

Registration number: 2594307

Caterpillar Tunnelling Europe Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2013

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Caterpillar Tunnelling Europe Limited
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Caterpillar Tunnelling Europe Limited
Company Information

Directors	N J Burroughs G A Parsons B D McDonald M D Cleaver
Company secretary	J M Nicholls
Registered office	C/o Perkins Engines Company Limited Eastfield Frank Perkins Way Peterborough PE1 5FQ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT

Caterpillar Tunnelling Europe Limited

Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

Principal activity

The principal activity of the company is the provision of consultancy services on tunnelling and supply of machines and spare parts for tunnelling machinery.

Business review

Fair review of the business

The results for the year show a pre-tax profit of £41,715 (2012: £14,800) and sales £1,102,942 (2012: £879,855).

The company has net assets of £347,077 (2012: £297,780).

On 3 May 2013 Caterpillar announced that it will exit the tunnelling business with production ceasing mid 2014, although the group will continue to provide parts and service support through to 2016, so the UK operations will decline and eventually terminate. Accordingly the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. Adjustments have been made in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision and to reclassify long-term liabilities as current liabilities.


The loss on termination of operations reported within these financial statements take into account the costs expected to be incurred with regards to the closure of the UK operations.

There are no other KPIs, apart from the sales, pre tax profit and net assets and as such further analysis is not required for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risk and uncertainty is that relating to the termination of the business.

Approved by the Board on 11 September 2014 and signed on its behalf by:


.....
N J Burroughs
Director

Caterpillar Tunnelling Europe Limited
Directors' Report for the Year Ended 31 December 2013

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

N J Burroughs

G A Parsons

W F Springer (resigned 1 February 2013)

B D McDonald

M D Cleaver (appointed 21 November 2013)

Dividends

The directors recommend that no dividend be declared for the year ended 31 December 2013 (2012: £nil).

Financial risk management

Objectives and policies

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

Liquidity risk

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

Future developments

The future developments of the company have been stated in the Strategic Report on page 2.

Directors' liabilities

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

Caterpillar Tunnelling Europe Limited
Directors' Report for the Year Ended 31 December 2013

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Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, the following applies:

(a) So far as the directors are aware, there is no relevant audit information of which they know the company's auditors are unaware; and

(b) Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 11 September 2014 and signed on its behalf by:


.....
N J Burroughs
Director

Caterpillar Tunnelling Europe Limited
Independent Auditor's Report to the Members of Caterpillar Tunnelling Europe
Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of accounting. During the year Caterpillar Inc announced that it will exit the tunnelling business with production ceasing mid-2014, although the group will continue to provide parts and service support through to 2016. As a result the UK operations will decline and eventually terminate. Accordingly, the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. Adjustments have been made in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision and to reclassify long-term liabilities as current liabilities.

What we have audited

The financial statements, which are prepared by Caterpillar Tunnelling Europe Limited, comprise:

- the Balance Sheet at 31 December 2013;
- the Profit and Loss Account for the year ended 31 December 2013; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Caterpillar Tunnelling Europe Limited
Independent Auditor's Report to the Members of Caterpillar Tunnelling Europe
Limited

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What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Strategic Report, the Directors' Report and the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Caterpillar Tunnelling Europe Limited
Independent Auditor's Report to the Members of Caterpillar Tunnelling Europe
Limited

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Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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



Jas Khela (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 12/09/14

Caterpillar Tunnelling Europe Limited
Profit and Loss Account for the Year Ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	1,102,942	879,855
Cost of sales		<u>(566,326)</u>	<u>(637,322)</u>
Gross profit		536,616	242,533
Administrative expenses		<u>(177,291)</u>	<u>(227,836)</u>
Operating profit	3	359,325	14,697
Loss on termination of operations	4	(317,610)	-
Interest receivable and similar income	7	<u>-</u>	<u>103</u>
Profit on ordinary activities before taxation		41,715	14,800
Tax on profit on ordinary activities	8	<u>7,582</u>	<u>(7,501)</u>
Profit for the financial year	16	<u><u>49,297</u></u>	<u><u>7,299</u></u>

The profit and loss account has been prepared on the basis that all operations relate to discontinued operations.

There are no recognised gains and losses other than the profit for the financial years above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.


Caterpillar Tunnelling Europe Limited

(Registration number: 2594307)

Balance Sheet at 31 December 2013

	Note	2013 £	2012 £
Current assets			
Debtors: Amounts falling due within one year	10	210,498	121,060
Cash at bank and in hand		294,113	203,651
		<u>504,611</u>	<u>324,711</u>
Creditors: Amounts falling due within one year	11	(12,688)	(26,931)
Total assets less current liabilities		491,923	297,780
Provisions for liabilities	12	(144,846)	-
Net assets		<u>347,077</u>	<u>297,780</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	16	346,977	297,680
Total shareholders' funds	15	<u>347,077</u>	<u>297,780</u>

The financial statements were approved by the board of directors on 11 September 2014 and signed on its behalf by:



 N J Burroughs
 Director

The notes on pages 10 to 20 form an integral part of these financial statements.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

1 Accounting policies

Basis of preparation

The financial statements are prepared on a basis other than going concern and in accordance with the Companies Act 2006 and accounting standards applicable in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Going concern

On 3 May 2013 Caterpillar announced that it will exit the tunnelling business with production ceasing mid 2014, although the group will continue to provide parts and service support through to 2016, so the UK operations will decline and eventually terminate and the company is no longer a going concern. Accordingly, the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a basis other than going concern. Adjustments have been made in these financial statements to reduce assets to their realisable value, to provide for liabilities arising from the decision and to reclassify long-term liabilities as current liabilities.

Exemption from preparing a cash flow statement

The company is a wholly owned subsidiary of Caterpillar Inc. whose consolidated financial statements are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the provisions of Financial Reporting Standard Number 1 (revised 1996) "Cash flow statements".

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised on submission of intercompany invoices, which are raised to reimburse Caterpillar Tunnelling Europe Limited for expenses paid. For the year ended 31 December 2013 turnover also included an amount of £317,610 in respect of the costs incurred on the reorganisation associated with the termination of the business. The associated costs are disclosed within note 4 as loss on termination of operations.

Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Asset class	Depreciation method and rate
Plant and machinery	5 years
Fixtures and fittings	10 years

Deferred tax

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Non-monetary assets and liabilities are not retranslated. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Hire purchase and leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Pensions

The company contributes to the personal pension scheme of each employee. The pension cost charge represents contributions paid by the company to the schemes.

2 Turnover

During the year 99.98% of the company's turnover related to exports (2012 - 99.98%).

An analysis of turnover by geographical destination is given below:

	2013 £	2012 £
United Kingdom	220	136
North America	1,102,722	879,719
	<u>1,102,942</u>	<u>879,855</u>

An analysis of turnover by class of business is given below:

	2013 £	2012 £
Sales to Group Undertakings	1,102,722	879,719
Sales to third party customers	220	136
	<u>1,102,942</u>	<u>879,855</u>

All the company's turnover originated in the United Kingdom. All net assets are based in the United Kingdom.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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3 Operating profit

Operating profit is stated after charging / (crediting):

	2013 £	2012 £
Depreciation of owned assets	-	2,520
Tangible fixed asset impairment	-	11,502
Profit on sale of tangible fixed assets	(160)	-
Lease of motor vehicles	9,787	13,914
Operating leases - other assets	11,973	13,168
Fees payable for the audit of the financial statements	<u>8,426</u>	<u>6,800</u>

4 Loss on termination of operations

	2013 £	2012 £
	<u>317,610</u>	<u>-</u>

The loss on operations reported above relates to the closure of the business and comprises of redundancy costs £293,886, dilapidations £13,580 and lease costs £10,144.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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5 Particulars of employees

The average number of persons employed by the company during the year, analysed by category was as follows:

	2013 No.	2012 No.
Administration and support	2	2
Other departments	4	4
	<u>6</u>	<u>6</u>

The aggregate payroll costs were as follows:

	2013 £	2012 £
Wages and salaries	580,380	648,424
Exceptional cost - redundancy	293,886	-
Social security costs	20,263	18,729
Staff pensions	4,409	4,569
	<u>898,938</u>	<u>671,722</u>

6 Directors' remuneration

None of the directors received any emoluments for their services to the company during the year (2012: £nil).
The directors are remunerated by fellow group companies of the Caterpillar Group in their capacity as executives of those companies.

7 Interest receivable and similar income

	2013 £	2012 £
Bank interest receivable	<u>-</u>	<u>103</u>

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

..... *continued*

8 Taxation

Tax on profit on ordinary activities

	2013	2012
	£	£
Current tax		
Corporation tax charge	-	8,036
Adjustments in respect of prior years	(8,301)	265
Total current tax	(8,301)	8,301
Deferred tax		
Origination and reversal of timing differences	568	(1,610)
Deferred tax adjustment in respect of prior years	(177)	982
Effect of changes in tax rates	328	(172)
Total deferred tax	719	(800)
Total tax on profit on ordinary activities	(7,582)	7,501

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%).

The differences are reconciled below:

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>41,715</u>	<u>14,800</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	9,699	3,626
Capital allowances in excess of depreciation	(599)	1,715
Expenses not deductible for tax purposes	232	2,695
Adjustment in respect of prior years	(8,301)	265
Group relief claimed for nil payment	<u>(9,332)</u>	<u>-</u>
Total current tax	<u>(8,301)</u>	<u>8,301</u>

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 24% to 23% with effect from 1 April 2013. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 23.25%. The standard rate will fall further to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. These rates were enacted during the period and as such any deferred tax balances have been stated at a rate of 20%.

The corporation tax credit has been increased by £9,332 because of group relief which will be settled by a fellow group company.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2013	9,260	25,884	35,144
Disposals	(9,260)	(25,884)	(35,144)
At 31 December 2013	-	-	-
Depreciation			
At 1 January 2013	9,260	25,884	35,144
Eliminated on disposals	(9,260)	(25,884)	(35,144)
At 31 December 2013	-	-	-
Net book value			
At 31 December 2013	-	-	-
At 31 December 2012	-	-	-

All the company tangible fixed assets were disposed of when the office closed on 31 August 2013.

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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10 Debtors: Amounts falling due within one year

	2013	2012
	£	£
Amounts owed by group undertakings	56,018	112,718
Other debtors	1,975	4,017
Deferred tax	2,228	2,947
Prepayments and accrued income	150,277	1,378
	<u>210,498</u>	<u>121,060</u>

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

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	£
At 1 January 2013	2,947
Profit and loss account	<u>(719)</u>
At 31 December 2013	<u>2,228</u>

Analysis of deferred tax

	2013	2012
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	2,228	2,947
	<u>2,228</u>	<u>2,947</u>

11 Creditors: Amounts falling due within one year

	2013	2012
	£	£
Corporation tax	-	8,301
Other taxes and social security	4,878	4,470
Accruals and deferred income	7,810	14,160
	<u>12,688</u>	<u>26,931</u>

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

..... continued

12 Provisions for liabilities

	Business closure £	Total £
At 1 January 2013	-	-
Charged to the profit and loss account	144,846	144,846
At 31 December 2013	<u>144,846</u>	<u>144,846</u>

The business closure provisions relate to redundancy, onerous lease commitments and amounts due for dilapidations arising as a result of the group's decision to exit the tunnelling business. £101,000 of the provision is expected to be utilised during 2014, with the remaining amount expecting to be utilised by 2016, although there is some uncertainty arising from the date that the business will cease to trade in 2016. The provision is discounted. Given these costs will ultimately be borne by the companies parent entity, accrued income has been recognised to reflect the recharge of these costs in the current year.

13 Pension schemes

Defined contribution pension scheme

The company contributes to the personal pension scheme of certain employees. The scheme assets are held separately from those of the company in independently administered funds.

The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £4,409 (2012: £4,569).

14 Called up share capital

Allotted and fully paid

	2013		2012	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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15 Reconciliation of movement in total shareholders' funds

	2013 £	2012 £
Profit for the financial year	49,297	7,299
Net addition to total shareholders' funds	49,297	7,299
Total shareholders' funds at 1 January	297,780	290,481
Total shareholders' funds at 31 December	347,077	297,780

16 Reserves

	Profit and loss account £	Total £
At 1 January 2013	297,680	297,680
Profit for the financial year	49,297	49,297
At 31 December 2013	346,977	346,977

17 Commitments

Operating lease commitments

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2013 £	2012 £
Land and buildings		
Within one year	4,368	13,168
Within two and five years	-	4,389
	4,368	17,557
Other		
Within one year	5,776	10,956
Within two and five years	-	12,073
	5,776	23,029

Caterpillar Tunnelling Europe Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

..... continued

Lease commitments reported above have been provided for in these financial statements within the exceptional costs relating to the closure of the business.

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 "Related Party Disclosures" from the requirement to disclose transactions within the wholly owned group companies.

19 Ultimate parent undertaking and controlling party

The company is controlled by Caterpillar Inc, it's ultimate parent company, a company incorporated in the state of Delaware, United States of America. Copies of the group financial statements can be obtained from the Secretary at Caterpillar Inc, 100 NE Adams Street, Peoria, Illinois, 61629, USA.

The immediate parent company is Caterpillar Tunnelling Canada Corporation, a company incorporated in Canada.

The smallest and largest group of undertakings in which the company is consolidated for which group financial statements are prepared is Caterpillar Inc..