interest receivable | 217 | 325 |
| | 293 | 531 |

12 Interest payable and similar expenses

| | 2020 | 2019 |
|------------------------|-------|-------|
| | £ 000 | £ 000 |
| Other interest payable | - | 977 |
| Factoring costs | 1,518 | 2,262 |
| | 1,518 | 3,239 |

The other interest payable reported for 2019 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 2020 (continued)

13 Tax on loss

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

| | 2020 | 2019 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Current taxation | | |
| UK corporation tax | 1,791 | 1,477 |
| UK corporation tax adjustment in respect of prior years | 80 | (3,394) |
| Foreign tax relief / other relief | (51) | - |
| | 1,820 | (1,917) |
| Foreign tax | 51 | 77 |
| Total current tax | 1,871 | (1,840) |
| Deferred taxation | | |
| Origination and reversal of timing differences | (181) | (1,687) |
| Deferred tax adjustments in respect of prior years | (20) | 1,529 |
| Changes in tax rates and laws | (371) | 178 |
| Total deferred taxation | (572) | 20 |
| Tax expense/(credit) in the Statement of Comprehensive Income | 1,299 | (1,820) |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Profit/(loss) before tax | 7,081 | (13,615) |
| Loss multiplied by standard rate of corporation tax in the UK | 1,345 | (2,587) |
| Higher rate taxes on overseas earnings | - | 77 |
| Adjustments to tax charge in respect of prior years | 80 | (3,394) |
| Adjustments to deferred tax charge in respect of prior years | (20) | 1,529 |
| Non-taxable income | (201) | (239) |
| Tax rate changes | (371) | 178 |
| Expenses not deductible for tax purposes | 466 | 2,616 |
| Total tax charge/(credit) | 1,299 | (1,820) |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Tax on loss (continued)

Factors that may affect future tax charges

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax asset would have been £811,2684 higher in relation to timing differences which are expected to reverse after 2021.

14 Intangible assets

| | Software £ 000 | Total £ 000 |
|---------------------------------|---------------------------|------------------------|
| Cost | | |
| At 1 January 2020 | 10,122 | 10,122 |
| Additions | 29 | 29 |
| Transfers between classes | 89 | 89 |
| At 31 December 2020 | 10,240 | 10,240 |
| Accumulated amortisation | | |
| At 1 January 2020 | 10,122 | 10,122 |
| Amortisation charge | 287 | 287 |
| Impairment | (472) | (472) |
| At 31 December 2020 | 9,937 | 9,937 |
| Net book value | | |
| At 31 December 2020 | 303 | 303 |
| At 31 December 2019 | - | - |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Tangible assets

| | Freehold land and buildings £ 000 | Plant & machinery £ 000 | Capital in progress £ 000 | Total £ 000 |
|---------------------------------|---|-------------------------------|---------------------------------|----------------|
| Cost | | | | |
| At 1 January 2020 | 79,200 | 90,763 | 89 | 170,052 |
| Additions | 481 | 2,860 | - | 3,341 |
| Disposals | - | (2,086) | - | (2,086) |
| Transfers | - | - | (89) | (89) |
| At 31 December 2020 | <u>79,681</u> | <u>91,537</u> | <u>-</u> | <u>171,218</u> |
| Accumulated depreciation | | | | |
| At 1 January 2020 | 62,821 | 79,710 | - | 142,531 |
| Charge for the year | 2,689 | 4,221 | - | 6,910 |
| Eliminated on disposal | - | (1,251) | - | (1,251) |
| Impairment | (1,187) | (2,002) | - | (3,189) |
| At 31 December 2020 | <u>64,323</u> | <u>80,678</u> | <u>-</u> | <u>145,001</u> |
| Net book value | | | | |
| At 31 December 2020 | <u>15,358</u> | <u>10,859</u> | <u>-</u> | <u>26,217</u> |
| At 31 December 2019 | <u>16,379</u> | <u>11,053</u> | <u>89</u> | <u>27,521</u> |

Included within the net book value of land and buildings above is £672,578 (2019 - £672,578) in respect of freehold land.

16 Investments

| | £ 000 |
|--|-----------|
| Cost or valuation | |
| At 1 January 2020 and 31 December 2020 | 79 |
| Impairment | |
| At 1 January 2020 and 31 December 2020 | <u>19</u> |
| Carrying amount | |
| At 31 December 2020 | <u>60</u> |
| At 31 December 2019 | <u>60</u> |

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Investments (continued)

Details of undertakings

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

| Undertaking | Registered office | Class of share | Holding 2020 | 2019 |
|-----------------------------------|--|----------------|-----------------|-------|
| Subsidiary undertakings | | | | |
| F G Wilson (Proprietary) Limited | St Georges Street, 1st Floor Bedford Centre, Yeoville 2143 South Africa | Ordinary | 100% | 100% |
| Other investments | | | | |
| Caterpillar India Private Limited | 7th Floor, International Tech Park, Chennai Taramani Road, Taramani, Chennai, Tamil Nadu, IN 600 113 India | Ordinary | 0.43% | 0.43% |

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

17 Stocks

| | 2020 £ 000 | 2019 £ 000 |
|-------------------------------------|---------------|----------------|
| Raw materials and consumables | 68,873 | 75,850 |
| Work in progress | 15,939 | 19,996 |
| Finished goods and goods for resale | 7,844 | 7,470 |
| | <u>92,656</u> | <u>103,316</u> |

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

Impairment of stocks

The amount of impairment loss included in profit or loss is £706,000 (2019 - £1,012,000). An impairment charge has been included within cost of sales which relates to slow-moving and obsolete stock.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

18 Debtors

| | Note | 2020 £ 000 | 2019 £ 000 |
|------------------------------------|------|---------------|---------------|
| Trade debtors | | 7,709 | 11,444 |
| Amounts owed by group undertakings | | 108,849 | 76,729 |
| Other debtors | | 2,724 | 2,115 |
| Prepayments and accrued income | | 1,030 | 1,343 |
| Deferred taxation | 13 | 3,710 | 3,137 |
| | | 124,022 | 94,768 |

Trade debtors include a bad debt provision of £2,371,000 (2019 - £3,368,000).

Amounts owed by group undertakings include £57,471,000 (2019 - £45,259,000) that is unsecured, repayable by mutual agreement and bears interest at one month LIBOR plus 0.5%. See the cash pooling / cash funding accounting policy for more details.

Also reported within amounts owed by group undertakings is £14,495,000 (2019 - £Nil) that relates to the group severance recovery reported in note 10.

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

Deferred tax

The deferred tax asset is made up as follows:

| | | 2020 £ 000 | 2019 £ 000 |
|--------------------------------|--|---------------|---------------|
| Accelerated capital allowances | | 2,569 | 2,725 |
| Other timing differences | | 1,141 | 412 |
| | | 3,710 | 3,137 |

The deferred tax recoverable within 12 months is £1,141,000 (2019 - £1,971,000.).

The company also has an unrecognised deferred tax asset of £1,048,000 (2019 - £938,000) relating to losses.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

19 Creditors

| | Note | 2020 £ 000 | 2019 £ 000 |
|--|------|---------------|---------------|
| Amounts falling due within one year | | | |
| Trade creditors | | 42,535 | 42,547 |
| Amounts owed to group undertakings | | 20,365 | 25,916 |
| Corporation tax | 13 | 1,740 | 1,477 |
| Other taxation and social security | | 9,138 | 9,367 |
| Other creditors | | 644 | 9 |
| Accruals and deferred income | | 1,678 | 6,791 |
| | | <u>76,100</u> | <u>86,107</u> |
| Amounts falling due after one year | | | |
| Deferred income - grants | | <u>3,203</u> | <u>3,836</u> |

Included with amounts owed to group undertakings is £1,312,000 (2019 £Nil) relating to the group severance charge reported in Note 10.

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

20 Other provisions

| | Warranty £ 000 | Severance £ 000 |
|---------------------------|-------------------|--------------------|
| At 1 January 2020 | 1,618 | - |
| Charged to profit or loss | 1,096 | 22,668 |
| Utilised in year | (1,548) | - |
| Unused / released | (70) | - |
| At 31 December 2020 | <u>1,096</u> | <u>22,668</u> |

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

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

21 Share-based payments

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

In respect to share based payment arrangements, total charges to profit and loss, reported with wages and salaries were £616,000 (2019 - £521,000).

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

22 Pension commitments

Defined contribution pension scheme

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

The defined contribution pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £2,682,000 (2019 - £2,803,000).

23 Called up share capital

Allotted, called up and fully paid shares

| | 2020 | | 2019 | |
|----------------------------|---------|-------|---------|-------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | 688 | 688 | 688 | 688 |

24 Commitments under operating leases

The total of future minimum lease payments is as follows:

| | 2020 | 2019 |
|---|-------|-------|
| | £ 000 | £ 000 |
| Not later than one year | 1,341 | 1,356 |
| Later than one year and not later than five years | 1,637 | 2,138 |
| Later than five years | - | 33 |
| | 2,978 | 3,527 |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2019 - £Nil).

The company has no commitments under non-cancellable operating leases as at the balance sheet date.

Caterpillar (NI) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

25 Contingent liabilities

The company has given a performance guarantee in relation to contracts completed and in progress. The amount guaranteed is £245,000 (2019 - £245,000).

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

Duty deferment £1,000,000 (2019 - £7,000,000)

Other £ 216,000 (2019 - £ 228,000)

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 through to the end of December 2021.

26 Parent and ultimate parent undertaking

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

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

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

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

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

27 Non adjusting events after the financial period

In mid September 2021, the company successfully completed the sale of the Millennium Office building for a consideration that adequately covered the carrying value of the relevant tangible fixed assets in these statements.