



## Verification report – Overseas Exporter Case AS0046: Certain excavators from China

|                                |  |
|--------------------------------|--|
| Period of Investigation (POI): | 1 July 2022 to 30 June 2023  |
| Injury Period:                 | 1 July 2019 to 30 June 2023  |
| Date of report:                | 25 March 2025  |
| Case team contact details:     | <a href="mailto:AS0046@traderemedies.gov.uk">AS0046@traderemedies.gov.uk</a> |
| Interested Party verified:     | Caterpillar (Xuzhou) Ltd   |

For further details, please see the [Notice of initiation](#) on the public file.

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## Executive Summary

The Trade Remedies Authority (**TRA**) is conducting an anti-subsidy investigation to determine whether injury is being caused to the UK excavator industry due to subsidisation of certain excavators imported into the United Kingdom (**UK**) from the People's Republic of China (**PRC**).

More information about the case can be found on the public files:

[AS0046 - Certain excavators from PRC](#)

Caterpillar (Xuzhou) Ltd (**CXL**), an exporter of the goods concerned, returned a completed exporter questionnaire ('questionnaire response'). CXL is a producer of excavators, it sells its products to [Sensitive information removed – commercially sensitive information] through its associated companies [Sensitive information removed – commercially sensitive information]. We carried out verification work on information provided by CXL to ascertain the completeness, relevance and accuracy of the information submitted in questionnaire responses.

- We conducted remote verification to evaluate the completeness, relevance and accuracy of information provided in the questionnaire response.
- We conducted a walkthrough of the accounting systems to gain an appreciation of the system and to assess the level of reliance to place on the data provided.
- We compared information provided in the questionnaire response regarding general company setup and associates against information on the company's website and in its audited financial statements, checking for consistency.
- We reconciled questionnaire responses with information held in CXL's Accounting System and its financial statements to ensure completeness, relevance, and accuracy.



Based on the verification activity undertaken the TRA have a reasonable level of assurance on the completeness, relevance and accuracy of the information provided by CXL and we can rely on it for the purpose of this investigation.

## Purpose of verification

The purpose of the TRA's verification activity is to determine whether the information provided by interested parties is complete, relevant, and accurate and can be used in our investigation. This verification report sets out the conclusions reached for each component part that covers the scope of our work. It also provides an overall conclusion stating the level of assurance reached.

The information verified may then be considered in our assessments and analysis to determine whether subsidisation has occurred and if so if this is causing injury to the UK industry. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK's economic interest.

We carried out verification activities remotely. The TRA did not seek to verify all information provided, but undertook the work considered appropriate and possible within the time constraints of the investigation to obtain assurance upon which to base our case decisions.

This verification report documents the work completed, providing an overview of the range and scope of verification procedures performed, for each component part that covers the scope of our work, on the information submitted by CXL. It details the conclusions reached regarding completeness, relevance, accuracy and provides an overall conclusion stating the level of assurance reached.

## Confidential information

CXL must provide a non-confidential version of the verification report marked as 'non-confidential' in the header.



If any information contained in the verification report is considered confidential, it should delete or redact those sections and provide a non-confidential summary of the information which has been removed. It must provide reasons as to why the particular information is considered confidential (see also [public guidance](#)).

The non-confidential version of the verification report will be placed on the public file.

## Verification

Please find below a summary of work completed by the TRA to determine whether the information provided by CXL in its questionnaire response is complete, relevant, and accurate.

### A. Company structure and associations

| What information was considered  |
|--|
| <ul style="list-style-type: none"><li>• Company details</li><li>• Owners and shareholders</li><li>• Associated companies</li><li>• Accounting practices</li></ul>  |
| <i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see <a href="#">Confidential information</a>):</i>  |
|  |
| How the information was checked  |
| <ul style="list-style-type: none"><li>• The TRA reviewed company details provided by CXL by comparing it with information on the Caterpillar's website.</li><li>• We verified the information on products sold by CXL and its associated companies by comparing it with information on Caterpillar's websites.</li><li>• We examined the audited accounts for the financial year ended December 2022 and 2023 provided by CXL for consistency with information regarding</li></ul> |



ownership, shareholders, associated companies, and accounting policies and practices.

- We found that the information in audited accounts and the company's website aligns with its questionnaire response.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Exceptions/Findings/Adjustments

None.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Conclusions

The information relating to company structure and associations provided by CXL is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for subsidy and injury assessments, and for any other purpose within the investigation.

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## B. Accounting Systems and Procedures

#### What information was considered

- Information Technology Systems and Applications
- Accounting policies, significant risks, and chart of accounts
- Sales and customer order process and procedures
- Purchase order and invoice approval process and procedures



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#### How the information was checked

We conducted a walkthrough of CXL's, CSSB's and CSARL's accounting systems. The walkthrough of these three associates was conducted jointly [Sensitive information removed – commercially sensitive information]. The walkthrough provided an appreciation of the applications enabling us to assess the level of reliance to place on the data provided. CXL and its associated companies use [Sensitive information removed - CXL's business operations] for its accounting processes; their accounting systems [Sensitive information removed - CXL's business operations].

- We conducted a sale and purchase order process walkthrough. CXL explained how purchases and sales transactions were processed, step by step through the accounting system from inception to being recorded on the relevant ledger.
- We reviewed and discussed accounting policies listed in the notes to audited financial statements. The financial statements are prepared in accordance with [Sensitive information removed - CXL's business operations]. These align quite closely to IFRS.
- CXL demonstrated how information provided in its questionnaire response was extracted from [Sensitive information removed - CXL's business operations] and explained the methodologies used when allocating costs to PCNs.

We found no material risk factors when reviewing the accounting system.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Exceptions/Findings/Adjustments

None.



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### Conclusions

Based on the work performed, we have obtained a basic understanding of the relevant accounting and associated business systems of CXL and its associated companies. This enabled us to plan appropriate verification procedures.

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## C. Goods

### What information was considered

- Description of goods in scope
- Product Control Numbers (PCNs)
- Internal coding systems

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

The TRA reviewed sales and export documentation provided by CXL to ascertain whether PCNs were accurately allocated to the goods in scope.

During verification we:

- Reviewed weight and description of goods information provided in the questionnaire response against the allocated PCN to check goods in scope were declared correctly.
- Examined sales and export documentation to check goods in scope were declared correctly.





- Examined CXL's internal coding system to check it corresponds to the correct PCN.
- Reviewed and were satisfied goods listed as 'other goods' were outside the scope of the investigation.

Our findings indicate that the PCN structure has been consistently applied across submitted information.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Exceptions/Findings/Adjustments

None.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Conclusions

The information relating to the company's goods provided by CXL is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for subsidy and injury assessments, and for any other purpose within the investigation.

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## D. Costs

#### What information was considered

- Direct and indirect cost components
- Sample of raw material purchases
- Direct labour, administration selling and general (AS&G) costs



- Associated party transactions and arm's length prices

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#### How the information was checked

##### Upwards Verification

The TRA carried out upwards verification to check whether the total costs reported in the questionnaire responses were consistent with what is reported in CXL's audited financial statements. The POI straddles two financial years ended December 2022 and 2023. We were able to reconcile the cost of goods sold figure provided in the questionnaire response to the aligned financial statements provided.

During our virtual verification visit:

- CXL demonstrated how financial information was extracted from [Sensitive information removed - CXL's business operations] to generate questionnaire responses.
- We observed management demonstrate how total cost and other key cost categories provided in the questionnaire response reconciled to information retrieved live from [Sensitive information removed - CXL's business operations].
- CXL explained in detail the methodology used to allocate direct and indirect costs to PCNs
- We established how the direct materials costs provided in the questionnaire response were derived from its [Sensitive information removed - CXL's business operations] system and updated to reflect the company's understanding of components used for each model of excavator.

##### Downwards Verification



The TRA carried out downwards verification to check the accuracy and relevance of cost transactions listed in questionnaire responses.

During the remote verification meeting:

- We matched sampled transaction information to source documents such as purchase orders, invoices, and payment confirmation documentation.
- We observed how cost transactions for some of the samples flowed through the accounting systems from the start of a purchase to the delivery of the goods.
- We reviewed AS&G costs submitted in the questionnaire response and observed management reperform extraction of this information from [Sensitive information removed - CXL's business operations] with no issues. The AS&G costs provided appeared relevant and proportionate to our understanding of the business.
- We identified an issue regarding allocation of costs. CXL corrected this and provided a consolidated updated annex at the end of verification.

Overall, we were satisfied that the cost information provided by CXL reconciled to aligned financial statements. Sampled transactions were also traced to source documents with no material issues.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Exceptions/Findings/Adjustments

None.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

Conclusions



The information relating to costs provided by CXL is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for subsidy and injury assessments and for any other purpose within the investigation.

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## E. Sales

### What information was considered

- Domestic and export sales reconciliations
- Sample of relevant sales transaction
- [Sensitive information removed – commercially sensitive information]
- Associated party sales

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

#### Upwards Verification

The TRA carried out upwards verification to ascertain the completeness of sales figures provided by CXL in its questionnaire response. We reconciled the total sales of all goods sold during the POI reported in the questionnaire responses to the aligned sales figures from financial statements for the financial years ended December 2022 and 2023 with no issues.

During the remote verification meeting, we:



- Discussed and gained an understanding of how sales were processed between CXL and its associated companies CCI, CSARL and CSSB, including responsibility for fulfilling exports to the UK.
- Traced back sales information submitted in questionnaire responses to source ledgers in [Sensitive information removed - CXL's business operations].
- Reconciled total sales figures of goods in scope provided in the questionnaire responses with relevant figures extracted from the sales ledger with no issues.
- Observed CXL reperform extraction and generation of sales information provided in the questionnaire response from [Sensitive information removed - CXL's business operations] with no issues.

### **Downwards Verification**

The TRA selected a sample of domestic and exports sales transactions for detailed testing during verification. CXL source documentation such as sales invoice, various export documentation and [Sensitive information removed – commercially sensitive information] were provided ahead of the verification visit.

During the remote verification meeting we:

- Examined sampled sales documents. Transactions were traced back to source documents, from order inception through to payment evidence.
- Compared transaction by transaction data with data retrieved live from the sales ledger.
- CXL evidenced how [Sensitive information removed – commercially sensitive information] for both domestic and export sales were calculated and allocated to PCNs.
- CXL Showed us evidence of receipts of customer payments on [Sensitive information removed - CXL's business operations].
- We discussed domestic freight charges and were satisfied that these were appropriately accounted for in the questionnaire response.



- The TRA notes that revised versions of sales annexes were provided to us. These changes were made to include further sales details. A full final post verification annex was subsequently submitted to the TRA reflecting changes as presented and agreed.

Overall, we were able to reconcile sales information provided by CXL and its associated companies to aligned financial statements. We were also able to trace sampled transactions to source documents with no material issues.

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#### Exceptions/Findings/Adjustments

None

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Conclusions

The information relating to sales provided by CXL is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for subsidy and injury assessments and for any other purpose within the investigation.

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## F. Fair Comparison

#### What information was considered

- [Sensitive information removed – commercially sensitive information]



*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### How the information was checked

CXL explained how [Sensitive information removed – commercially sensitive information] charges were calculated and allocated to PCNs. The TRA assessed this and examined information provided on source documents with no issues.

CXL explained that [Sensitive information removed – commercially sensitive information]. Information regarding these adjustments were provided in separate questionnaire responses.

Details of verification work completed on these is discussed separately in verification reports for each relevant associated company.

During Verification Caterpillar also presented costs/adjustments from its Brazilian associate and suggested that the TRA could use these as a benchmark. We advised Caterpillar to request this in writing separately as this request was not in the scope of verification.

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Exceptions/Findings/Adjustments

None

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

#### Conclusions

The information relating to fair comparison provided CXL is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by



the TRA for subsidy and injury assessments and for any other purpose within the investigation.

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## G. Subsidies

### What information was considered

[Sensitive information removed – commercially sensitive information]

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### How the information was checked

[Sensitive information removed – commercially sensitive information]

*If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):*

### Exceptions/Findings/Adjustments

None

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### Conclusions

The information relating to subsidies provided by CXL is verifiable. Based on the work done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for subsequent subsidy and injury assessments and for any other purpose within the investigation.





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## Conclusions

We verified company details and ownership information provided by CXL by comparing it with audited financial statements and information published on the company website. We reviewed goods in scope PCN allocation for consistency and accuracy.

During verification, CXL demonstrated how it generated cost and sales information from its Information systems. A sample of cost and sales transactions were traced back to source documents with no issues.

CXL provided sufficient and appropriate evidence, which enabled us to conduct verification work on a sample basis as detailed in sections above. Based on the work performed, we have a reasonable level of assurance that the information provided in its questionnaire response is complete, relevant, and accurate for the purpose of this investigation.

## Annex

### Annex 1: Meeting

| Date and duration                        | Type of authentication   | Company representatives                                | TRA representatives                                    |
|--|--|--|--|
| 11 to 14 March<br>2025<br><br>(28 hours) | <input checked="" type="checkbox"/> remote<br><input type="checkbox"/> on-site | [Sensitive information removed – Personal information] | [Sensitive information removed – Personal information] |