

COMPANY REGISTRATION NUMBER: 00441273

Cummins Generator Technologies Limited

Annual Report

**For the year ended
31 December 2021**



Cummins Generator Technologies Limited

Annual Report

Year ended 31 December 2021

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Independent auditors' report to the members	15
Statement of comprehensive income	18
Statement of financial position	19
Statement of changes in equity	20
Notes to the financial statements	21

Cummins Generator Technologies Limited

Officers and Professional Advisers

The board of directors

J Rigler
E D Smith
A Leitao
D J McMenamin
C O'Sullivan
L Middleton

Company secretary

J Rigler

Registered office

Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Cummins Generator Technologies Limited

Strategic Report

Year ended 31 December 2021

The directors present their Strategic Report for the financial year ended 31 December 2021.

Definitions

As used in this annual report, "Cummins" refers to Cummins Inc. and its subsidiary undertakings, the "Company" refers to Cummins Generator Technologies Limited, and the "directors" and the "board" refer to the directors and the board of the Company.

Business review and principal activities

The Company is engaged in the design, manufacture and sale of AC generators. The Company also acts as a holding company and holds investments in subsidiaries of Cummins Inc.

Turnover for the year was £23.5m (2020: £27.9m) and loss for the financial year was £25.3m (2020: £221.1m). The net assets at 31 December 2021 were £2,714.7m (2020: £2,711.5m).

As commented on below and in the Strategic Report the Company was negatively impacted by the COVID-19 pandemic, and whilst the majority of the negative impacts to demand largely subsided in 2021, the Company is still experiencing supply chain disruptions and related financial impacts reflected as increased cost of sales.

Even allowing for the impact of COVID-19 the Company has experienced challenging market conditions. Whilst the company has been engaged in cost reduction programmes this has been offset by reduced demand, lower pricing and increased material costs.

Competitive strengths

The directors believe that the following competitive strengths are instrumental to the Company's success:

1. Leading brand

The Company designs, manufactures, sells and supports A/C generator/alternator products for internal consumption and for external generator set assemblers. Its products are sold under the Stamford and AVK brands and range in output from 3 kilovolt-amperes (kVA) to 12,000 kVA.

The Company is part of the Power Systems segment of Cummins.

2. Customers and partners

To maintain technology leadership and a global presence in a cost-effective manner, the Company has established strategic alliances with a number of its leading customers. These partnerships provide the Company with a knowledge and understanding of its customers' technology and business needs and enables the Company to develop products and services which better meet customer requirements at lower costs.

3. Global presence

The Company takes advantage of the strong global presence of Cummins, including its worldwide distribution system, manufacturing and engineering facilities around the world and a network of global supply sources. This has enabled the Company to take advantage of growth opportunities in international markets. The Company has also developed a global network of high-quality, low-cost supply sources to support its manufacturing base.

4. Leading technology

The Company has an established reputation for delivering high-quality, technologically advanced products. The Company is a leader in developing technologies to reduce diesel engine and generator set emissions, a key concern of its customers and regulators around the world. The Company is continually developing products to help its customers meet or exceed emissions and noise regulations whilst improving fuel economy.

Strategy

The five key principles which drive the business strategy of the Company are as follows:

1. Being a low-cost producer in as many of our markets as possible

In many of the Company's markets, product or system cost is a critical performance parameter for its customers. To achieve cost leadership, the Company will continue to leverage its innovative technology, economies of scale, global presence and customer partnerships. The Company has focused on reducing costs and lowering its breakeven point to maintain a competitive advantage and to deliver quality products to its customers.

2. Expanding into related markets

The Company will continue to focus growth initiatives in related businesses where it can use its existing investments in products or technology, leading brand name or market presence to establish a competitive advantage. Furthermore, the Company will target related markets that offer higher rates of growth, attractive returns and more stable cash flows through product and end market diversity.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2021

3. Creating greater shareholder value

Return on invested capital is a primary measure of the Company's ultimate parent, Cummins. The Company aims to maximise shareholder value through continual improvement processes, differentiating the business from the competition and delivering outstanding levels of current performance whilst building a legacy for the future.

4. Leveraging complementary businesses

Strong synergies and relationships exist between the operating segments of Cummins, in areas such as shared technology, common channels and distribution, shared customers and partners, corporate brand and image. The Company takes full benefit of these synergies and relationships in order to expand its business and improve its performance.

5. Creating the right environment for success

Creating the right environment for success means creating an inclusive learning environment while reinforcing a performance ethic that attracts, develops and retains high quality talent. The Company measures its success through skill and competency assessment, leadership development outcomes and participation in tailored individual development and training programs.

Principal risks and uncertainties

The largest group in which the results of the Company are consolidated is Cummins, which is the ultimate controlling party. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Cummins. Some of the principal risks and uncertainties, which may affect future business results, are discussed below:

1. The Company's business is affected by the cyclical nature of the markets it serves

The Company's financial performance depends, in large part, on varying conditions in the markets and geographies that it serves. Demand in these markets and geographies fluctuates in response to overall economic conditions and is particularly sensitive to changes in interest rate levels. Economic downturns in the markets served by the Company generally result in reductions in sales and pricing of the Company's products, which could reduce future earnings and cash flow.

2. The Company's products are subject to substantial government regulation

The Company's products are subject to extensive statutory and regulatory requirements governing emissions and noise, including standards imposed by regulatory agencies around the world. In some cases, the Company may be required to develop new products to comply with new regulations, particularly those relating to air emissions.

The Company has made, and will be required to continue to make, significant capital and research expenditures to comply with these regulatory standards.

3. The Company's manufacturing operations are dependent upon third-party suppliers

The Company obtains materials and manufactured components from third-party suppliers. A significant number of the Company's suppliers are the sole source for a particular supply item, although the majority of these materials and components can be obtained from other suppliers. Any delay in suppliers' abilities to provide the Company with necessary materials and components may affect the Company's manufacturing capabilities, or may require the Company to seek alternative supply sources.

4. The Company's operations are subject to extensive environmental laws and regulations

The Company's plants and operations are subject to increasingly stringent environmental laws, including laws and regulations governing emissions to air, discharges to water and the generation, handling, storage, transportation, treatment and disposal of waste materials. The Company believes that it is in compliance in all material respects with these environmental laws and regulations, but the Company cannot ensure that it will not be adversely impacted by costs of complying with new environmental laws and regulations.

5. Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine, and the global response (including government bans or restrictions on doing business in Russia), could have a material adverse impact on Cummins and its group's results of operations, financial condition and cash flows. The Company has suspended commercial operations in Russia indefinitely. The directors have assessed the direct financial impact of this on the Company, and do not, at present believe there is any material impact. The broader consequences of this conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; potential retaliatory action by the Russian government against companies, including possible nationalization of foreign businesses in Russia; increased tensions between the United States and countries in which the Company operate; and the extent of the conflict's effect on the Company's business and results of operations as well as the global economy, cannot be predicted. To the extent the current conflict between Russia and Ukraine adversely affects our business, it may also have the effect of heightening certain other risks, any of which could materially and adversely affect Company's business and results of operations. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation, particularly with regard to raw material, transportation and labour price fluctuations; disruptions to Company's information technology environment, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; disruptions in global supply chains; and our exposure to foreign currency exchange rate changes.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2021

6. The Company relies on key personnel as a critical part of its human capital resources

The Company depends on the skills, institutional knowledge, working relationships, and continued services and contributions of key personnel as a critical part of its human capital resources. In addition, the Company's ability to achieve its operating and strategic goals depends on its ability to identify, hire, train and retain qualified individuals. The Company competes with other companies both within and outside of the Company's industry for talented personnel and it may lose key personnel or fail to attract, train and retain other talented personnel. Any such loss or failure could have material adverse effects on the Company's results of operations, financial condition and cash flows. In particular, the Company's continued success will depend in part on the Company's ability to retain the talents and dedication of key employees. If key employees terminate their employment or become ill as a result of the COVID-19 pandemic or otherwise, the Company's business activities may be adversely affected and the Company's management team's attention may be diverted. In addition, the Company may not be able to locate suitable replacements for any key employees who leave.

7. The Company faces significant competition in the regions it serves

The markets in which the Company operates are highly competitive. It competes worldwide with a number of other manufacturers and distributors that produce and sell similar products, primarily with diesel engines and related diesel products; however, new technologies continue to be developed for gasoline, natural gas, electrification and other technologies and the Company will continue to face new competition from these expanding technologies. The Company's products primarily compete on the basis of performance, price, total cost of ownership, fuel economy, emissions compliance, speed of delivery, quality and customer support. The Company also faces competitors in some emerging regions who have established local practices and long standing relationships with participants in these markets. There can be no assurance that the Company's products will be able to compete successfully with the products of other companies and in other markets.

8. COVID-19

The outbreak of COVID-19 in early 2020 became a global pandemic with the resultant economic impacts evolving into a worldwide recession. The pandemic triggered a significant downturn in the Company's markets globally, which negatively impacted the Company's sales and results of operations during 2020. While the majority of the negative impacts to demand largely subsided in 2021, the Company is still experiencing supply chain disruptions and related financial impacts, reflected as increased cost of sales. As a result, the Company has taken a number of important steps during the year to try to mitigate the impact of COVID-19. These steps are described in more detail below, in the statement on Section 172 Companies Act 2006. The industry continues to be unfavourably impacted by supply chain constraints leading to shortages across multiple components categories and limiting Company's collective ability to meet end-user demand. Its customers are also experiencing other supply chain issues and slowing production. If the impacts of the COVID-19 pandemic on global credit and financial markets continue, or worsen, it could negatively impact the Company's business, along with the financial condition of its customers and suppliers, and it could have an adverse impact on the results of the Company's operations, financial condition and cash flows.

Key performance indicators

The group operations of Cummins are managed on a segmental basis across the globe. For this reason, the directors believe that analysis of the Company using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business.

Section 172 Companies Act 2006 ("s172") statement

The board complied in all material respects with its s172 duties, which require the board to have regard to the matters set out in section 172(1)(a) to (f). Various measures were in place throughout the 2021 financial year to ensure that this happened. Please refer to the Engagement with Employees, Engagement with Stakeholders and Corporate Governance statements (the "Statements") contained within the Directors' Report for details. This engagement ensured that the board's actions and decisions would promote the long-term success of the Company for the benefit of its direct and ultimate shareholders. In addition, it demonstrates how regard was had to the matters listed in s172, namely:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards and conduct; and
- (f) The need to act fairly as between members of the company.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2021

Various examples of action being taken with regard to the s172 matters are set out in the Statements and elsewhere in this report. The board also highlight the following two additional significant matters, arising during 2021, to support this s172 Statement:

- COVID-19 - With the top priority being the health and safety of employees, throughout 2021 the board continued to monitor and assess actions required to be taken due to the ongoing COVID situation. A sample of the action taken included:
 - the Company developed a Safe Work Playbook. This playbook aims to be a one-stop resource for the policies, processes, tools, templates and training materials applicable to the Company's updated health and wellness protocols;
 - The Company actively monitors both local and global data and are agile enough to quickly revert to the stricter protocols if necessary; and
 - Using the guidelines within the playbook and local legislation, whilst following the stricter of these two requirements, the Company was able to flex some of the strict protocols, such as social distancing and mandatory mask wearing that were implemented.

This report was approved by the board of directors on 21 June 2022 and signed on behalf of the board by:



J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Cummins Generator Technologies Limited

Directors' Report

Year ended 31 December 2021

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 December 2021.

Directors

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

J Rigler
E D Smith
A Leitao
D J McMenamin
C O'Sullivan
L Middleton (Appointed 31 July 2021)
A J Snell (Resigned 14 July 2021)

Dividends paid and payable

The directors do not recommend the payment of a dividend. No dividends have been paid or proposed between the balance sheet date and the date of signing the financial statements.

Future developments

The Company's operating results in 2022 will depend on the global economic conditions and the impact of such conditions on the markets it serves. The Company is also experiencing supply chain disruption caused by global shortages of raw materials used by suppliers during the production of components, a situation which is exacerbated by global freight capacity issues. However, the directors continue to explore opportunities for long-term growth and profitability in the future. This may be achieved through the development of new and existing product ranges as well as new applications for existing products.

Financial risk management

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk and price risk. The Company has in place a risk management programme that seeks to limit adverse effects on its financial performance. The policies set by the directors are implemented by the Company's management team.

There is little exposure to interest rate risk and the Company does not have any financial liabilities other than short term creditors and amounts owed to group undertakings.

Foreign exchange risk

Financial assets are held in sterling, US dollar and euro denominated currencies and hence the Company has a foreign currency rate exposure. This exposure is hedged on a general basis through forward exchange contracts, which are managed by its ultimate parent company, Cummins.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where potential risk has been identified, advanced payment is required. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the management of the Company.

Material and Commodity Cost Risk

The Company establishes prices with its customers in accordance with contractual time frames; however, the timing of material and commodity market price increases may prevent the Company from passing these additional costs on to its customers through timely pricing actions. Additionally, higher material and commodity costs around the world may offset the Company's efforts to reduce its cost structure. While the Company customarily enters into financial transactions and contractual pricing adjustment provisions with its customers that attempt to address some of these risks (notably with respect to copper), there can be no assurance that commodity price fluctuations will not adversely affect the Company's results of operations and cash flows. In addition, while the use of commodity price hedging instruments and contractual pricing adjustments may provide the Company with some protection from adverse fluctuations in commodity prices, by utilizing these instruments the Company potentially foregoes any benefits that might result from favourable fluctuations in price. As a result, higher material and commodity costs, as well as hedging these commodity costs during periods of decreasing prices, could result in declining margins.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

Supply Chain Disruption 2021

The Company's supply chain continued to be challenged during 2021 by COVID-19, resulting in global shortages of raw materials used by suppliers for the production of components supplied to the Company, local lockdowns, and a shortage of freight containers causing an increase in freight costs and global freight capacity issues. Looking towards 2022, the re-emergence of COVID in key manufacturing and distribution areas of China and the ongoing Russia/Ukraine conflict impacting the supply chains that depend on products from the Ukraine, the economic outlook remains unpredictable in these regions. Lessons learned from the disruption in 2021 have enabled effective mitigation strategies to be implemented to maintain supply chain deliverables into 2022, allowing improved reaction time and rapid decision making in response to these industry challenges.

COVID-19

The outbreak of COVID-19 in early 2020 became a global pandemic with the resultant economic impacts evolving into a worldwide recession. The pandemic triggered a significant downturn in our markets globally, which negatively impacted our sales and results of operations during 2020. While the majority of the negative impacts to demand largely subsided in 2021, the Company is still experiencing supply chain disruptions and related financial impacts reflected as increased cost of sales. The industry continues to be unfavourably impacted by supply chain constraints leading to shortages across multiple components categories and limiting our collective ability to meet end-user demand. The Company's customers are also experiencing other supply chain issues and slowing production.

The board continues to monitor and evaluate all of these factors along with the continuing impacts of the COVID-19 pandemic on the business and operations.

Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine, and the global response (including government bans or restrictions on doing business in Russia), could have a material adverse impact on the Company and group's results of operations, financial condition and cash flows. The Company has suspended commercial operations in Russia indefinitely. The directors have assessed the direct financial impact of this on the Company, and do not, at present believe there is any material impact. The broader consequences of this conflict are discussed in the Strategic Report under the principal risks and uncertainties section.

Research and development

The Company's research and engineering programme is focused on product improvements, innovations and cost reductions for its customers. The Company uses its own research and development capabilities as well as leverage business partnerships to develop cost-effective and environmentally sound power solutions. The Company's new products and manufacturing processes are designed to lead to a cleaner and healthier environment, and the Company complies with or surpasses all current emissions standards.

Directors' and officers' insurance

Cummins maintains directors' and officers' liability insurance for the benefit of the Company and its directors.

Going concern

The directors consider that the going concern basis of accounting continues to be appropriate due to the support of the Company's ultimate parent Cummins, which has confirmed that it will enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of the signing of these financial statements.

Disclosure of information in the strategic report

Results for the year and principal risks are dealt with in the Strategic report.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

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

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

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

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

Statement of disclosure of information to auditors

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

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

Engagement with Employees

Across Cummins it is recognised that an engaged workforce tends to be happier, more energised, safer, and delivers higher quality standards and better long-term business outcomes. The Company is committed to developing this positive culture which has been important to the board for many years and is reflected in the core values of Integrity, Diversity & Inclusion, Caring, Excellence and Teamwork. A summary of the action that has been taken by the Company, during this financial year, to introduce, maintain and develop such arrangements, is set out below.

Cummins has a strong matrix structure and much of the Company's communication and engagement with employees takes place within this structure, as well as across the group globally. The Company has a robust approach to cascading corporate level information to ensure its employees are regularly kept up to date and informed, using a variety of different media to share news and updates, and also to seek feedback from employees. Employees are provided with, for example, monthly newsletters, quarterly results information, strategy and performance updates, key appointments and personnel changes, acquisitions and strategic partnerships. Members of the board are involved in many of the aspects of this information sharing process. Throughout 2021 there was a great deal of additional communication owing to the pandemic and new ways of working. To ensure that employees were informed as to whether to work from home or come onto a site as well as safety precautions required, and updates as circumstances changed.

The Cummins' business is composed of five business segments, with a number of functions in each region supporting all business segments. Every employee of the Company sits within a segment and receives regular communication on business results, both regionally and globally from the global head of the business segment, as well as receiving regular communication from their own global segment leader. In addition to these global communications, employees of the Company in the UK receive regular monthly updates from their local site, incorporating global business news within the local context of regional customers and markets as well as highlighting precautions and instructions owing to the pandemic.

Throughout the year, business news, new corporate guidance and reminders of training are shared by email and by local managers in regular monthly presentations and discussions. In addition, presentations are converted into digital signage, which is displayed on video screens throughout the shop-floor and office areas of major sites - to ensure that, so far as possible, all employees of the Company are able to access the guidance and reminders. Video presentations are also shared at different times throughout the year on specific topics. For example, during 2021 board members took part in a video presentation thanking employees for their continued work and resilience during the pandemic. A number of senior leaders also took part in videos highlighting the importance of mind health during these difficult circumstances and the help and support that can be provided by the Company's healthcare partners.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

The board recognises that in-person interactions are also extremely valuable. However owing to the pandemic it has not been possible for board members to travel during 2021 and so 'town-hall' style meetings, have been held through virtual tools such as Zoom, with polling questions to understand how employees were finding new working arrangements as well as providing the opportunity for questions and feedback. Leaders in the Company have also invested a lot of time holding individual skip level discussion with a range of employees across all segments.

To listen to employees of the Company, and engage in two-way dialogue, a variety of channels are utilised including recognised trade unions, employee councils and more informal methods, such as skip-level meetings and surveys. During the pandemic a virtual meeting has been held every two weeks, involving members of the board, with all employee representatives, including those from the Company, known as the Cummins Employee Engagement Forum ("CEEF"). The agenda covers an update from each site, including recent business performance and short-term forecasts, as well as health and safety updates (health and safety being a key value) and in particular updates on precautions and actions being taken to protect and support employees during the pandemic. Extraordinary meetings also take place with the CEEF should there be any specific organisation announcements.

The Company also engages employees through special interest groups, called Employee Resource Groups (ERG). Each of these groups has a sponsor, who will be a senior leader in the region and often a board member. ERG are voluntary, employee-led groups that serve as a resource by fostering a diverse, inclusive workplace aligned with the Company's mission, vision and values. ERG are open to all employees and provide opportunities for leadership training, cross-cultural learning and professional development. In the UK, ERG have been formed for the following diversity dimensions: Disabilities, Gender, LGBTQ+, Veterans and Multi-cultural. During the pandemic this work continued via virtual platforms and discussions on issues and topics important to each community. Employees are also encouraged to reach out to senior leaders for ideas of new groups which may be formed.

The board takes a keen interest in employee matters. In 2021, this was the fifth year the gender pay gap reporting in the UK was reviewed by senior leaders, including board members. The Company considers that, whilst the results have been positively improving each year, (and this year in favour of females) there is still more work required and the Company will focus on feeder roles to bring more female talent into the organisation. One area where the Company sees a disparity in the numbers of men and women is within the engineering function. A team sponsored by the board continues to work to specifically address different aspects of this topic and it remains a key goal tree initiative for the year 2022.

The Cummins key ethical principles require the Company to communicate honestly and with integrity, to create a culture where all employees take responsibility for good ethical behaviour and to embrace diverse perspectives and backgrounds and treat all people with dignity and respect. The Cummins 'Treatment of Each Other at Work' policy strictly prohibits discrimination and harassment and establishes clear reporting lines, with clear consequences where the policy is breached. The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of a.o. sex, race, colour, disability, sexual identity or orientation and offers appropriate training and career development on all dimensions of diversity to enable an equitable working place. In the event of members of staff indicating a personal change in a particular dimension of diversity, the Company continues employment and arranges the appropriate training and support.

The Cummins annual variable compensation plan encourages collaboration across our organization and allows employees to collectively share in the financial success of the Company. The plan is based on the Cummins' Return on Average Net Assets (ROANA). ROANA appropriately measures growth, profitability and the management of Cummins assets - all of which combine to drive shareholder value.

Another area in which Cummins focusses on employee engagement is pensions. The Company prides itself on working closely with the trustee of the pension plan to ensure clear and effective communications with employees. A communication committee, which includes current employees and retirees, meets monthly with the pension communication provider to identify the best approaches to employee communications and tools. Recent activity has included updates to pension newsletter content and format.

The Company recognizes the importance of working flexibly as a new way of working that is more agile and inclusive for employees. During the pandemic, the Company has released multiple resources to support working from home. Moving forward, the Company's goal is to harness the lessons learned over the past year to create a better workplace. To implement this vision, the Company has introduced three role categories to give employees flexibility in where they work: On-site, Hybrid and Off-site. Policies and supporting resources are being developed to support this initiative to enable employees and managers to successfully navigate new ways of working, both individually and as a team.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

The Company also recognises the importance of inspiring and encouraging all employees to achieve their full potential and training plays a vital role in that encouragement. There are many training initiatives that are rolled out globally across the Cummins business focussed on functional excellence and innovation, as well as code of conduct briefings, many of which are led or sponsored by the board. In addition, several training and development programmes have been initiated regionally, also sponsored by board members, including:

- a programme for all non-managerial women at all stages in their career, helping them to build confidence and leadership skills; and
- a leadership programme for high potential senior mid-level leaders across Europe, helping them to develop self-awareness and an authentic leadership style as well as specific skills in strategy.

Engagement with Stakeholders

Customers, employees and communities have depended on Cummins to do the right thing for over 100 years. The Company's strong ethical reputation and business success have been built on doing what is right and doing what we say we will do. That is why integrity is one of the Company's core values. The 2021 financial year saw continued activity with the Company's key stakeholders; the board were keen to ensure that everyone involved in the Company's success was involved in some way. Highlights are below.

Customers

The Company's customers and partners are highlighted at the beginning of this Strategic Report as being key to the Company's competitive strength and success. There are many varied interactions with the Company's customers at different levels and functions throughout the organisation. The highly regulated nature of the Company's business requires that it complies with many standards such as IATF 16949, and this dictates many of the interactions with customers particularly with regard to product development, product quality and safety standards. Typically, the Cummins CEO or COO meets annually, and senior leaders meet a handful of times a year, with their opposite numbers at major customers to discuss longer term strategy and any major issues or opportunities. Meetings between technical teams and engineers take place more regularly, to discuss product requirements and other long to medium term needs. Members of the board will attend a number of these meetings throughout the year, depending upon the business unit those meetings relate to and the board members' area of expertise.

Interactions between the Company's sales account managers and customers' purchasing leaders are very frequent. Customers often keep scorecards of the Company's performance and rate that performance against a list of different criteria. Regular meetings are held to discuss any particular issues and to work together to agree how the Company may support its customer in resolving specific problems.

The Company usually interacts with customers at trade shows but this was not possible during the year 2021 due to COVID-19 restrictions.

Business updates are regularly shared with / disseminated to all of the Company's customers, for example if there has been a product change, update to shipping terms or if any closures of manufacturing plants are intended. The Company had regular communications with customers in 2021 to discuss Covid-19 planning and how the Company's business might be impacted, that required timely coordination with customers to ensure business continuity.

Distributors

Distributors are a critical part of the Company's business model and the Company takes steps to ensure its distributors share Cummins values, regardless of the nature of the distributor. Compliance training, and ethics and compliance initiatives and policies are made available to distributors to encourage distributors to adopt Cummins ethical principles and values.

Communities

Cummins has a deeply rooted historical commitment to community problem solving. The Company focuses its engagement efforts on three priority areas critical to healthy communities: education, environment, and equality of opportunity and creates impact by engaging in its communities, focusing on its priorities and identifying opportunities the Company has a unique ability to address using the knowledge and skills of its employees.

In 2021, due to COVID-19 safety concerns, employee participation in the Company's Every Employee Every Community (EEEC) volunteer programme was limited to virtual volunteerism. Even under challenging circumstances, the Company's employees contributed more than 300 hours volunteering virtually to support their local communities. In addition, the Company worked with the Cummins' Foundation to provide targeted emergency grants to local charities addressing the needs of families and children impacted by the COVID-19 pandemic, as well as providing seven community development grants to help local charities supporting education, people with disabilities and reducing food insecurity.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

Environment

The environment is a key arm of the Company's Corporate Responsibility strategy. Cummins supports the UN's Sustainable Development goals to "end poverty, protect the planet and ensure prosperity for all". Cummins is a proud signatory to the UN Global Compact and the Company wants to play its part in making the world a better place to live. Links to the Cummins global sustainability report can be found at (<https://www.cummins.com/company/global-impact/sustainability>) and to the Cummins environmental sustainability strategy to 2050, Planet 2050, at (<https://www.cummins.com/company/sustainability/planet-2050>) which was formally launched in November 2019.

The Company regularly measures and reports on the goals set by the Cummins Planet 2050 strategy which includes (i) reducing greenhouse gases and air emissions; (ii) using natural resources in the most sustainable way possible; and (iii) helping communities address their major environmental challenges. Directors are regularly updated, briefed and trained on environmental regulation and regulatory practices by the dedicated team of professionals who manage the Company's environmental affairs on a day-to-day basis, as well as by external experts.

Independent certification of the Company's facilities is important to the directors. It demonstrates to all of the Company's stakeholders, internal and external, that the Company's environmental and energy management systems are robust and based on best practice. The Company had regular interactions with customers and other stakeholders during 2021 including with the Environment Agency and other regulators to share future strategic issues and practices learnt from others in industry.

The Cummins Planet 2050 strategy sets resource reduction targets which the Company aspires to achieve by 2030 and Cummins is targeting net-zero carbon emissions by 2050. Good progress has been made towards those targets throughout the year. In particular, during 2021 all electricity that the Company purchased was generated from renewable energy sources. In addition, in 2021 the Company:

- generated 223 tonnes of waste, a drop of 21% on 2020, all of which (100%) was recycled;
- used 5,554,406 kWh of energy, an increase of 3.57% against the previous year;
- emitted 1,027 MT of carbon dioxide, an increase of 6% against the previous year; and
- used 977 m³ of water, a 10.0% increase compared to the previous year.

Suppliers

Cummins holds suppliers to a higher standard than just compliance with local laws in the form of a Supplier Code of Conduct, which applies to all businesses that provide products or services to the Company, and its affiliates. The code helps the Company to ensure that it is doing business with other companies around the world that share the Cummins values and sustainable practices and which treat their own stakeholders in a manner that is consistent with those values. All new suppliers receive a copy of the Supplier Code of Conduct and are encouraged to adopt it.

During the 2021 financial year the Company invested significant time in a supply chain review. By undertaking the review, the Company has enhanced its supply chain operations through an internal transformation to adopt a global approach to supplier relationship management. The Company continues to work collaboratively with suppliers, to develop new ideas and business opportunities, such as identifying component design changes that would improve the manufacturing complexity and reduce process costs for one supplier.

Government

Cummins is a strategic partner for the UK Government, a relationship that the Company values highly. Cummins has a strategic account manager within Westminster and has regular meetings to discuss its strategies and issues, and to understand upcoming policy from Government. Cummins maintains strong relationships with the local MPs for most of the Company's major sites and works with them on local and national issues as required. The Company is a member of various industry bodies in the UK and works with them to help the Government to understand industry perspectives on a number of topics including gender diversity, product regulation, trade and immigration. During the financial year 2021 Cummins took part in a number of meetings (including round tables with other industry representatives) with Government to discuss and consult on trade, and transport and energy policy.

Cummins UK Pension Plan

During 2021 the pension scheme completed a valuation. The Trustee proposed a contribution schedule that was agreed with the Company. The Trustee and the Company continue to have a strong and collaborative relationship with the Group Pensions Manager attending Trustee meetings and providing periodic updates to the Board.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

Corporate Governance Arrangements

The Company's corporate governance model strives to ensure the implementation of the Cummins "Mission, Vision and Values", enhancing value for the Company's shareholders, employees, communities and other stakeholders. In short these are:

- **Why We Exist: Our Mission**
Making people's lives better by powering a more prosperous world.
- **What We Want To Accomplish: Our Vision**
Innovating for our customers to power their success.
- **How We Will Do It: Our Values**
INTEGRITY - Doing what you say you will do and doing what is right.
DIVERSITY & INCLUSION - Valuing and including our differences in decision making is our competitive advantage.
CARING - Demonstrating awareness and consideration for the wellbeing of others.
EXCELLENCE - Always delivering superior results.
TEAMWORK - Collaborating across teams, functions, businesses and borders to deliver the best work.

For the 2021 financial year, the Company operated within its ultimate parent company's, Cummins, Inc., "Cummins Code of Business Conduct" and "Cummins Inc. Corporate Governance Principles" (the 'Cummins Code'). Copies of each are available on the Cummins investor relations website at <https://investor.cummins.com/board-esg/governance/governance-documents>. Cummins requires each member of its group to be committed to the Cummins standards and values, by passing down its principles, and requiring that those be upheld.

The board are also familiar with and supportive of the Wates' Corporate Governance Principles for Large Private Companies (the 'Wates Principles'). The Wates Principles are similar in numerous respects to the Cummins Code and the directors are confident that the corporate governance adopted by the Company complied in all material respects, where relevant, with the Wates Principles.

Cummins firmly believes that a sustainable company is built on a foundation of good governance, integrity and the highest ethical standards at all levels. This is considered critical to the Company's long term sustainable success. The Cummins ethics and governance initiatives are built around the 10 Statements of Ethical Principles, which are detailed in the "Cummins Code of Business Conduct". These principles are put into practice through a comprehensive compliance training program, targeting appropriate employee groups to promote good ethical behaviour and a healthy group wide culture.

The board has the legal responsibility for overseeing the affairs of the Company, exercised through the election and appointment of competent officers. The board relies on the integrity, expertise and competency of these officers in carrying out its oversight function. The board is responsible for having the processes and internal control systems in place to identify, evaluate, manage and mitigate risks. In discharging its fiduciary duties to act in the best interests of the Company, the board have and continue to consider, among other pertinent factors and as appropriate, the effect of its actions on shareholders, employees, suppliers, customers, communities, and the interests of society. More detail on the stakeholder engagement undertaken by the board and its compliance with s172 can be found in the Strategic Report.

The Company implements a risk monitoring and review process whereby a dedicated Risk Manager reports to the board at least twice a year on any key risks identified and detailing how those risks are being monitored. Changes to the key risks that were reviewed and reported on for 2021 included the removal of Brexit. In addition, "environmental, social and governance" (ESG) and "supply-chain (business interruption)" were added as new risks to be monitored closely by the board. In 2021 a number of the board members formed part of the ABO leadership team for Europe, which considers key risks throughout the year 2021.

The board have adopted a broad range of policies that help to govern internal affairs of the Company. These are reviewed and updated periodically. For example, during 2021 the board undertook an annual review of the Company's modern slavery policy. The board also decided to maintain the frequency of its board meetings during 2021 (following an increase in 2020) to provide for regular oversight of the safety and well-being of the Company's employees, particularly in the context of the continued pandemic, as well as other activities of the Company.

In 2021 the board comprised of six directors, as set out on page 7. The board continues to assess its membership to ensure that it has the right qualities, skills and experience to develop promote the Cummins Mission, Vision and Values, continue to build the Cummins culture and promote long term sustainable success.

In order to comply with the Corporate Governance Principles relating to board selection, the Company operates a board selection process which complies with guidelines issued by Cummins. These guidelines emphasise that an appropriate mix of skills and experience commensurate with the complexity of the business is to be considered.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

As a wholly owned private limited company it is not felt appropriate or necessary to appoint independent directors to the board. This has been addressed at the parent company level. However, the board ensures that any conflicts of interest are identified and managed to ensure they perform their duties appropriately and in accordance with their fiduciary and legal duties. The Company adopts a specific conflicts of interest policy, which was implemented throughout 2021.

All directors are expected to continue to develop and educate themselves. Training during the 2021 financial year included awareness and insights into recent changes in pension legislation that have an impact on the Company's pension scheme. The Company ensures that each member of the board has a clear understanding of their accountability and responsibilities and that each director commits the requisite time and attention necessary to fulfil their obligations. All new board members receive a tailored induction on joining the board which includes the provision of a comprehensive Board Pack (with details of the business operations, key stakeholders and director's legal duties and responsibilities).

The board also has a number of processes in place to build positive relationships with all stakeholders, with a particular focus on the workforce / employees, customers, suppliers and the community. One of the Company's key ethical principles is to compete fairly and honestly, and this has no exceptions. The Company ensures the board remains accountable to this principle and, in particular, directors are regularly involved in key meetings with customers and suppliers. Further details regarding engagement with the Company's key stakeholders and employees during the 2021 financial year can be found in the Engagement with Employees and Engagement with Stakeholders sections.

U.K. energy use and the associated greenhouse gas emissions

For the purposes of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is a large unquoted company and is required to report on its UK energy use and the associated greenhouse gas emissions that relate to (i) activities for which it is responsible involving the combustion of gas, or consumption of fuel for the purposes of transport; and (ii) its purchase of electricity for its own use, including for the purposes of transport. The report relates to the 12-month period 1st January 2021 to 31st December 2021, representing the Company's financial year. The Company has adopted a robust environmental management system and was ISO 14001 and ISO50001 registered for the relevant period.

Energy Consumption

(a) The total annual quantity of energy consumed by the Company in the relevant period was 5,554,406 kWh (2020: 5,363,197 kWh), broken down as follows:

- Natural gas - (2020: 3,923,137 kWh);
- Electricity (purchased) - 1,347,092 kWh (2020: 1,374,855 kWh);
- Diesel - 350,032 kWh (based on assumed consumption of 32,594 litres);
- Propane - 40,288 kWh (2020: 40,288 kWh) based on assumed consumption of 5,557 litres; and
- Transport fuels - 16,225 kWh (2020: 24,917 kWh) based on assumed consumption of 1,618 litres.

(b) The Company has not accounted separately for the consumption of fuels for transport, for example business trips undertaken by employees. The overall Cummins group in the UK accounts for 162,249 kWh (2020: 249,166 kWh) (based on the consumption of 16175 litres). The Company considers that it is responsible for 10% of this consumption.

(c) The Company has seen in 2021 an increase in energy use at its Stamford facility due to the reopening of its pilot centre which was closed throughout 2020.

Carbon Dioxide Equivalent Emissions

The annual quantity of emissions in tonnes of carbon dioxide equivalent (CO₂e) resulting from the Company's total UK energy use from electricity, gas, transport fuels, propane, and kerosene consumption and emissions associated with refrigerant gases is 1026.88 tCO₂e (2020: 978.31 tCO₂e), broken down as follows (figures in tCO₂e):

- Natural gas - 778.18 (2020: 803.93);
- Electricity (purchased) - 134.71 (2020: 147.64);
- Diesel - 89.90;
- Propane - 6.89 (2020: 8.26);
- Transportation emissions - 3.92 (2020: 5.20)

The Company emits 4.15 tCO₂e for full time equivalent employee an increase of 49.82% over 2020.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2021

Energy Efficiency Measures

In order to increase the Company's energy efficiency at its Stamford facility, it has implemented the following principal measures:

- Continuation of its comprehensive repair and maintenance programme for its air compressors;
- Expansion of its shutdown programme to include their high loss transformer.

The Company expects the above measures to result in energy savings of 92,903 kWh (2020: 93,400 kWh).

The Company's office at Peterborough remained partly closed for the majority of 2020 due to COVID-19 restrictions.

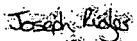
Methodology

In gathering the underlying data to support this report, the Company has adopted a robust methodology including following the Government's Environmental Reporting Guidance and used the GHG Protocol Value Chain (Scope 3) Standard. In addition, the Company has used the Government's Conversion Factors for Company Reporting and the relevant emission factor database.

The Company has a dedicated team of environmental professionals who have accurately recorded energy use from across the Company's UK facilities on a monthly basis, collecting invoices from suppliers (diesel, propane, kerosene) and meter data from suppliers (gas and electricity). This data is reported on a quarterly basis through the Enablon system. Once submitted, the data is validated by both the facility leadership team and the business unit.

This is the Company's first year reporting its energy use and greenhouse gas emissions on a mandatory basis, and accordingly it has not reported upon previous year's figures.

This report was approved by the board of directors on 21 June 2022 and signed on behalf of the board by:



J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Independent auditors' report to the members of Cummins Generator Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cummins Generator Technologies Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2021; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Cummins Generator Technologies Limited (continued)

Reporting on other information (continued)

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase EBITDA, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of Board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Challenging assumptions and judgement made by management in their significant accounting estimates, in particular in relation to impairment of assets; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting revenue and EBITDA.

Independent auditors' report to the members of Cummins Generator Technologies Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

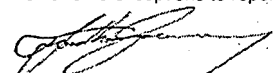
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
21 June 2022

Cummins Generator Technologies Limited

Statement of Comprehensive Income

Year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	23,519	27,881
Cost of sales		(42,867)	(46,605)
Gross loss		(19,348)	(18,724)
Distribution costs		(4,342)	(3,668)
Administrative expenses		(8,432)	(3,144)
Other operating income	5	11,812	9,254
Operating loss	6	(20,310)	(16,282)
Gain on disposal of operations		-	73
Impairment on property, plant and equipment		(2,306)	-
Income from shares in group undertakings		1,705	1,108
Other interest receivable and similar income		593	637
Amounts written off investments	10	-	(204,338)
Interest payable and similar expenses		(674)	(771)
Loss before taxation		(20,992)	(219,573)
Tax on loss	11	(4,352)	(1,563)
Loss for the financial year		(25,344)	(221,136)
Remeasurement of the net defined benefit plan		35,636	18,502
Tax relating to components of other comprehensive income		(7,047)	(3,351)
Other comprehensive income for the year		28,589	15,151
Total comprehensive income/(expense) for the year		3,245	(205,985)

All the activities of the Company are from continuing operations.

The notes on pages 21 to 34 form part of these financial statements.

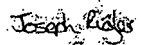
Cummins Generator Technologies Limited

Statement of Financial Position

As at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	13	7,180	10,495
Investments	14	2,737,530	2,768,054
		<u>2,744,710</u>	<u>2,778,549</u>
Current assets			
Stocks	15	6,695	3,555
Debtors	16	20,730	12,450
Cash at bank and in hand		1,506	1,558
		<u>28,931</u>	<u>17,563</u>
Creditors: amounts falling due within one year	17	(114,724)	(115,643)
Net current liabilities		<u>(85,793)</u>	<u>(98,080)</u>
Total assets less current liabilities		2,658,917	2,680,469
Provisions for liabilities	18	(117)	(85)
Net assets excluding defined benefit pension plan asset		2,658,800	2,680,384
Defined benefit pension plan asset	20	55,908	31,079
Net assets including defined benefit pension plan asset		<u>2,714,708</u>	<u>2,711,463</u>
Capital and reserves:			
Called up share capital	21	500	500
Share premium account	22	1,890,675	1,890,675
Capital contribution	22	4,200	4,200
Profit and loss account	22	819,333	816,088
Total shareholders' funds		<u>2,714,708</u>	<u>2,711,463</u>

The financial statements on pages 18 to 34 were approved by the board of directors and authorised for issue on 21 June 2022, and are signed on behalf of the board by:



J Rigler
Director

Company registration number: 00441273

The notes on pages 21 to 34 form part of these financial statements.

Cummins Generator Technologies Limited

Statement of Changes in Equity

Year ended 31 December 2021

	Note	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total £000
At 1 January 2020		500	1,890,675	4,200	1,022,073	2,917,448
Loss for the year		-	-	-	(221,136)	(221,136)
Other comprehensive income for the year:						
Remeasurement of the net defined benefit plan	20	-	-	-	18,502	18,502
Tax relating to components of other comprehensive income	11	-	-	-	(3,351)	(3,351)
Total comprehensive expense for the year		-	-	-	(205,985)	(205,985)
At 31 December 2020		500	1,890,675	4,200	816,088	2,711,463
Loss for the year		-	-	-	(25,344)	(25,344)
Other comprehensive income for the year:						
Remeasurement of the net defined benefit plan	20	-	-	-	35,636	35,636
Tax relating to components of other comprehensive income	11	-	-	-	(7,047)	(7,047)
Total comprehensive income for the year		-	-	-	3,245	3,245
At 31 December 2021		<u>500</u>	<u>1,890,675</u>	<u>4,200</u>	<u>819,333</u>	<u>2,714,708</u>

The notes on pages 21 to 34 form part of these financial statements.

Cummins Generator Technologies Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. General information

Cummins Generator Technologies Limited is a private company limited by shares which is incorporated, registered and domiciled in England, United Kingdom. The address of the registered office is given in the company information on page 1. The principal activity of the company during the year was the design, manufacture and sale of AC generators. The company also acts as a holding company and holds investments in subsidiaries of Cummins Inc.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the entity and rounded to the nearest £000. The significant accounting policies consistently applied in the preparation of these financial statements are set out below.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Cummins Inc which can be obtained from the address in note 26. As such, advantage has been taken of the disclosure exemptions available under paragraph 1.12 of FRS 102 and no cash flow statement has been presented for the company.

The company has taken advantage of the exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated Financial Statement disclosures of Cummins Inc.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 401 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is not established under the law of an EEA State.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Investment impairment

Annually, the company considers if any of its investments in subsidiaries are subject to any impairment indicators. Determining whether there are any impairment indicators for the company's investments in subsidiaries requires the directors to make judgments as to whether the net assets of the subsidiary support the carrying value of the investment and whether internal reporting suggests that the subsidiary is performing worse than expected, among other considerations. The directors believe that there have been no adverse changes in the performance of the subsidiaries and therefore there have been no impairment indicators.

Further details of investments in subsidiaries are contained in note 14 to the financial statements. The carrying amount of investments in subsidiaries at the balance sheet date was £2,737,530,000 (2020: £2,768,054,000) with no impairment loss being recognised in 2021 (2020: £204,338,000).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

3. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation are determined using actuarial valuations which make assumptions about a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These factors are estimated in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

Deferred taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future legislation changes. See note 19 for the carrying amount of the deferred taxation provision.

Revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, value added tax and other sales related taxes.

Turnover is recognised on despatch of goods or customer collection and on completion of service to the customer. In respect of export sales, turnover is recognised on estimated point of receipt or acceptance of goods by the customer.

Taxation

Current tax including corporation tax and overseas tax is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign currencies

Transactions that are denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or at the agreed contractual rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

The results of the overseas branch are translated into the presentation currency at rates which approximate to the exchange rate at the date of transaction. The closing balance sheet is translated at the balance sheet rate. Exchange differences arising from this process are recognised in the statement of comprehensive income.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Software

Computer software is stated at cost less accumulated amortisation and provision for any impairment. Software is amortised over its estimated useful life.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

3. Accounting policies (continued)

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Computer software	20% straight line
-------------------	-------------------

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

All fixed assets are initially recorded at cost.

Tangible fixed assets are shown at cost or valuation, less accumulated depreciation and provision for any impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The company has taken advantage of the transitional provision of FRS 102 and retained the book amounts of freehold and long leasehold properties which were revalued prior to implementation of that standard.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold buildings	3% straight line
Plant and equipment	6.67% to 33.3% straight line

The freehold land is not depreciated.

Investments in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings comprise the company's investment in shares and are stated at cost less any provision for impairment. Dividends received and receivable are credited to the company's profit and loss account. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials - purchase cost on a first-in, first-out basis including transportation.

Work-in-progress and finished goods - cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

3. Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The warranty provision relates to the company's support of its products against defect or failure. The provision is established at the time of sale of company products and is based on statistical estimates then available. The amount and timing of any warranty payments are uncertain, the company actively studies trends of warranty claims and takes action to improve equipment quality and minimise warranty claims.

Financial instruments

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

Financial assets

Basic financial assets include trade and other debtors and cash at bank and in hand, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss.

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

Financial liabilities

Basic financial liabilities, including trade and other creditors are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Pension costs

The company is a participating company of a group pension scheme called the Cummins UK Pension Plan. The pension plan has a defined contribution and defined benefit sections.

For the defined benefit section, the operating cost of providing pensions and other post retirement benefits, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the year that those benefits are earned by employees. A net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. Pension scheme assets are measured using fair value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The changes in value of the schemes' assets and liabilities are reported as gains or losses as they arise in other comprehensive income. The pension scheme's surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented in the balance sheet net of any related deferred tax.

For the defined contribution section, the contributions are charged to the profit and loss account in the accounting year in which they arise.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

4. Turnover

Turnover arises from:

	2021 £000	2020 £000
Sale of goods	23,519	27,881

The turnover is attributable to the one principal activity of the Company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2021 £000	2020 £000
United Kingdom	17,822	15,958
Europe	1,361	6,752
North America	1,254	3,425
Asia	418	677
Rest of the world	2,664	1,069
	<u>23,519</u>	<u>27,881</u>

5. Other operating income

	2021 £000	2020 £000
Royalty income	11,090	8,173
Miscellaneous income	722	1,081
	<u>11,812</u>	<u>9,254</u>

6. Operating loss

Operating loss is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible assets	1,399	1,401
Loss on disposal of tangible assets	527	62
Impairment of trade debtors	38	155
Foreign exchange differences	880	(2,355)
Operating lease costs	1,611	1,128
Research and development	3,774	3,621
Cost of sales recognised as an expense	15,677	35,254
Government grants receivable	-	(718)

Amortisation of intangible assets is included in administrative expenses.

7. Auditors' remuneration

	2021 £000	2020 £000
Fees payable for the audit of the financial statements	48	30

8. Staff costs

The monthly average number of persons employed by the Company during the year, including the directors, amounted to:

	2021 No.	2020 No.
Production and engineering	152	152
Administration	30	26
Sales and distribution	36	36
	<u>218</u>	<u>214</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

8. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£000	£000
Wages and salaries	10,111	8,873
Social security costs	1,281	1,115
Other pension costs	3,387	3,436
	<u>14,779</u>	<u>13,424</u>

9. Directors' remuneration

2 (2020: 1) of the directors in office during the year were employees of the company and 4 (2020: 4) were employees of other group companies. The directors are remunerated for their services as employees and do not receive emoluments for their services as directors of the company.

10. Amounts written off investments

	2021	2020
	£000	£000
Impairment of investments	—	204,338
	<u>—</u>	<u>204,338</u>

During the prior year an impairment review of the carrying value of investments was carried out. As a result, the company impaired its investments in Cummins Centroamerica Holding S. de R.L., Distribuidora Cummins de Panama S. de R.L. and CMI Group Holdings B.V. by £810,000, £1,767,000 and £201,761,000 respectively.

11. Tax on loss

Major components of tax expense

	2021	2020
	£000	£000
Current tax:		
Adjustments in respect of prior periods	—	347
Foreign current tax expense	1,289	945
Adjustments in respect of prior periods	(336)	476
Total foreign tax	<u>953</u>	<u>1,768</u>
Deferred tax:		
Origination and reversal of timing differences	(260)	689
Impact of change in tax rate	3,591	—
Adjustments in respect of previous periods	68	(894)
Total deferred tax	<u>3,399</u>	<u>(205)</u>
Tax on loss	<u>4,352</u>	<u>1,563</u>

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £7,047,587 (2020: £3,351,030).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

11. Tax on loss (continued)

Reconciliation of tax expense

The tax assessed on the loss before taxation is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £000	2020 £000
Loss before taxation	(20,992)	(219,573)
Loss before taxation multiplied by rate of tax	(3,988)	(41,719)
Adjustments in respect of prior periods	(268)	(71)
Effect of expenses not deductible for tax purposes	(127)	38,730
Effect of income exempt from tax	(79)	(45)
Group losses surrendered not paid for	3,934	3,723
Double taxation relief	1,289	945
Remeasurement of deferred tax - change in UK tax rate	3,591	-
Total tax on loss	<u>4,352</u>	<u>1,563</u>

Factors that may affect future tax expense

The standard rate of corporation tax in the UK was 19% throughout the period, accordingly, the Company's profits for this accounting period are taxed at 19%. On 24 May 2021 the Finance bill 2021 was substantively enacted. As a result the rate of UK corporation tax will be increased to 25% from 1 April 2023. The company has remeasured its deferred tax assets and liabilities to reflect the increase in rate.

12. Intangible assets

	Computer software £000
Cost	
At 1 January 2021 and 31 December 2021	<u>213</u>
Accumulated amortisation	
At 1 January 2021 and 31 December 2021	<u>213</u>
Carrying amount	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>-</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

13. Tangible assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2021	2,596	14,478	17,074
Additions	–	390	390
Disposals	–	(41)	(41)
Reclassifications	5	(5)	–
At 31 December 2021	<u>2,601</u>	<u>14,822</u>	<u>17,423</u>
Accumulated depreciation			
At 1 January 2021	1,183	5,396	6,579
Charge for the year	269	1,130	1,399
Disposals	–	(41)	(41)
Impairment losses	694	1,612	2,306
At 31 December 2021	<u>2,146</u>	<u>8,097</u>	<u>10,243</u>
Carrying amount			
At 31 December 2021	<u>455</u>	<u>6,725</u>	<u>7,180</u>
At 31 December 2020	<u>1,413</u>	<u>9,082</u>	<u>10,495</u>

Plant and equipment includes amounts relating to construction in progress of £490,000 (2020: £1,347,000).

Capital commitments

	2021 £000	2020 £000
Contracted for but not provided for in the financial statements	<u>11</u>	<u>21</u>

14. Investments

	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost			
At 1 January 2021	2,971,808	1,381	2,973,189
Additions	500	–	500
Disposals	(33,601)	–	(33,601)
At 31 December 2021	<u>2,938,707</u>	<u>1,381</u>	<u>2,940,088</u>
Accumulated impairment			
At 1 January 2021	205,135	–	205,135
Disposals	(2,577)	–	(2,577)
At 31 December 2021	<u>202,558</u>	<u>–</u>	<u>202,558</u>
Carrying amount			
At 31 December 2021	<u>2,736,149</u>	<u>1,381</u>	<u>2,737,530</u>
At 31 December 2020	<u>2,766,673</u>	<u>1,381</u>	<u>2,768,054</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

14. Investments (continued)

On 26 July 2021 the company sold its shares in Distribuidora Cummins de Panama S. de R.L. and Cummins Centroamerica Holdings, S. de R.L. to Cummins Power Generation Inc., recognising a loss on disposal of £526,943.

The following is a list of investments held by the company:

	% ordinary shares held	Registered office	Principal activity
Cummins Generator Technologies Italy Srl	*100%	Via Triboniano 19 Milan, Italy 20156	Design, manufacture, sale & distribution of AC generators
Cummins Generator Technologies Singapore Pte Ltd	100%	85 Tuas South Avenue 1 Singapore, SG 637419	Design, manufacture, sale & distribution of AC generators
Cummins Generator Technologies India Limited	51%	C33 M10C Area M10C Ahmednagar Maharashtra India, 414-111	Design, manufacture, sale & distribution of AC generators
CMI PGI Holdings LLC	100%	500 Jackson Street MC 60113, Columbus IN, 47201, USA	Holding company
Cummins Ltd	*100%	3rd Floor 10 Eastbourne Terrace Paddington, London W2 6LG, UK	Manufacture & sale of diesel engines & related parts & components
Cummins Czech Republic s r o	*100%	Obchodni 132 Pruhonice, CZ 25101 Czech Republic	Distributor of Cummins products
Cummins West Balkans d o o	*100%	3 Sesta Industrijska Str. 22330 Nova Pazova Serbia	Distributor of Cummins products
Cummins Turbo Technologies Limited	*100%	St Andrews Road Huddersfield West Yorkshire, HD1 6RA	Dormant
Cummins Technologies India Private Limited	*50%	Cummins India Office Campus, Tower A Survey no. 21, Balewadi, Pune India, 411045	Manufacture of Turbos
CMI Group Holdings B.V.	100%	Westerdoksdiik 423 1013 BX Amsterdam Netherlands	Holding Company
Cummins S. de RL de CV	*100%	Ave. Industrias Esq. Eje 122, No. 200, Zona Industrial San Luis Potosi Mexico, 28090	Manufacture & sale of diesel engines & related parts & components
CMI Mexico LLC	*100%	500 Jackson Street Columbus IN 47201, USA	Holding Company
Cummins Grupo Comercial Y de Servicios, S. de R.L. de C.V.	*100%	Carretera Federal 57- #4380 esquina Eje 128 Zona Industrial San Luis Potosi, S.L.P. Mexico, 78395	Manufacture & sale of diesel engines & related parts & components
Cummins Grupo Industrial S. de R.L. de C.V.	*100%	Boulevard Juan Pablo II No. 1951 Fracc. Rio Bravo Ciudad Juárez Chihuahua Mexico, 32550	Manufacture & sale of diesel engines & related parts & components
AVK Holdco UK Limited	100%	Fountain Court, Lynch Wood Peterborough, PE2 6FZ	Dormant

* held indirectly

The directors believe that no impairment indicators have been identified in the current year for the material investments.

Investments in associated undertakings

The company owns 49% of Cummins Qatar LLC, a company incorporated in Qatar and engaged in the distribution of powergen systems and aftermarket support. The profit of Cummins Qatar LLC for the year ended 31 December 2021 was £862,000 (2020: £114,000).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

15. Stocks

	2021	2020
	£000	£000
Raw materials and consumables	5,984	2,360
Work in progress	169	113
Finished goods and goods for resale	542	1,082
	<u>6,695</u>	<u>3,555</u>

Stocks are stated after provisions for impairments of £124,000 (2020: £440,000).

16. Debtors

	2021	2020
	£000	£000
Trade debtors	4,627	2,365
Amounts owed by group undertakings	13,151	8,056
Deferred tax asset	1,039	579
Corporation tax repayable	419	158
Other debtors	695	756
Prepayments and accrued income	799	536
	<u>20,730</u>	<u>12,450</u>

Trade debtors are disclosed net of the bad debt provision £143,420 (2020: £88,717).

The company's trade debtors are collected by another group undertaking, but the risk of bad debt remains with Cummins Generator Technologies Limited.

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

17. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Bank overdrafts	90,329	95,213
Trade creditors	3,246	1,591
Amounts owed to group undertakings	19,084	16,231
Other taxation and social security	296	450
Accruals and deferred income	1,769	2,158
	<u>114,724</u>	<u>115,643</u>

The bank overdraft arises on a cash pooling facility, is repayable on demand and interest is charged at the Sterling LIBOR rate plus 0.25%. The overdraft is secured by way of a cross guarantee from all UK companies in the group.

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

18. Provisions for liabilities

	Warranties
	£000
At 1 January 2021	85
Additions	493
Charge against provision	(461)
At 31 December 2021	<u>117</u>

Warranty provisions are made to cover expected warranty claims on sales. The provision is based on an estimate of future claims with reference to past experience. Warranty provisions are expected to be utilised within two years of the provision being established.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021 £000	2020 £000
Included in debtors (note 16)	<u>1,039</u>	<u>579</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £000	2020 £000
Accelerated capital allowances	1,023	567
Other timing differences	<u>16</u>	<u>12</u>
	<u>1,039</u>	<u>579</u>

20. Pensions and other post retirement benefits.

Defined contribution section

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £452,000 (2020: £426,000).

Defined benefit section

The company participates in a final salary defined benefit scheme for employees, which, prior to 6 April 2016, was contracted-out of the state scheme and with assets held in a separate trustee-administered fund. Under an informal practice, certain pensions within the Plan are subject to discretionary increases on top of those provided as a Plan entitlement, and these increases are allowed for within the calculation of the Plan liabilities in these financial statements under FRS 102.

The assets and costs relating to defined contribution benefits within the Plan are not included within these FRS 102 disclosures and are accounted for separately.

The latest actuarial valuation of the Plan for funding purposes was carried out as at 1 January 2021 by an independent professionally qualified actuary using the projected unit method, with a new rate of contributions subsequently coming into force from the beginning of 2022. The value of the assets at the valuation date represented 104% of the value of members' accrued benefits, after allowing for projected future increases in pensionable remuneration in respect of members in service.

As the Plan had a surplus on the technical provisions basis there was no need for a recovery plan. In recognition of benefit accrual after the valuation date, the Company agreed to pay a one-off contribution by 28 February 2023 of the lower of the estimated statutory solvency deficit on 30 November 2022 and £65m, in addition to contributions in respect of SMART pensions payable on behalf of members.

During the year to 31 December 2021 the participating companies paid future service contributions at an average rate of around 53.6% of pensionable pay to the Plan plus member contributions (at an average rate of around 7.7% pa of pensionable pay) for those employees participating in SMART pensions (an arrangement whereby the Company pays what would have been the member's contribution in lieu of a corresponding reduction in pay). The contribution rates were based on the actuarial valuation carried out as at 1 January 2018.

Pension costs in these financial statements are recognised in accordance with FRS 102.

The Trustee of the Cummins UK Pension Plan entered into a 10-year deferred payment buy-in policy agreement with Legal & General Assurance Society ("LGAS") on 26 July 2012. The policy covers all pensioner and dependent members as at 31 December 2011 for pension payments due from 1 August 2022. A valuation of the policy was completed by LGAS as at 31 December 2019 and independently verified by the Plan's Actuary, Towers Watson. Further calculations have been completed by Towers Watson to provide a valuation consistent with that required under FRS 102 for these financial statements - the value of which is shown in this section.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

20. Pensions and other post retirement benefits (continued)

Actuarial assumptions

The financial assumptions used to calculate Plan liabilities under FRS 102 are as follows:

	2021 % pa	2020 % pa
Price inflation (RPI)	3.50	3.00
Price inflation (CPI)	3.00	2.25
Increases on pensions increasing with RPI		
- subject to a maximum of 5% pa	3.30	2.90
- subject to a maximum of 3% pa	2.50	2.30
Increases on pensions increasing with CPI		
- subject to a maximum of 5%	2.95	2.25
- subject to a maximum of 3%	2.40	2.00
- subject to a maximum of 2.5%	2.10	1.80
Earnings increases	3.75	3.75
Discount rate	1.95	1.50

The mortality assumptions as at 31 December 2021 are based on the SAPS "S3" tables, with a 101%/106% adjustment for male/female buy-in pensioners, a 97%/96% adjustment for male/female non buy-in pensioners and a 100%/96% adjustment for male/female non-pensioners (the adjustments increase life expectancy relative to the standard SAPS tables), projected from 2013 using CMI 2019 Core Projection improvements with a 1.50% per annum long term trend, a smoothing parameter of 7.0 (the core value) and an initial addition of 0.25%.

The mortality rates imply future life expectancies at age 65 in 2021 and 2020 of:

	2021		2020	
	Non buy-in pensioners	Buy-in pensioners	Non buy-in pensioners	Buy-in pensioners
Males	22.6	22.3	23.6	23.1
Females	25.0	24.3	25.5	24.8

Plan assets

The total Plan assets for the purpose of the overall FRS 102 assessment are set out below:

	2021 %	2020 %
Equities	31.2	25.0
Bonds	35.2	40.0
Property	2.3	2.0
Cash and reinsurance	13.3	12.8
Buy-in policy	18.0	20.2
Fair value of assets (£000)	1,699,395	1,633,650

The statement of financial position net defined benefit asset is determined as follows:

	Figures for whole plan		Figures for company	
	2021 £000	2020 £000	2021 £000	2020 £000
Present value of defined benefit obligations	(1,396,669)	(1,497,674)	(284,979)	(307,715)
Fair value of plan assets	1,699,395	1,633,650	358,880	345,881
	302,726	135,976	73,901	38,166
Deferred tax liabilities recognised	(75,681)	(25,514)	(17,993)	(7,087)
	<u>227,045</u>	<u>110,462</u>	<u>55,908</u>	<u>31,079</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

20. Pensions and other post retirement benefits (continued)

Changes in the present value of the defined benefit obligations are as follows:

	Figures for whole plan £000	Figures for company £000
At 1 January 2021	1,497,674	307,715
Current service cost	24,399	2,935
Interest expense	22,123	4,545
Benefits paid	(45,769)	(9,395)
Contributions by plan participants	71	7
Remeasurements:		
Actuarial gains and losses	(101,829)	(20,828)
At 31 December 2021	1,396,669	284,979

Changes in the fair value of plan assets are as follows:

	Figures for whole plan £000	Figures for company £000
At 1 January 2021	1,633,650	345,881
Interest income	24,329	5,138
Benefits paid	(45,769)	(9,395)
Contributions by employer	21,934	2,440
Contributions by plan participants	71	7
Remeasurements:		
Return on plan assets, excluding amount included in interest income	65,180	14,809
At 31 December 2021	1,699,395	358,880

The total costs for the year in relation to defined benefit plans are as follows:

	Figures for whole plan		Figures for company	
	2021 £000	2020 £000	2021 £000	2020 £000
Recognised in profit or loss:				
Current service cost	24,399	24,952	2,935	3,001
Net interest income	(2,206)	(2,019)	(593)	(636)
	<u>22,193</u>	<u>22,933</u>	<u>2,342</u>	<u>2,365</u>
Recognised in other comprehensive income:				
Remeasurement of the liability:				
Actuarial gains and losses	(101,829)	103,658	(20,828)	12,813
Return on plan assets, excluding amounts included in net interest	(65,180)	(133,107)	(14,809)	(31,315)
	<u>(167,009)</u>	<u>(29,449)</u>	<u>(35,637)</u>	<u>(18,502)</u>

The return on plan assets are as follows:

	Figures for whole plan		Figures for company	
	2021 £000	2020 £000	2021 £000	2020 £000
Return on assets of benefit plan	<u>89,320</u>	<u>172,387</u>	<u>18,864</u>	<u>36,713</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

21. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>

22. Reserves

Share premium account - this reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution - this reserve records the capital received from shareholders for which no shares were issued in return.

Profit and loss account - this reserve records retained earnings and accumulated losses net of dividends and other adjustments.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£000	£000
Not later than 1 year	3,132	1,131
Later than 1 year and not later than 5 years	<u>13,332</u>	<u>3,685</u>
	<u>16,464</u>	<u>4,816</u>

24. Guarantees

The UK group's bankers have given a total guarantee amounting to £7,612,000 in favour of H M Revenue & Customs (2020: £10,457,000), of this £600,000 (2020: £600,000) relates to the company.

The company participates in a cash pooling arrangement operated by its bankers whereby positive and negative cash balances of the company and other members of the Group headed by Cummins Inc are offset against one another. Each company within the cash pool has given a guarantee to the bank to assume joint and several liability for the debts of any participating member. The liability under this guarantee is limited to positive cash balances held by the bank.

25. Related party transactions

As a subsidiary undertaking of Cummins Inc the company has taken advantage of the exemption under paragraph 33.1A from the provisions of section 33 of FRS 102, Related party disclosures, from disclosing transactions with other members of the group headed by Cummins Inc.

There were no other related party transactions in the year (2020: none).

26. Controlling party

The company's ultimate parent company and ultimate controlling party is Cummins Inc, incorporated in the state of Indiana USA. The smallest and largest group in which the results of the company are consolidated is Cummins Inc, the consolidated financial statements of which are available to the public and may be obtained from the following address:

Executive Director - Investor and Public Relations
Cummins Inc;
(Mail Code 60915)
Box 3005
Columbus
Indiana, 47202-3005
United States of America

The company's immediate parent company is Cummins EMEA Holdings Limited.