Finning (Ireland) Limited

Annual report and financial statements

For the year ended 31 December 2023

Company Registration No. 486302

Contents

Officers and professional advisers

Directors

T Ferwerda
M Hogg
G Megarrell

Company Secretary

Wilton Secretarial Limited

Registered Office

6th Floor, 2 Grand Canal Square
Dublin 2

Bankers

HSBC Bank
8 Canada Square
Canary Wharf
London
E14 5HQ

Solicitors

William Fry
Sixth Floor
2 Grand Canal Square
Dublin 2

Auditor

Deloitte Ireland LLP
Chartered Accountants & Statutory Audit Firm
No. 6 Lapp’s Quay
Cork
T12 TA48

Directors' report
For the year ended 31 December 2023

The directors present their annual report on the affairs of the company together with the audited financial statements and independent auditor's report for the financial year ended 31 December 2023.

Principal activity

The principal activity of the company's continuing operations is the supply of Caterpillar machines and engines, and the provision of parts and after-sales service. Distribution and servicing of Caterpillar products account for the major portion of the company's operations. The company is the authorised dealer in the Republic of Ireland for these products. Finning has a strong relationship with Caterpillar Inc. that has been ongoing since 1933.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review below. In addition, the company's exposures to risks including credit, market, and liquidity.

The company meets its day to day working capital requirements through cash generated from operating activities and group facilities. The company has appropriate facilities available from the Finning Holdings group and direct access to the Finning International Inc. CAD$1.3 billion global credit facility and will adopt the funding mix which is most appropriate to the circumstances taking into consideration interest cost and overall debt exposure.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current available group facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Business Review

The directors are pleased to present the results of the group in 2023 that show strong results in what has been a difficult year with subsequent slowdown in global economic growth. During the year the company generated revenues of €82,988,000 (2022: €86,367,000). The decrease was mainly driven by the timing of projects ending in the year as many projects started last year following delays due to the impact of the global pandemic. The company continued the delivery and installation of engines for power generation in a range of industries and market sectors, and as a result saw an increase in the levels of trading towards the end of the year. The company has also continued to develop its existing relationships in the power generation market in both domestic and international markets. The company recorded an operating loss in the year of €131,000 (2022: profit of €2,777,000) largely as a result of reduced turnover and increased administrative and operating expenses.

The group took on proactive measures to actively control working capital investments and minimise capital and rental expenditures to mission-critical maintenance and IT capital only.

The directors expect the results of the business to continue to be strong going forward and will look to capitalise on further opportunities as they arise. The diversified business model, skilled workforce and efficient cost base are all key attributes that will enable the company to capitalise on emerging commercial opportunities and deliver a robust return on investment.

Events after the balance sheet date

There have been no events after the balance sheet date.

Results and dividends

The company's loss for the financial year after taxation was €857,000 (2022: profit of €2,275,000).

Dividends of €3,237,500 were paid to Finning Holdings Limited during the financial year (2022: €nil).

Directors' report (continued)
For the year ended 31 December 2023

Key Performance Indicators

The company is focused on building shareholder value by improving return on invested capital (ROIC). With safety and talent management as the foundation, management is executing on the following operational priorities: customer & market leadership; supply chain optimisation; service excellence; and asset utilisation.

These priorities are linked directly to improving operating profit performance and capital efficiency. There are no non-financial KPIs recorded at a company level.

The business uses ROIC and operating profit margin as key a measure of performance.

The key performance indicators on continuing operations are as follows:

	2023	2022	
Return on invested capital (%)	(3.63)%	13.48%	Defined as operating profit for the last twelve months divided by invested capital as defined below, expressed as a percentage. Management views ROIC as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors.
Operating profit (€'000s)	(131)	2,777	Defined per the profit and loss account. It is used by management as it excludes items that are not considered to be indicative of operational and financial trends to provide a better overall understanding of the company's underlying business performance.
Operating profit %	(0.16)%	3.22%	Defined as operating profit for the last twelve months divided by revenue for the last twelve months. Management uses operating profit margin as an indication of the profitability of the revenue growth for the company.
Invested capital (€'000s)	23,755	20,604	Defined as total assets less total liabilities, excluding net debt at the year-end position. Net debt is calculated as short-term debt and long-term debt, net of cash. Management uses invested capital as a measure of the total cash investment made in the company.
Invested capital turnover (times)	3.49	4.19	Defined as revenue for the last twelve months divided by invested capital as defined above. Used by management as a measure of efficiency in the use of the company's invested capital.
Inventory turns (times)	17.02	13.24	Defined as cost of sales for the last twelve months divided by inventory at the year-end position. The number of times the company's inventory is sold and replaced over a period and is used by management as a measure of asset utilization.
Working capital to sales ratio	4.67	5.76	Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). The working capital to net revenue ratio is calculated as working capital, divided by revenue for the last twelve months. Management uses this KPI to assess the company's efficiency in its use of working capital to generate net revenue.
Free cash flow (€'000s)	1,243	(13,364)	Cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets. Management uses Free Cash Flow to assess cash operating performance and the ability to raise and service debt.

Directors' report (continued)
For the year ended 31 December 2023

Directors and secretaries and their interests

The directors who served at any time during the financial year and subsequently were as follows:

T Ferwerda
M Hogg
G Megarrell

The secretaries who served at any time during the financial year and subsequently were as follows:

Wilton Secretarial Limited

None of the directors held any interest in the share capital of the company, the company's holding company nor a subsidiary of the company's holding company in the year.

Directors' indemnities

During the financial year the company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion prospects of disabled persons should, as far as possible, be identical to those of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

All employees are invited to participate annually in the 'Employee Opinion Survey' ("EOS") to provide feedback on a range of matters. The results of EOS are aggregated at all management levels throughout the business and are shared with all employees. Management use the results of the survey in collaboration with employee representatives to identify ways of improving engagement and developing talent throughout the company.

Environmental, health and safety

Health and safety is a key strategic focus across the Finning International group, which has been fully embraced by the company. The philosophy of "Zero Injuries" has been adopted to raise awareness and provide all employees with the knowledge and skills necessary to create a safe working environment. The company aims to ensure all employees come to work and go home safe, and that everyone is empowered to stay safe and also to look out for the safety of colleagues.

The business seeks to record all hazards, near-misses and incidents to monitor safety throughout the organisation, and uses this information to develop a better understanding of the risks within the work environment and develop ways to reduce and mitigate such risk wherever possible. Regular communications are sent to all employees to promote the importance of health and safety in the workplace. This is further reinforced by Local Action Teams, formed of employee representatives who regularly undertake reviews of their working environment.

The culture of health and safety is well embedded within the company, and management take regular action to maintain the focus on safety and prevent complacency causing a deterioration in safety performance.

The Global Sustainability Committee (GSC) is responsible for developing and implementing our sustainability roadmap which identifies sustainability priorities and sets out medium- and long-term goals and objectives. The sustainability report is released each year with the 2022 Sustainability Report available in the sustainability section of the Finning International Inc. website at www.finning.com.

Directors' report (continued)
For the year ended 31 December 2023

Environmental, health and safety (continued)

Our current roadmap identifies five focus areas:

- PEOPLE - Ensure safe, inclusive, and respectful workplaces for all employees and contractors.
- ENVIRONMENT - Reduce greenhouse gas emissions from our facilities and fleet, manage waste, and prevent spills.
- CUSTOMERS - Offer products and solutions that help customers improve their safety, environmental performance, and business productivity.
- COMMUNITIES - Partner with organizations that support STEM education and programming for women and girls, indigenous, at-risk and other under-served communities.
- GOVERNANCE, ETHICS & CYBERSECURITY- Ensure effective controls are in place to prevent unlawful or unethical behaviours, support and protect employees who speak up, and protect both Finning's and our customers' digital information.

Principal risks and uncertainties

The company is exposed to market, financial and operating risks in the normal course of business activities. The company has adopted an Enterprise Risk Management ("ERM") approach in identifying, prioritising, and evaluating risks. The ERM framework assists the company in managing business activities and risks across the organisation to assist the company in achieving its strategic objectives. The identified risks include:

Market risks

Competitive pressure is a continuing risk for the company, which could result in losing sales to key customers. The company competes with a large number of equipment vendors, generator and engine vendors with operations in this country. The company manages this risk by ensuring a first class customer service offering and differentiating their service delivery.

Financial risks

The company's activities expose it to a number of financial risks including foreign exchange risk, credit risk, inflation and liquidity risk.

Foreign exchange risk

The company's activities expose it to limited risk of changes in foreign currency exchange rates. The company aims to mitigate this risk largely through matching transactional currencies of sales and purchases wherever possible.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The amounts presented in the balance sheet are net of loss provisions. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. Customers are subject to credit checks and appropriate credit limits are set accordingly.

Inflation and liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance generally provided by other companies within the group headed by the immediate parent undertaking, Finning Holdings.

The company is supported by the Finning Holdings group which is in a strong financial position, with access to capital, including the CAD$1.3 billion global credit facility held by Finning International Inc. which is committed through to September 2026, as well as a balanced debt maturity profile and capacity to increase capital availability.

Directors’ report (continued)
For the year ended 31 December 2023

Principal risks and uncertainties (continued)

Operating risk

The majority of the company’s business involves the distribution and servicing of Caterpillar products. As such, the company’s business is highly dependent on the continued market acceptance of these products. The company believes that Caterpillar has a solid reputation as a manufacturer, with excellent brand recognition, customer support and high market shares in many of the markets they serve. The company works with Caterpillar to develop new products for the Republic of Ireland market and further enhance the reputation as a premium solution provider.

Suppliers

The company’s largest supplier is Caterpillar Inc. Finning has a strong relationship with Caterpillar Inc. that has been ongoing since 1933 and has developed year on year. In recent years the relationship has continued to foster innovation to better serve our customer needs. The company’s strategic priorities are closely tied to those of Caterpillar Inc. which further aids this strong working relationship.

The company also holds relationships with various other suppliers. To help manage and monitor our supply chain, new suppliers onboarded to the company’s systems are required to complete due diligence questionnaires, which include questions on human rights, labour, environment and anti-corruption. This onboarding process ensures that the company works with reliable, reputable suppliers providing the basis for long-term, prosperous relationships.

Charitable donations

During the financial year, the company made no charitable donations (2022: €nil).

Directors’ compliance statement

The directors acknowledge their responsibility for securing the company’s compliance with certain relevant obligations; and confirm that they have carried out the following actions:

(1) the drawing up of a statement ("compliance policy statement") setting out the company's policies (that in the directors' opinion, are appropriate to the company) respecting compliance by the company with its relevant obligations;

(2) the putting in place of appropriate arrangements or structures that are, in the directors’ opinion, designed to secure material compliance with the company’s relevant obligations; and

(3) the conducting of a review, during the finance year, of any arrangements or structures referred to in (2) above that have been put in place.

The directors have made the decision to not establish an audit committee. The directors believe that the internal processes and controls, and the regular meetings and interactions of the directors with the business is sufficient to ensure the monitoring of the financial reporting process; the monitoring of the effectiveness of the company’s systems of internal control, internal audit and risk management; the monitoring of the statutory audit of the company’s statutory financial statements; and the review and monitoring of the independence of the statutory auditors and in particular the provision by the auditors of additional services to the company.

Directors' report (continued)
For the year ended 31 December 2023

Accounting records

The measures that the directors have taken to secure the compliance with the requirements of sections 281 and 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at William Fry, Sixth Floor, 2 Grand Canal Square, Dublin 2, Ireland.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

The auditor, Deloitte Ireland LLP, continue in office in accordance with Section 383(1) of the Companies Act, 2014.

Approved by the Board of Directors and signed on behalf of the Board:

Mark Hogg (Apr 22, 2024 09:27 GMT+1)	Tim Ferwerda Tim Ferwerda (Apr 22, 2024 09:00 GMT+1)
M Hogg Director 22 April 2024	T Ferwerda Director 22 April 2024

Directors' responsibility statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

The responsibility statement was approved by the board of directors on 25 April 2024 and is signed on its behalf by:

Mark Hogg (Apr 22, 2024 09:27 GMT+1)

M Hogg
Director
22 April 2024

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINNING (IRELAND) LIMITED

Report on the audit of the financial statements

Opinion on the financial statements of Finning (Ireland) Limited ("the company")

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2023 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 28, including material accounting policy information as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 101 'Reduced Disclosure Framework' issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Continued on next page/

Deloitte.

/Continued from previous page

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FINNING (IRELAND) LIMITED

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Kelly
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
No. 6 Lapp's Quay, Cork

24 April 2024

Profit and loss account
For the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Turnover	2, 3	82,988	86,367
Cost of sales		(70,038)	(73,899)
Gross profit		12,950	12,468
Other operating income		448	142
Distribution costs		(172)	(138)
Administrative costs		(4,928)	(3,620)
Other operating expenses		(8,429)	(6,075)
Total selling, general and administration expenses		(13,081)	(9,691)
Operating (loss) / profit		(131)	2,777
Interest receivable and similar income	6	51	-
Interest payable and similar charges	7	(783)	(97)
(Loss) / profit on ordinary activities before tax		(863)	2,680
Tax on (loss) / profit on ordinary activities	8	6	(405)
(Loss) / profit for the financial year		(857)	2,275

All results derive from continuing operations.

Statement of comprehensive income
For the year ended 31 December 2023

,

	2023 €'000	2022 €'000
(Loss) / profit for the financial year	(857)	2,275
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge losses (note 21)	-	(109)
Other comprehensive expense for the year net of tax	-	(109)
Total comprehensive (loss) / income for the year	(857)	2,166

Balance sheet
As at 31 December 2023

	Notes	2023 €'000	2022 €'000
Non-current assets			
Property, plant and equipment	11	4,038	4,025
Right-of-use assets	12	225	150
Investments	26	2,583	2,583
Deferred tax asset	8	144	9
		6,990	6,767
Current assets			
Stocks	13	4,116	5,580
Debtors	15	40,153	34,955
Current tax assets		175	-
Cash at bank and in hand		1,211	7,556
		45,655	48,091
Total assets		52,645	54,858
Creditors: Amounts falling due within one year			
Trade and other creditors	17	(25,817)	(19,628)
Short-term borrowings		(8,476)	(12,925)
Provisions for liabilities	19	(288)	(166)
Deferred revenue		(478)	(50)
Current tax liabilities		-	(228)
Lease liabilities	18	(101)	(95)
		(35,160)	(33,092)
Net current assets		10,495	15,000
Creditors: Amounts falling due after one year			
Deferred revenue		(852)	(1,105)
Lease liabilities	18	(124)	(58)
Non-current liabilities		(976)	(1,163)
Total liabilities		(36,136)	(34,255)
Net assets		16,509	20,604
Capital and reserves			
Share capital presented as equity	20	100	100
Cash flow hedging reserve	21	-	(109)
Profit and loss account	22	16,409	20,613
Total shareholders' funds		16,509	20,604

These financial statements of Finning (Ireland) Limited (registered number 486302) were approved by the Board of Directors and authorised for issue on 25 April 2024 and signed on its behalf by:

M.Hogg Tim Ferwerda

Mark Hogg (Apr 22, 2024 09:27 GMT+1) Tim Ferwerda (Apr 22, 2024 09:00 GMT+1)

M Hogg
Director
22 April 2024

T Ferwerda
Director
22 April 2024

Statement of changes in equity
For the year ended 31 December 2023

	Share capital €'000	Cash flow hedging reserve €'000	Profit and loss account €'000	Total €'000
Balance at 1 January 2022	100	-	18,338	18,438
Profit for the financial year (note 22)	-	-	2,275	2,275
Other comprehensive loss (note 21)	-	(109)	-	(109)
Total comprehensive (loss) / income for the year	-	(109)	2,275	2,166
Balance at 31 December 2022	100	(109)	20,613	20,604
Loss for the financial year (note 22)	-	-	(857)	(857)
Hedging loss transferred to balance sheet	-	109	(109)	-
Total comprehensive loss for the year	-	109	(966)	(857)
Dividends paid (note 10)	-	-	(3,238)	(3,238)
Balance at 31 December 2023	100	-	16,409	16,509

Notes to the financial statements
For the year ended 31 December 2023

1 Material Accounting Policy Information

Finning (Ireland) Limited is a limited company incorporated in the Republic of Ireland. Its immediate parent is Finning Holdings and ultimate holding company is Finning International Inc.. The address of its registered office is 6th floor, 2 Grand Canal Square, Dublin 2, Ireland.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with the Companies Act 2014 and FRS 101 'Reduced Disclosure Framework'. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

These financial statements were prepared under the historical cost basis except for derivative financial instruments which have been measured at fair value. The preparation of these financial statements requires the use of certain accounting estimates and requires management to exercise judgement in applying the company's accounting policies. The areas where assumptions, estimates and judgements are significant to the financial statements are disclosed below.

As the company is a wholly owned subsidiary of Finning Holdings, the company has taken advantage of exemption from the requirement to prepare group accounts under s300 of the Companies Act 2014 as the holding undertaking is a fully owned subsidiary of an EEA undertaking. The consolidated financial statements of Finning Holdings, within which this company is included, can be obtained from the address given in note 27.

The material accounting policies used in these financial statements are as follows:

(a) Going concern

As disclosed in the Directors' report the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and as such the going concern basis has been adopted in preparing the annual report and financial statements.

(b) Key assumptions and significant judgements

The preparation of financial statements in conformity with FRS 101 'Reduced Disclosure Framework' requires management to make judgements, estimates, and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those judgements, estimates, and assumptions.

Areas of assumptions and uncertainty

Information about areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the statements are as follows:

<u>Revenue recognition – construction contracts</u>

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured primarily based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. It is not practical to disclose the sensitivity of construction contracts due to fluctuations in contract values and total contract costs. The carrying value of the amounts that would be affected by such sensitivities are disclosed in note 14.

<u>Provision for inventory obsolescence</u>

The company makes estimates of the provision required to reflect obsolescence of inventory. These provisions are determined on a specific item basis for equipment, and on the basis of age, redundancy, and inventory levels for parts and supplies. Due to the movements in the used equipment market, it is impractical to determine the sensitivity of inventory obsolescence to such changes. The carrying amounts of the assets to which the provisions relate are disclosed in note 13.

1 Statement of Accounting Policies (continued)

(b) Key assumptions and significant judgements (continued)

Areas of assumptions and uncertainty (continued)

Deferred tax assets

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate. The deferred tax asset in note 8 has been recognised due to the expected recoverability in the next financial year. Any re-assessment of the deferred tax asset would be made by reference to the shortfall against this assumption at the tax rate enacted at the date of re-assessment.

Warranty claims

Warranties are provided on certain equipment, spare parts, and service supplied to customers. Management exercises judgement in establishing provisions required on the basis of past experience.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Leases

The company is required to make judgments in determining the lease term. Management considers all facts and circumstances, including economic incentives to exercise an extension option and its asset management strategy. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Most of the company's extension options relate to lease of properties in the company's operations and are evaluated based on management's long-term facility strategy. Determining whether a contract is or contains a lease requires judgment. This includes assessing whether there is an identifiable asset, there are substantive substitution rights, if the Company has the right to direct how and for what purpose the asset is used through the period of use. The Company's incremental borrowing rate is the rate the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

(c) Foreign currency translation

These financial statements are presented in Euros, which is the functional currency of the company. Transactions undertaken in foreign currencies are translated into Euros at exchange rates prevailing at the time the transactions occurred. Account balances denominated in foreign currencies are translated into Euros as follows:

- Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet dates or at forward rates to the extent that related currency contracts are in place, and non-monetary items are translated at historical exchange rates; and
- Foreign exchange gains and losses are included in income except where the exchange gain or loss arises from the translation of monetary items designated as hedges, in which case the gain or loss is deferred and accounted for in conjunction with the hedged item.

(d) Stocks

Stocks are assets held for sale in the ordinary course of business, in the process of production for sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Stock is stated at the lower of cost and net realisable value. Cost is determined on a specific item basis for on-hand equipment, and on a first in first out basis for parts and supplies. The cost of stock includes all costs of purchase, conversion costs, and other costs incurred in bringing stock to their existing location and condition. In the case of internal service work in progress on equipment, cost includes an appropriate share of overhead costs based on normal operating capacity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

1 Statement of Accounting Policies (continued)

(e) Income taxes

The balance sheet method of tax allocation is used in accounting for Irish corporation tax. Under this method, the carry forward of unused tax losses and unused tax credits and the temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate deferred tax assets or liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the carry forward of unused tax losses, unused tax credits, and the deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the asset is realised, or the liability is settled based on the laws that have been enacted or substantively enacted by the reporting date. The effect of a change in income tax rates on deferred tax assets and liabilities is recognised in income and/or equity in the period that the change becomes substantively enacted.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. The charge for current tax is based on the results for the financial year as adjusted for items which are non-assessable or disallowed using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its tax assets and liabilities on a net basis.

Irish corporation tax is provided at amounts to be paid (or recorded) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(f) Property, plant and equipment and right-of-use assets (ROU)

Property, plant, and equipment and ROU are recorded at cost, net of accumulated depreciation and accumulated impairment losses. Depreciation of property, plant and equipment and ROU is recorded in selling, general, and administrative expenses in the profit and loss account. Depreciation commences when the asset becomes available for use and ceases when the asset is derecognised or classified as held for sale. Where significant components of an asset have different useful lives, depreciation is calculated on each separate part.

All classes of property, plant, and equipment and ROU are depreciated over their estimated useful lives to nil residual value on a straight-line basis using the following annual rates:

Leasehold land & buildings	2% - 10% per annum, ensuring that assets are not depreciated over longer than the lease term.
Other tangible fixed assets	12.5% – 25% per annum.

Property, plant, and equipment held under ROU are depreciated over the term of the relevant lease.

(g) Investments

Fixed asset investments are shown at cost less provision for impairment.

1 Statement of Accounting Policies (continued)

(h) Leases

At inception of a contract, the company assesses whether the contract is or contains a lease.

The company as lessee

At the commencement of the lease, the company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset at inception includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling, general, and administrative expenses for all assets except leases of rental equipment, where depreciation is recorded in cost of sales in the statement of net income. Depreciation is recorded on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the underlying asset, commencing when the asset becomes available for use.

Right-of-use assets are reviewed for indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Where an impairment loss is recognized for a right-of-use asset, the asset is reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

The lease liability is initially measured at the present value of the remaining lease payments that have not been paid at the commencement date, discounted by using the company's incremental borrowing rate unless the rate implicit in the lease is readily determinable.

Lease payments over the estimated lease term included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate,
- The lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or,
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset is presented separately to property, plant, and equipment and the lease liability is presented within accounts payable and accruals (current portion) and long-term lease liabilities (non-current portion) on the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases that have a term of 12 months or less and leases of low-value assets. The company recognizes these lease payments as an expense on a straight-line basis over the lease term.

1 Statement of Accounting Policies (continued)

(i) Revenue recognition

Revenue is recognized when or as the company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

Revenue is recognized when control of the goods is transferred to the customer at a point-in-time for the following revenue streams:

- Revenue from sales of new and used equipment (except for complex power and energy systems) is recognised when control passes to the customer, which is generally at the time of shipment of the equipment to the customer or when commissioning of equipment is complete. Revenue is recorded at the estimated amount of consideration to which the company expects to be entitled, including any non-cash consideration when used equipment is accepted for trade-in value.
- Revenue from sales of parts inventory is recognised when control of the part is transferred to the customer, which is generally upon shipment to the customer or when the customer collects their purchase from one of the company's locations. Revenue from the sales of parts inventory is initially recorded at the estimated amount of consideration to which the company expects to be entitled. If applicable, management recognises an obligation for items such as refunds, incentives, and discounts with a corresponding reduction in product support revenue. The value of the obligation is estimated based on the terms of the contract, customary business practices, and historical experience.

Revenue is recognised in a manner that best reflects the company's performance over-time for the following revenue streams:

- Revenue from sales of complex power and energy systems involving the design, installation, and assembly of power and energy systems is estimated as the amount of consideration to which the company expects to be entitled. Revenue is recognized on a percentage of completion basis proportionate to the work that has been completed and is based on associated costs incurred.
- For sale of parts through servicing of equipment, revenue is recognised as the service work is performed based on parts list price and standard billing labour rates. Product support is also offered to customers in the form of long-term contracts. For these contracts, revenue is recognized on a basis proportionate to the service work that has been performed based on associated costs incurred. For certain long-term product support contracts where flat-rate labour or a monthly subscription service is provided, the company recognises revenue for labour on a straight-line basis. Revenue from product support under long-term contracts is estimated based on the number and types of services expected to be performed using the pricing terms set out in the contract.
- Revenue from equipment rentals and operating leases is presented as equipment rental revenue and in accordance with the terms of the relevant agreement with the customer, either recognised evenly over the term of that agreement or on a usage basis such as the number of hours that the equipment is used.

Periodically, revenue from customers under long-term contracts may be recognized in advance of billing the customer. To the extent the company has a right to receive consideration for the good or service transferred to the customer, the company recognises a contract asset. Similarly, amounts may be received from customers under long-term contracts in advance of the work being performed and the company recognises a contract liability. These amounts are recorded on the statement of financial position as contract assets and contract liabilities, respectively.

If it is expected that the unavoidable costs required to satisfy the remaining performance obligations of a revenue contract will exceed its expected economic benefits, the company recognises an onerous provision with a corresponding loss in the statement of net income.

A number of the company's sales agreements contain "buy-back" arrangements that may be exercised at the option of the customer within specified periods in the future. Where there is an economic incentive for the customer to exercise their option, revenue and costs are deferred and recognised over the buy-back period. The full value of the potential liability is recognised immediately together with an equivalent inventory balance. The inventory balance is re-assessed on an on-going basis and the value is impaired where indications are such that the market value of the item will be lower than the agreed buyback price.

Notes to the financial statements (continued)
For the year ended 31 December 2023

1 Statement of Accounting Policies (continued)

(j) Employee future benefits

The company provides pension arrangements to the majority of full-time employees through a defined contribution scheme. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the financial year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(k) Comprehensive income, financial instruments, and hedges

Comprehensive income

Comprehensive income comprises the company's net income and other comprehensive income and represents changes in shareholders' equity during a period arising from non-owner sources. Other comprehensive income includes hedging gains and losses, unrealised gains and losses on available-for-sale securities and hedging gains and losses on cash flow hedges.

Financial assets and financial liabilities

Classification

The company has made the following classification of its financial assets and financial liabilities:

Fair value of cash and cash equivalents, is estimated at its carrying amount where the cash is repayable on demand.

Accounts receivable, instalment and other notes receivable, and supplier claims receivable are classified as Loans and Receivables. They are measured at amortised cost using the effective interest method. Short-term and long-term debt and accounts payable are classified as "other financial liabilities". They are measured at amortised cost using the effective interest method. Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability (except those classified as FVTPL) are included in the carrying amount of the financial asset or financial liability, and are amortised to income using the effective interest method.

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Included within the allowance account is a provision for lifetime expected credit losses (ECL). The company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a calculation based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

Notes to the financial statements (continued)
For the year ended 31 December 2023

1 Statement of Accounting Policies (continued)

(l) Amendments to Standards and New Accounting Standard

In the current year, the group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023 (except as noted below). Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements except to that noted below.

The group has adopted the following new accounting standard and interpretation:

- Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2023) require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. The adoption of these amendments did not have any impact on the disclosure of material accounting policy information for the group's December 31, 2023 consolidated financial statements.
- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. The adoption of these amendments did not have any impact on the group's consolidated financial statements.
- Amendments to IAS 12, Income Taxes:
  - Clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments (effective January 1, 2023) narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management reviewed its global tax provision and concluded that there were no deferred taxes being netted or not recognized from a single tax treatment and has not applied the initial recognition exemption. The adoption of these amendments did not have any impact on the Company's financial statements.
  - The Company is subject to Pillar Two legislation which has been substantively enacted effective January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, there is no current tax impact for the year ended December 31, 2023. The Company has applied the temporary exception from the accounting requirements for deferred taxes in relation to Pillar Two legislation. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. Under the Pillar Two legislation, the Company is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion Model Rules effective tax rate per jurisdiction and the 15% minimum rate. If the substantively enacted tax legislation were effective in 2023, applying Pillar Two legislation to these profits would not have a material impact on the Company's financial statements.

(m) New and revised IFRSs in issue but not yet effective

As at the date of authorisation of these financial statements, the group has not applied the following new standards and amendments to standards that have been issued but are not yet effective.

- Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures (effective January 1, 2024) add disclosure requirements that require companies to provide qualitative and quantitative information about supplier finance arrangements that will assist users of financial statements to assess the effects of the company's supplier finance arrangements on its liabilities and cash flows. Management expects that adoption of these amendments will not have a significant impact on the group's disclosures and will continue to assess the impact on the disclosures of all supplier finance arrangements in scope of these amendments.

1 Statement of Accounting Policies (continued)

(m) New and revised IFRSs in issue but not yet effective (continued)

- Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2024):
  - Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management does not expect the adoption of these amendments to result in any other changes to the consolidated statement of financial position.
  - Clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. In addition, the amendments require a company to disclose information in the notes to the financial statements when liabilities are classified as non-current when the right to defer settlement of those liabilities is subject to complying with covenants within twelve months after the reporting date. Management expects no changes will be required to the group’s classification as a result of these amendments.
- Amendments to IFRS 16, *Leases* (effective January 1, 2024) explain how an entity accounts for a sale and leaseback after the transaction date. The amendments clarify how a seller-lessee should subsequently measure lease liabilities and when it is appropriate to record a gain or loss on these transactions. The amendments apply to all sale and leaseback transactions entered since the effective date of IFRS 16 (January 1, 2019) and the effective date of this amendment. These amendments are not expected to have any impact on the group’s financial statements at this time because from January 1, 2019 to December 31, 2023 the group did not enter into any sale and leaseback transactions. However, management will consider these amendments in the accounting treatment of future sale and leaseback transactions.

(n) Company exemptions taken

As permitted by FRS 101, exemptions from applying the following requirements have been adopted for the company disclosures (full disclosures are contained within the Finning Holdings consolidated financial statements and can be obtained as set out in note 26):

a) IFRS 7 ‘Financial Instruments: Disclosures’

b) IAS 1 ‘Presentation of Financial Statements’ paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136

c) IAS 1 ‘Presentation of Financial Statements’ paragraph 38 (requirement to present comparative information) in respect of

   i. IAS 1 ‘Presentation of Financial Statements’ paragraph 79 (a) (iv)

   ii. IAS 16 ‘Property, Plant and Equipment’ paragraph 73(e)

   iii. IAS 38 ‘Intangible Assets’ paragraph 118 (e) and

   iv. IAS 40 ‘Investment Property’ paragraph 76 and 79 (d)

   v. IAS 7 ‘Statement of Cash flows’

   vi. IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ paragraph 30 and 31

   vii. IAS 24 ‘Related Party Disclosures’ paragraph 17 and 18 (a)

   viii. IFRS 2 Share-Based Payment paragraphs 45(b) and 46 to 52

   ix. IAS 36 ‘Impairment of assets’ paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e)

d) IFRS 15 ‘Revenue from Contracts with Customers’ the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129

e) IFRS 16 ‘Leases’ paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93

Notes to the company financial statements (continued)
For the year ended 31 December 2023

2 Revenue

An analysis of the company's revenue and other income is as follows:

	2023 €'000	2022 €'000
Sale of goods	40,920	36,637
Revenue from construction contracts	42,044	49,725
Equipment leasing income	24	5
Revenue	82,988	86,367
Timing of revenue recognition		
Point in time	26,981	28,058
Over time	55,983	58,304
Equipment leasing	24	5
Total revenue	82,988	86,367

3 Segment information

Information reported to the company's executives for the purposes of resource allocation and assessment of segment performance is focused on the company as a whole.

All net assets originate from the Republic of Ireland. All non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts are located in the Republic of Ireland.

Turnover by destination:

	2023 €'000	2022 €'000
Republic of Ireland	54,359	60,539
United Kingdom	1,125	2,463
Rest of Europe	27,394	23,074
Rest of the World	110	291
	82,988	86,367

During the financial year, the company's revenues included amounts derived from no customers that were greater than 10% of total revenues.

Notes to the company financial statements (continued)
For the year ended 31 December 2023

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2023 €'000	2022 €'000
Depreciation of owned assets (note 11)	210	190
Depreciation of right-of-use assets (note 12)	135	250
Short-term lease rentals		
- plant & equipment	5	6
- other	648	79
Loss allowance on trade receivables	22	102
Staff costs (note 5)	7,764	6,509
Foreign exchange losses	32	12

Other operating expenses includes an intercompany recharge from Finning (UK) Limited in 2023 of €4.8m (2022: €3.5m) in relation to support services.

	2023 €'000	2022 €'000
Auditor's remuneration for the audit of the individual company financial statements	50	50

The audit fee was borne by another group company in both financial years.

There were no other fees payable to the company's auditor for other services to the company (2022: €nil).

5 Staff costs

The average monthly number of employees (including executive directors) was:

	2023 Number	2022 Number
Sales and administration	38	39
Production and engineering	62	56
	100	95

Their aggregate remuneration comprised:

	2023 €'000	2022 €'000
Wages and salaries	6,887	5,728
Social insurance costs	736	654
Retirement benefit costs	141	126
	7,764	6,508

Notes to the company financial statements (continued)
For the year ended 31 December 2023

5 Staff costs (continued)

Directors' remuneration

Remuneration

Directors' remuneration is €nil for both the current financial year and the prior financial year. Therefore, all disclosures relating to sections 305 and 306 of Companies Act 2014 are €nil for the current financial year and prior financial year.

Pensions

No directors (2022: none) participate in defined benefit pension schemes within the Finning Holdings group. The defined benefits pension scheme closed on 6 April 2012. Two directors participate in the defined contribution scheme within Finning Holdings group.

The directors are executives of the holding company, Finning Holdings, and are also directors of Finning (UK) Ltd. The directors received total remuneration of €1,128,000 (2022: €1,137,000) from Finning (UK) Ltd during the financial year, but it is not practicable to allocate this between their services as executives of Finning (Ireland) Limited and their services as directors of Finning Holdings and Finning (UK) Ltd.

6 Interest receivable and similar income

	2023 €'000	2022 €'000
Interest on bank deposits	51	-

7 Interest payable and similar charges

	2023 €'000	2022 €'000
Interest on bank overdrafts and loans	783	97

Notes to the company financial statements (continued)
For the year ended 31 December 2023

8 Tax on profit on ordinary activities

The tax charge comprises:

	2023 €'000	2022 €'000
Analysis of tax charge on ordinary activities		
Current tax		
Irish corporation tax at 12.50% (2022: 12.50%)	112	352
Adjustments in respect of prior years	17	29
	129	380
Deferred tax		
Origination and reversal of timing differences	(141)	22
Adjustments in respect of prior years	6	3
	(135)	25
Tax on (loss) / profit on ordinary activities	(6)	405

Factors affecting the current tax charge for the financial year

The current tax assessed for the financial year is higher than (2022: higher than) the standard rate of corporation tax in the Republic of Ireland (12.50%). The differences are explained below:

	2023 €'000	2022 €'000
(Loss) / profit on ordinary activities before tax	(863)	2,680
Tax at 12.50% thereon (2022: 12.50%)	(108)	335
Effects of:		
Expenses not deductible for tax purposes	79	39
Adjustments to tax charge in respect of prior years	23	31
Total taxation (credit) / charge for the year	(6)	405

Notes to the company financial statements (continued)
For the year ended 31 December 2023

8 Tax on profit on ordinary activities (continued)

Deferred taxation asset

Deferred taxation provided is as follows:

	2023 €'000	2022 €'000
Accelerated capital allowances	(8)	(22)
Tax losses	135	-
Origination and reversal of temporary differences	17	31
Deferred tax asset	144	9

The deferred tax asset has been recognised as sufficient future taxable profits are forecast that will realise the asset.

	2023 €'000	2022 €'000
At 1 January	9	34
Credited / (charged) to the profit and loss account	135	(25)
At 31 December	144	9

9 Investments

The company had investments in the following subsidiary undertaking:

Subsidiary	Country of incorporation	Holding	Nature	%
Sitech Technology Systems (Ireland) Ltd	Republic of Ireland	Ordinary shares	Dormant	100
Finning Power Rental Solutions DAC	Republic of Ireland	Ordinary shares	Trading	100

Notes to the company financial statements (continued)
For the year ended 31 December 2023

10 Dividends

	2023 €'000	2022 €'000
Amounts recognised as distributions to equity holders in the year ended 31 December 2023 of €32.37 (2022: €nil) per share	3,238	-

11 Property, plant and equipment

	Long leasehold land and buildings €'000	Other tangible fixed assets €'000	Total €'000
Cost			
At 1 January 2023	4,768	1,157	5,925
Additions	15	208	223
At 31 December 2023	4,783	1,365	6,148
Depreciation			
At 1 January 2023	1,116	784	1,900
Charge for the year	121	89	210
At 31 December 2023	1,237	873	2,110
Net book value			
At 31 December 2023	3,546	492	4,038
At 31 December 2022	3,652	373	4,025

Notes to the company financial statements (continued)
For the year ended 31 December 2023

12 Leases (the company as a lessee)

Right-of-use assets

	Right-of-use Vehicles €'000	Total €'000
Cost		
At 1 January 2023	1,086	1,086
Additions	210	210
Disposals	(45)	(45)
At 31 December 2023	1,251	1,251
Depreciation		
At 1 January 2023	936	936
Charge for the year	135	135
Disposal	(45)	(45)
At 31 December 2023	1,026	1,026
Net book value		
At 31 December 2023	225	225

The maturity analysis of lease liabilities is presented in note 18.

13 Stocks

	2023 €'000	2022 €'000
Work-in-progress	368	465
Finished goods and goods for resale	3,748	5,115
	4,116	5,580

There is no material difference between the balance sheet value of stocks and their replacement cost.

For the financial year ended 31 December 2023 on-hand equipment, parts, supplies and internal work in progress recognised as an expense amounted to €66,815,000 (2022: €69,103,000). For the financial year ended 31 December 2023, the write-down of stocks amounted to €101,000 (2022: €173,000).

Notes to the company financial statements (continued)
For the year ended 31 December 2023

14 Contract assets

	2023 €'000	2022 €'000
Contracts in progress at the balance sheet date:		
Power systems projects	11,183	14,187
Long term support contracts	1,809	632
Service work-in-progress	854	1,513
	13,846	16,332

Invoices for sales of power systems projects are issued in accordance with milestone payments agreed within each sales contract with the customer. Invoices for sales of parts and labour when servicing equipment under long-term support contracts are issued in accordance with the billing arrangement over the contract term. Invoices for sales of parts and labour when servicing equipment not under long-term contracts are issued when the work is complete. The company recognises unbilled service work in progress for sales of complex power and energy systems and sales of parts and labour when servicing equipment when revenue recognition criteria are met, and the company has the right to receive amounts from customers, but invoices have not yet been issued.

All contract assets are due within 1 year.

Impairment losses of €nil (2022: €nil) have been recognised on contract assets during the financial year.

The directors of the company always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the company's key markets. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

15 Debtors

	2023 €'000	2022 €'000
Amounts receivable for the sale of goods	15,983	13,227
Loss provision	(140)	(128)
Net trade receivables	15,843	13,099
Contract assets (note 14)	13,846	16,332
Amounts owed by group undertakings (note 25)	1,021	1,486
Other receivables	9,437	3,774
Prepayments and accrued income	6	264
	40,153	34,955

No interest is charged on the receivables.

Amounts owed by group undertakings are repayable on demand. No interest is charged on group undertakings.

Notes to the company financial statements (continued)
For the year ended 31 December 2023

15 Debtors (continued)

The directors of the company always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the company's key markets. Other than the loss provision based on historical experience, there has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers.

The company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities. The company has recognised a loss provision of 100% against all receivables where official notification has been received that the counterparty has gone into liquidation or administration, where an amount is disputed and greater than 90 days from invoice date and a loss provision based on historical experience.

There was no exposure to individually impaired trade receivables due from companies which have been placed in liquidation (2022: €nil) requiring a loss provision to be recognised.

The company measures the lifetime ECL based on historical experience by taking historical trade receivables write offs as a percentage of revenue. The percentage is applied consistently to all aging categories of trade receivables. Included within the loss provision is a lifetime ECL of €68,000 (2022: €69,000).

Before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The following table details the risk profile of trade receivables based on the group's provisioning policy.

				Trade receivables – days past due			
31 December 2023	**Not past due €'000**	**< 30 €'000**	**31-60 €'000**	**61-90 €'000**	**91-120 €'000**	**>120 €'000**	**Total €'000**
Gross carrying amount	14,162	1,888	304	80	(740)	289	15,983
Specific provisions	(21)	-	-	(3)	-	(41)	(65)
Disputed invoice provision	-	-	-	(1)	-	(6)	(7)
Loss provision based on historical experience	(61)	(8)	(1)	-	3	(1)	(68)
Loss provision							(140)

				Trade receivables – days past due			
31 December 2022	**Not past due €'000**	**< 30 €'000**	**31-60 €'000**	**61-90 €'000**	**91-120 €'000**	**>120 €'000**	**Total €'000**
Gross carrying amount	8,383	4,548	61	203	100	(69)	13,227
Specific provisions	1	(2)	(6)	(1)	-	(37)	(45)
Disputed invoice provision	-	-	(3)	-	-	(11)	(14)
Loss provision based on historical experience	(43)	(24)	-	(1)	(1)	-	(69)
Loss provision							(128)

Notes to the company financial statements (continued)
For the year ended 31 December 2023

16 Contract liabilities

	2023 €'000	2022 €'000
Contracts in progress at the balance sheet date:		
Power systems projects	14,741	4,464
Long term support contracts	1,537	3,887
	16,278	8,351

The company recognises deferred revenue when cash has been collected from the customer, but control of the goods or services has not yet been transferred to the customer. Contract liabilities are recorded in respect of deferred revenue on sales of parts and labour when servicing equipment and power system projects. Cash is typically collected as the customer is billed while revenue is deferred and recognised evenly over the term of the contract, which can extend beyond one year. The majority of revenue related to long-term product support contracts is recognised within one year of collecting cash from the customer. All other streams of revenue are recognised within one year of recording deferred revenue.

Contract liabilities on power systems projects and long-term support contracts can vary year on year depending on the value of progress billings relative to the value of work performed on the contract.

17 Creditors

	2023 €'000	2022 €'000
Amounts falling due within one year:		
Trade creditors	3,980	6,246
Contract liabilities (note 16)	16,278	8,351
Amounts owed to group undertakings (note 25)	1,671	609
Other taxation and social security	2,696	2,294
Accruals	1,192	2,207
	25,817	19,628

Amounts owed to group undertakings are repayable on demand. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Notes to the company financial statements (continued)
For the year ended 31 December 2023

18 Lease liabilities

	2023 €'000	2022 €'000
Maturity analysis:		
Year 1	107	97
Year 2	60	53
Year 3	50	6
Year 4	19	-
	236	156
Less: future finance charges	(11)	(3)
Present value of lease obligations	225	153

	2023 €'000	2022 €'000
Analysed as:		
Current obligations under finance lease	101	95
Non-current obligations under finance lease	124	58
	225	153

It is the company's policy to lease certain items of its property, plant and equipment under finance leases. The average lease term is 4 years (2022: 4 years). For the year ended 31 December 2023, the average effective borrowing rate was 3.27 per cent (2022: 1.88 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.
All lease obligations are denominated in Euros.

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 12.

Notes to the company financial statements (continued)
For the year ended 31 December 2023

19 Provisions for liabilities

	2023 €'000	2022 €'000
Provision for dilapidations	-	-
Provision for product support	97	97
Warranty provision	191	69
	288	166
Current	288	166
Non-current	-	-

	Dilapid-ations €'000	Warranty €'000	Product support €'000	Total €'000
At 1 January 2022	15	796	716	1,527
Charged to the profit and loss account	-	-	-	-
Utilised during the year	(15)	(720)	(619)	(1,354)
Released during the year	-	(7)	-	(7)
At 31 December 2022	-	69	97	166
Charged to the profit and loss account	-	161	-	161
Utilised during the year	-	(39)	-	(39)
Released during the year	-	-	-	-
At 31 December 2023	-	191	97	288

The provision for dilapidations is a provision to make good any repairs on properties rented under operating leases and is expected to be utilised at the expiry of each lease.

Warranty provisions on equipment sales are expected to be utilised over the lives of the given warranty periods. This is expected to be utilised within a year.

Provisions for product support are those for product support claims and are recognised over the given product support periods.

Notes to the company financial statements (continued)
For the year ended 31 December 2023

20 Share capital

	2023 €	2022 €
Authorised:		
Ordinary shares of €1 each	**100,001**	100,001
Allotted, called up and fully-paid		
100,001 (2022: 100,001) ordinary shares of €1 each	**100,001**	100,001
Presented as follows:		
Called up share capital presented as equity	**100,001**	100,001

21 Cash flow hedging reserve

	2023 €'000	2022 €'000
At beginning of the year	(109)	-
Cash flow hedge gains	109	(109)
At end of the year	-	(109)

22 Profit and loss account

	2023 €'000	2022 €'000
At beginning of the year	20,613	18,338
(Loss) / profit for the financial year	(857)	2,275
Dividends paid	(3,238)	-
Hedging loss transferred to the balance sheet	(109)	-
At end of the year	16,409	20,613

23 Financial commitments

a) Capital commitments

The company had no capital commitments at either financial year end.

b) Contingent liabilities

The company had no contingent liabilities at either financial year end.

c) Bank guarantees

The company has no bank guarantees (2022: €nil)

Notes to the company financial statements
For the year ended 31 December 2023

24 Guarantees and indemnifications

Finning (Ireland) Limited has issued certain guarantees to Caterpillar Finance on behalf of the company to guarantee, on a pro-rata basis, certain borrowers' obligations. The guarantees would be enforceable in the event that the borrowers defaulted on their obligations to Caterpillar Finance, to the extent that any net proceeds from the recovery and sale of collateral securing repayment of the borrowers' obligations is insufficient to meet those obligations. As at 31 December 2023, the company had no liability recorded for these guarantees (2022: €nil).

The company entered into a duty deferment guarantee to guarantee the non- repayments of deferment duty and VAT on ROI purchases to HMRC Deferment Office. As at 31 December 2023 the maximum potential amount of future payments that the company could be required to make under the guarantees is €2,000,000 (2022: €2,000,000).

The company entered into a VRT repayment guarantee for non-repayment of ROI Vehicle Tax delivery of project to customer specifications. As at 31 December 2023 the maximum potential amount of future payments that the company could be required to make under the guarantees is €2,000 (2022: €2,000).

25 Related party transactions

Balances and transactions between the company and its subsidiaries are disclosed below.

Trading transactions

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
Finning International Inc.	-	-	(280)	(85)
Finning Chile SA	11	-	-	-
Finning (UK) Ltd	12	509	(1,262)	(433)
Finning Holdings	-	(24)	(4)	-
Sitech Technology Systems Limited	960	960	-	(24)
Finning Power Rental Solutions LP	-	41	(45)	-
Finning Power Rental Ireland DAC	38	-	(80)	(67)
	1,021	1,486	(1,671)	(609)

The ultimate controlling party, Finning International Inc., is a joint venture partner in both Finning Power Rental Solutions LP and Energyst Rental Solutions AB. The amounts above are recorded in trade receivables and trade payables at year end and relate to normal trading activity on an arm's length basis and recharges for various costs incurred on behalf of Finning Power Rental Solutions LP and Finning Power Rental Solutions AB.

The other companies are related parties by virtue of their shared ultimate controlling party.

Sales of goods and purchases to and from Finning (UK) Ltd were made on an arm's length basis.

A mark-up of 5% (2022: 5%) is made on any internally recharged costs.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No expense has been recognised in the financial year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the company financial statements
For the year ended 31 December 2023

26 Investments

Cost and net book value at 31 December 2023	2,583

Details of the company's subsidiaries at 31 December 2023 are as follows:

Subsidiary	Registered address	Holding	Nature	%
Sitech Technology Systems (Ireland) Ltd	6th Floor, 2 Grand Canal Square, Dublin 2, Dublin, D02 A342 Ireland	Ordinary shares	Dormant	100
Finning Power Rental Solutions DAC	6th Floor, 2 Grand Canal Square, Dublin 2, Dublin, D02 A342 Ireland	Ordinary shares	Trading	100

There are no significant restrictions on the ability of the group to access or use the assets and settle liabilities.

27 Ultimate controlling party

The company is a wholly-owned subsidiary of Finning Holdings, a company registered and incorporated in England and Wales which is a wholly-owned subsidiary undertaking of Finning International Inc., a company incorporated in Canada. The latter company is considered by the directors to be the ultimate holding company and controlling party. The largest and smallest groups in which the results of the company and its subsidiary undertakings are consolidated are those headed by Finning International Inc. and Finning Holdings, respectively.

The consolidated financial statements of Finning International Inc. are available from 19100 94 Avenue, Surrey, British Columbia, V4N 5C3, Canada.

28 Post balance sheet events

There are no post balance sheet events that would require disclosure in or amendment to the financial statements.

Finning Ireland Ltd 2023 Statutory Accounts

Final Audit Report 2024-04-22

Created:	2024-04-22
By:	Amandeep Bassi (abahia@finning.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAGD1FG7B_kuJiYnbxTFUbBfqN2CmPoPlH

"Finning Ireland Ltd 2023 Statutory Accounts" History

Document created by Amandeep Bassi (abahia@finning.com)
2024-04-22 - 7:50:24 AM GMT

Document emailed to Tim Ferwerda (tferwerda@finning.com) for signature
2024-04-22 - 7:54:15 AM GMT

Email viewed by Tim Ferwerda (tferwerda@finning.com)
2024-04-22 - 7:57:29 AM GMT

Document e-signed by Tim Ferwerda (tferwerda@finning.com)
Signature Date: 2024-04-22 - 8:00:16 AM GMT - Time Source: server

Document emailed to Mark Hogg (mhogg@finning.com) for signature
2024-04-22 - 8:00:18 AM GMT

Email viewed by Mark Hogg (mhogg@finning.com)
2024-04-22 - 8:26:01 AM GMT

Document e-signed by Mark Hogg (mhogg@finning.com)
Signature Date: 2024-04-22 - 8:27:29 AM GMT - Time Source: server

Agreement completed.
2024-04-22 - 8:27:29 AM GMT