

COMPANY REGISTRATION NUMBER: 0044 1273

Cummins Generator Technologies Limited

Annual Report

**For the year ended
31 December 2020**



Cummins Generator Technologies Limited

Annual Report

Year ended 31 December 2020

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
A J Sneli
C O'Sullivan

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 2020

The directors present their Strategic Report for the financial year ended 31 December 2020.

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 £27.9m (2019: £606.2m) and loss for the financial year was £221.1m (2019: profit of £948.7m). The net assets at 31 December 2020 were £2,711.5m (2019: net assets of £2,917.4m). During the prior year the Company operated some of the Cummins' group operations in Mexico as a branch of the Company, these businesses operate in the engines, components and power systems segments of Cummins' business. These businesses contributed £560.5m of turnover and £49.3m of profit during the prior year. The results of the Mexican branches have been shown as discontinued operations in the statement of comprehensive income.

As commented on below and in the strategic report the company was negatively impacted by the COVID-19 pandemic which triggered a significant downturn in the Company's markets globally, which continued to unfavorably impact market conditions throughout 2020.

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.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2020

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.

3. Creating greater shareholder value

Return on invested capital is a primary measure of the Company's ultimate parent, Cummins Inc. 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 the 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 we are in compliance in all material respects with these environmental laws and regulations, but the Company cannot ensure that we will not be adversely impacted by costs of complying with new environmental laws and regulations.

5. Brexit

On January 31, 2020, the U.K. exited from the EU ("Brexit"). Additionally, the results of Brexit has caused, and may continue to cause, volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. The effects of Brexit will depend on any agreements the U.K. makes to retain access to EU markets either during a transitional period or on a permanent basis. These measures could potentially disrupt the Company's supply chain, including delays of imports and exports, limited access to human capital within some of the target markets and jurisdictions in which the Company operates and adverse changes to tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, including with respect to emissions and similar certifications granted to the Company by the EU, as the U.K. determines which EU laws to replace or replicate. As a result, the Company has taken a number of important steps during the year to try to mitigate the impact of Brexit. These steps are described in more detail below, in the statement on Section 172 Companies Act 2006. Nonetheless, the effects of Brexit, among others, could have a material adverse impact on the results of operations, financial condition and cash flows of the Company.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2020

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 we 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 face 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 COVID-19 pandemic created disruptions and turmoil in the global credit and financial markets and made it more difficult and costly for the Company to access capital on favourable terms to meet its liquidity needs. The disruptions to the global credit and financial markets could also have negative impacts on business operations and financial positions of the customers and suppliers, which may negatively impact Company's orders, sales and supply chain. 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. If the impacts of the COVID-19 pandemic on global credit and financial markets continue, or worsen, it could negatively impact 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 2020 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 2020

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 2019, to support this s172 Statement:

- COVID-19 - As mentioned above, COVID-19 was a key issue facing the Company throughout 2020. The board took a number of steps during the 2020 financial year to ensure the Company and its stakeholders were prepared for the impacts of COVID-19. A sample of the action taken included:
 - Mandatory health screenings at the Company's plants and facilities;
 - Personal protective equipment for frontline employees;
 - Masks required inside open plants and facilities;
 - Redesigned exits, entrances and production lines to encourage social distancing;
 - Enhanced cleaning protocols before, during and after shifts.

The Company furloughed some employees across the UK where production levels had fallen either because demand had therefore more at risk from COVID-19.

- Brexit - As mentioned above, Brexit was a key issue facing the Company throughout 2020. The board took a number of focusing on trade and customs and taking care of the workforce, A sample of the action taken included:
 - Creation of a cross-business unit focusing on Brexit preparations and other significant preparation work up to December 31st 2020 (a number of board members were part of this task force);
 - Building up raw material stock and parts to try and mitigate the impact of trade risk;
 - Providing advice and communications on Brexit issues to the Company's staff, suppliers and customers;
 - Successfully transferring type approval certificates from the UK Type Approval body to the Swedish equivalent; and
 - Advocating the Company's position and issues on trade to governments directly and through trade associations.

This report was approved by the board of directors on 24 June 2021 and signed on behalf of the board by:

Joseph Rigler

Joseph Rigler (21/06/2021 16:37:04Z)

J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Cummins Generator Technologies Limited

Directors' Report

Year ended 31 December 2020

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 December 2020.

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	
A J Snell	(Appointed 20 February 2020)
C O'Sullivan	(Appointed 20 February 2020)
J Barrowman	(Resigned 20 February 2020)
A Ustinov	(Resigned 20 February 2020)
R.V Hernandez	(Resigned 20 February 2020)

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

As highlighted below, the Company's results will be adversely impacted by COVID-19 in the short-term. 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.

The directors have carried out a risk assessment on the impact of Brexit on the business and have prepared the Company's supply chains and plants in order to mitigate the identified risks.

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 Inc.

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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

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.

COVID-19

The outbreak of COVID-19 spread throughout the world and 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 continued to unfavourably impact market conditions throughout 2020 and these challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of Company's employees and stakeholders, match the reduced demand from customers and in accordance with governmental requirements, the Company closed or partially shut down certain office, manufacturing, distribution and technical centre facilities in March 2020. Although most of the manufacturing, distribution and technical centre facilities re-opened early in the second quarter of 2020, some operated at reduced capacities, most of the global office buildings remained closed through the remainder of 2020. Despite markets recovering in the second half of 2020, the ongoing spread of the virus prior to widespread vaccination presents several risks to the business, especially in the first half of 2021.

COVID-19 vaccines are currently being administered with the hope that the majority of the population will have access to the vaccine by the middle of 2021. If the distribution and the effectiveness of the vaccine are consistent with current government and health organization estimates, it is anticipated that the vaccine will mitigate the spread of the virus by the end of 2021 and allow a return to more normal operations in the second half of the year.

While the impacts of the pandemic and the resulting global recession are expected to be temporary, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time. Should the reduced manufacturing and distribution capacities continue for an extended period of time, or worsen, the impact on Company's production and supply chain could have an adverse effect on its results of operations, financial condition and cash flows. 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.

Brexit

The U.K. left the European Union on 31st December 2020, with a Trade and Cooperation Agreement reached on 29th December 2020. The two sides have agreed to 100% tariff liberalisation, meaning there will be no tariffs or quotas on the movement of goods between the UK and EU. The month of January 2021 saw border issues for the Company. There have been significant delays and increased administration for all businesses who import/export from the UK. The reasons for this are due to COVID-19, businesses getting used to new processes, some the Company's suppliers and customers not fully prepared for Brexit, and increased administration. The situation has now greatly improved. The Company's cross-business unit Brexit team are still working through the rules of origin policies and what the final impact will be on the Company's thousands of products. As the deal was only made on 29th December, it was impossible to plan too much ahead on this issue. On stock and parts, the preparatory build up has now been released back to the Company's supply chain. There is still a lack of clarity from the UK Government side on their future type approval system. The Company is seeking guidance on this directly from the Government.

Events after the end of the reporting year

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

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 Inc., 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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

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.

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 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 all employees across Europe 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, quarterly results information, strategy and performance updates, key appointments and personal changes, acquisitions and strategic partnerships. Members of the board are involved in many of the aspects of this information sharing process. Throughout 2020 there was a great deal of additional communication owing to the pandemic. 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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

The Cummins' business is composed of five business units, with a number of functions sitting across each business unit and regional structures which sit across both the business unit and the functions. Every employee of the Company sits within a function and receives regular communication on business results from the global head of the business unit to which that function belongs, as well as receiving regular communication from the global head of their function. 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 2020 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 mental health during these difficult circumstances and the help and support that can be provided by the Company's healthcare partners.

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 2020 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.

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 2019, the gender pay gap reporting in the UK was reviewed by senior leaders, including board members. The board considers that, whilst the results have been positive each year (the Company has a lower pay gap than the industry average), they recognise that the Company can do more. 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. As a direct result of this group's work the process for recruiting graduates into the engineering function was changed. Previously recruitment had focussed on graduates with a degree in mechanical engineering - which in the UK has a very small percentage of women. Following internal analysis recruitment was expanded to include graduates in other engineering disciplines (electrical, chemical and general) as well as other technical disciplines such as physics and mathematics. This change in the recruitment process, is increasing the number of female graduates recruited into the engineering functions. For more senior roles (director-level and above), the Company decided to create a Recruitment Council. The aim of this council is to provide consistent oversight of the recruitment process for director-level roles by ensuring a diverse slate of candidates for each role. The council meets on a bi-weekly basis.

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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

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. 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 will introduce 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.

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 2020 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 and 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 which could not be possible during the year 2020 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 2020 to discuss Brexit planning and how the Company's business might be impacted (both for customers inside and outside of the EU), as well as impact from the unprecedented circumstances driven by COVID-19, that required timely coordination with customers to insure 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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

In 2020, 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's Foundation provided 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.

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 2020 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 2020 all electricity that the Company purchased was generated from renewable energy sources. In addition, in 2020 the Company:

- generated 282 tonnes of waste, a drop of 80.3% on 2019, all of which (100%) was recycled;
- used 8,079,061 kWh of energy, a drop of 65.7% against the previous year;
- emitted 1,106 MT of carbon dioxide, a 67.7% drop against the previous year; and
- used 688 m3 of water, a 85.5% reduction 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 2020 financial year the Company invested significant time in the following:

- **Supplier Development - Value Stream Mapping ("VSM")** is a lean manufacturing technique used to document analyse and improve the flow of information or materials to produce a product or service for a customer for mutual benefit. In 2019 the Company partnered with three suppliers on VSM projects, sponsoring their initial training and project launch, for use throughout their business.
- **Supply Chain Finance - introduction of Supply Chain Financing ("SCF")** opportunities for suppliers and successful implementation of first SCF agreement, providing the selected supplier with lower cost financing, faster invoice repayment increased liquidity and improved control of invoice payments.
- **Supply Chain Review** - The Company's supply chain operations have been enhanced through an internal transformation to adopt a Global approach to supplier relationship management. The Company continues to work collaboratively with suppliers, holding quarterly workshops, 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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

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 2020 Cummins took part in a number of meetings (including round tables with other industry representatives) with Government to discuss and consult on Brexit, trade, and transport and energy policy.

Cummins UK Pension Plan

In December, board member Edward Smith provided a business update to the Trustee Board, enabling the Trustee to gain an understanding of the Company's past and current years' performance. During 2020 the Company also approved a partial transfer deed for the UK Pension Plan to support the equalisation of Guaranteed Minimum Pension (GMP) benefits for male and female employees following a ruling of the High Court in 2018.

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 2020 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"). Please see copies of each on the Cummins Inc. investor relations website at <https://investor.cummins.com/board-esg/governance/governance-documents>. Cummins Inc. 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. Key risks reported on for 2019 included the impact of Brexit, cyber security and climate change. In 2020 a number of the board members formed part of the ABO leadership team for Europe, which considers key risks throughout the year 2020.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

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 2020 the board undertook an annual review of the Company's modern slavery policy. The board also decided to increase the frequency of its board meetings during 2020 to provide for more 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 2020 the board comprised of six directors, as set out on page 5. 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.

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 2020.

All directors are expected to continue to develop and educate themselves. Training during the 2020 financial year included directors' duties and responsibilities relating to dividend distributions and corporate governance disclosures. 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 2020 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 2020 to 31st December 2020, 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 5,363,197 kWh, broken down as follows:

- Natural gas - 3,923,137 kWh;
- Electricity (purchased) - 1,374,855 kWh;
- Propane - 40,288 kWh (based on assumed consumption of 5,557 litres); and
- Transport fuels 24,917 kWh (based on assumed consumption of 2,355 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 249,166 kWh (based on the consumption of 23,551 litres). The Company considers that it is responsible for 10% of this consumption.

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 978.31 tCO₂e, broken down as follows (figures in tCO₂e):

- Natural gas - 803.93;
- Electricity (purchased) - 147.64;
- Propane - 8.26;
- Transportation emissions - 5.20

The Company emits 2.77 tCO₂e for full time equivalent employee.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2020

Energy Efficiency Measures

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

- Implementing a comprehensive repair and maintenance programme for its air compressors;
- Implemented a site wide lighting upgrade to LED lighting.

The Company expects the above measures to result in energy savings of 93,400 kWh.

The Company's office at Peterborough was closed for part of the year 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 24 June 2021 and signed on behalf of the board by:

Joseph Rigler

Joseph Rigler (July 24, 2021 16:37 GMT+1)

J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Cummins Generator Technologies Limited

Independent Auditors' Report to the Members of Cummins Generator Technologies Limited

Year ended 31 December 2020

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its 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 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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.

Cummins Generator Technologies Limited

Independent Auditors' Report to the Members of Cummins Generator Technologies Limited (continued)

Year ended 31 December 2020

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of 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 the 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:

- Review of Board minutes.
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of assets.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting revenue and EBITDA.

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 directors 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.

Cummins Generator Technologies Limited

Independent Auditors' Report to the Members of Cummins Generator Technologies Limited (continued)

Year ended 31 December 2020

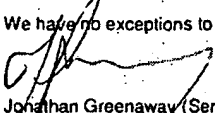
Other required reporting

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

24 June 2021

Cummins Generator Technologies Limited

Statement of Comprehensive Income

Year ended 31 December 2020

	Note	2020			2019		
		Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Turnover	5	27,881	–	27,881	45,653	560,489	606,152
Cost of sales		(46,605)	–	(46,605)	(74,793)	(512,434)	(587,227)
Gross (loss)/profit		(18,724)	–	(18,724)	(29,140)	48,065	18,925
Distribution costs		(3,668)	–	(3,668)	(6,085)	–	(6,085)
Administrative expenses		(3,144)	–	(3,144)	8,761	(945)	7,816
Other operating income	6	9,254	–	9,254	6,824	662	7,486
Operating (loss)/profit	7	(16,282)	–	(16,282)	(19,640)	47,782	28,142
Gain on disposal of operations		–	73	73	4,008	720,191	724,199
Income from shares in group undertakings		1,108	–	1,108	195,324	–	195,324
Other interest receivable and similar income		637	–	637	921	1,542	2,463
Amounts written off investments	11	(204,338)	–	(204,338)	–	–	–
Interest payable and similar expenses		(771)	–	(771)	(1)	–	(1)
(Loss)/profit before taxation		(219,646)	73	(219,573)	180,612	769,515	950,127
Tax on (loss)/profit	12	(1,563)	–	(1,563)	(1,380)	–	(1,380)
(Loss)/profit for the financial year		(221,209)	73	(221,136)	179,232	769,515	948,747
Remeasurement of the net defined benefit plan		–	–	16,502	–	–	(7,227)
Foreign currency retranslation		–	–	–	–	–	25,450
Tax relating to components of other comprehensive income		–	–	(3,351)	–	–	2,113
Other comprehensive income for the year		–	–	15,151	–	–	20,336
Total comprehensive (expense)/income for the year		–	–	(205,985)	–	–	969,083

The notes on pages 21 to 35 form part of these financial statements.

Cummins Generator Technologies Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	15	10,495	10,343
Investments	16	2,768,054	2,972,392
		<u>2,778,549</u>	<u>2,982,735</u>
Current assets			
Stocks	17	3,555	6,046
Debtors	18	12,450	29,013
Cash at bank and in hand		1,558	-
		<u>17,563</u>	<u>35,059</u>
Creditors: amounts falling due within one year	19	(115,643)	(114,398)
Net current liabilities		<u>(98,080)</u>	<u>(79,339)</u>
Total assets less current liabilities		<u>2,680,469</u>	<u>2,903,396</u>
Provisions for liabilities	20	(65)	(54)
Net assets excluding defined benefit pension plan asset		<u>2,680,384</u>	<u>2,903,342</u>
Defined benefit pension plan asset	22	31,079	14,106
Net assets including defined benefit pension plan asset		<u>2,711,463</u>	<u>2,917,448</u>
Capital and reserves			
Called up share capital	23	500	500
Share premium account	24	1,890,675	1,890,675
Capital contribution	24	4,200	4,200
Profit and loss account	24	816,088	1,022,073
Total shareholders' funds		<u>2,711,463</u>	<u>2,917,448</u>

The financial statements on pages 18 to 35 were approved by the board of directors and authorised for issue on 24 June 2021, and are signed on behalf of the board by:

Joseph Rigler
Joseph Rigler 2021-06-24 10:11:38:33 GMT+01:00

J Rigler
 Director

Company registration number: 00441273

The notes on pages 21 to 35 form part of these financial statements.

Cummins Generator Technologies Limited

Statement of Changes in Equity

Year ended 31 December 2020

	Note	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total £000
At 1 January 2019		500	1,890,675	4,200	485,523	2,380,898
Profit for the year		-	-	-	948,747	948,747
Other comprehensive income for the year:						
Remeasurement of the net defined benefit plan	22	-	-	-	(7,227)	(7,227)
Foreign currency retranslation		-	-	-	25,450	25,450
Tax relating to components of other comprehensive income	12	-	-	-	2,113	2,113
Total comprehensive income for the year		-	-	-	969,083	969,083
Dividends paid and payable	13	-	-	-	(432,533)	(432,533)
Total investments by and distributions to owners		-	-	-	(432,533)	(432,533)
At 31 December 2019		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	22	-	-	-	18,502	18,502
Tax relating to components of other comprehensive income	12	-	-	-	(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

The notes on pages 21 to 35 form part of these financial statements.

Cummins Generator Technologies Limited

Notes to the Financial Statements

Year ended 31 December 2020

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 FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the reduced disclosure framework set out in that standard was applied and also in accordance with 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 29. 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:

Carrying value of investments

The directors perform impairment reviews on the carrying value of investments, however, this involves significant judgement and involves the use of estimates and assumptions, particularly in relation to future forecasts and events.

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 22 for the disclosures relating to the defined benefit pension scheme.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (continued)

Depreciation (continued)

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.

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.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (continued)

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.

4. Discontinued operations

On 31 December 2019 the company contributed its Mexican branch trade and assets to CMI Group Holdings B.V. in exchange for shares valued at £909,804,095 in that company. During the year the branches contributed profits of £nil (2019: £49,324,000). The net assets at the date of disposal were £255,669,095 and a profit on disposal of £654,135,000 was recognised in the prior year profit and loss account.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

5. Turnover

Turnover arises from:

	2020	2019
	£000	£000
Sale of goods	27,881	606,152

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:

	2020	2019
	£000	£000
United Kingdom	15,958	57,913
Europe	6,752	33,532
North America	3,425	448,455
Asia	677	16,175
Rest of the world	1,069	50,077
	<u>27,881</u>	<u>606,152</u>

6. Other operating income

	2020	2019
	£000	£000
Royalty income	8,173	6,520
Miscellaneous income	1,081	966
	<u>9,254</u>	<u>7,486</u>

7. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2020	2019
	£000	£000
Amortisation of intangible assets	-	32
Depreciation of tangible assets	1,401	7,395
Loss/(gains) on disposal of tangible assets	62	(2,435)
Impairment/(reversal of impairment) of trade debtors	155	(254)
Foreign exchange differences	(2,355)	(7,345)
Operating lease costs	1,128	1,427
Research and development	3,621	4,315
Government grants receivable	(718)	-

Amortisation of intangible assets is included in administrative expenses.

The company has made use of the Coronavirus Job Retention Scheme (CJRS) during the year. Income received under the CJRS scheme has been recognised in Other operating income.

8. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable for the audit of the financial statements	30	50

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

9. Staff costs

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

	2020 No.	2019 No.
Production and engineering	152	192
Administration	26	29
Sales and distribution	36	46
	<u>214</u>	<u>267</u>

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

	2020 £000	2019 £000
Wages and salaries	8,873	4,359
Social security costs	1,115	1,525
Other pension costs	3,436	3,288
	<u>13,424</u>	<u>9,172</u>

10. Directors' remuneration

1 (2019: 1) of the directors in office during the year were employees of the company and 4 (2019: 6) 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.

11. Amounts written off investments

	2020 £000	2019 £000
Impairment of investments	204,338	-

During the 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.

12. Tax on (loss)/profit

Major components of tax expense

	2020 £000	2019 £000
Current tax:		
Adjustments in respect of prior periods	347	-
Foreign current tax expense	945	676
Adjustments in respect of prior periods	476	(688)
Total foreign tax	<u>1,768</u>	<u>(12)</u>
Deferred tax:		
Origination and reversal of timing differences	689	1,697
Adjustments in respect of previous periods	(894)	(305)
Total deferred tax	<u>(205)</u>	<u>1,392</u>
Tax on (loss)/profit	<u>1,563</u>	<u>1,380</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 £3,351,030 (2019: £(2,113,290)).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

12. Tax on (loss)/profit (continued)

Reconciliation of tax expense

The tax assessed on the (loss)/profit before taxation is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 £000
(Loss)/profit before taxation	(219,573)	950,127
(Loss)/profit before taxation multiplied by rate of tax	(41,719)	180,524
Adjustments in respect of prior periods	(71)	(993)
Effect of expenses not deductible for tax purposes	38,730	1,546
Effect of income exempt from tax	(45)	(184,903)
Effect of different UK tax rates on some earnings	-	(54)
Group losses surrendered not paid for	3,723	3,345
Double taxation relief	945	678
Remeasurement of deferred tax - change in UK tax rate	-	1,239
Total tax on (loss)/profit	1,563	1,380

Factors that may affect future tax expense

At the UK budget on 3 March 2021 it was announced that the main rate of corporation tax in the UK would increase to 25% from 1 April 2023 and this change has been included in Finance Bill 2021. Finance Bill 2021 was substantively enacted on 24 May 2021 and this has been treated as a non-adjusting post balance sheet event and therefore deferred tax assets and liabilities have not been remeasured to take this into account.

13. Dividends paid and payable

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):	2020 £000	2019 £000
Interim paid: 2020: £nil (2019: £865.06 per £1 share)	-	432,533

14. Intangible assets

	Computer software £000
Cost	
At 1 January 2020 and 31 December 2020	213
Accumulated amortisation	
At 1 January 2020 and 31 December 2020	213
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

15. Tangible assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2020	2,480	13,041	15,521
Additions	-	1,553	1,553
Reclassifications	116	(116)	-
At 31 December 2020	2,596	14,478	17,074
Accumulated depreciation			
At 1 January 2020	934	4,244	5,178
Charge for the year	249	1,152	1,401
At 31 December 2020	1,183	5,396	6,579
Carrying amount			
At 31 December 2020	1,413	9,082	10,495
At 31 December 2019	1,546	8,797	10,343
Capital commitments			
		2020	2019
		£000	£000
Contracted for but not provided for in the financial statements		21	1,990

16. Investments

	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost			
At 1 January 2020 and 31 December 2020	2,971,808	1,381	2,973,189
Accumulated impairment			
At 1 January 2020	797	-	797
Impairment losses	204,338	-	204,338
At 31 December 2020	205,135	-	205,135
Carrying amount			
At 31 December 2020	2,766,673	1,381	2,768,054
At 31 December 2019	2,971,011	1,381	2,972,392

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

16. Investments (continued)

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
Cummins Centroamerica Holding S. de R.L.	100%	Avenida Marbella Calle 53 Bella Vista Torre MMG Ciudad de Panama, Panama	Distributor of Cummins' products
Distribuidora Cummins de Panama S. de R.L.	100%	Panamerican Corporate Center, Panama Pacifico Edificio 9130, Unidad 1	Distributor of Cummins products
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%	Westerdoksdiijk 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 Juarez Chihuahua Mexico, 32550	Manufacture & sale of diesel engines & related parts & components

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

16. Investments (continued)

	% ordinary shares held	Registered office	Principal activity
Distribuidora Cummins Centroamerica Guatemala, Ltda.	*98%	7 Avenida 5-10 Zona 4 Edificio Centro Financiero Torre I, Nivel 10, Oficina 3 Guatemala	Distributor of Cummins products
Distribuidora Cummins Centroamerica El Salvador, S.de R.L.	*99%	Blvd. Del Ejercito nacional y 54 av. Norte Km 3 1/2 San Salvador	Distributor of Cummins products
Distribuidora Cummins Centroamerica Honduras, S.de R.L.	*99.99%	Desvio Colonia La Pradera Contiguo a Gasolinera Comayagueta Tegucigalpa Honduras, HN 1022	Distributor of Cummins products
Distribuidora Cummins Centroamerica Costa Rica, S.de R.L.	*100%	Radial Santa Ana-San Antonio de Belen Km 3 Centro Empresarial Via Lindora 4 Floor San Jose San Jose	Distributor of Cummins products

*held indirectly

The directors believe that the carrying value of all other investments is supported by their underlying assets and future forecasted cash flows.

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 2020 was £114,000 (2019: loss of £1,348,000).

17. Stocks

	2020 £000	2019 £000
Raw materials and consumables	2,360	4,281
Work in progress	113	157
Finished goods and goods for resale	1,082	1,608
	<u>3,555</u>	<u>6,046</u>

Stocks are stated after provisions for impairments of £440,000 (2019: £556,000).

18. Debtors

	2020 £000	2019 £000
Trade debtors	2,365	5,926
Amounts owed by group undertakings	8,056	18,681
Deferred tax asset	579	—
Corporation tax repayable	158	387
Other debtors	756	3,368
Prepayments and accrued income	536	651
	<u>12,450</u>	<u>29,013</u>

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.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

19. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	95,213	62,131
Trade creditors	1,591	4,294
Amounts owed to group undertakings	16,231	43,961
Other taxation and social security	450	535
Accruals and deferred income	2,158	3,477
	<u>115,643</u>	<u>114,398</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.

20. Provisions for liabilities

	Warranties £000	Deferred tax (note 21) £000	Total £000
At 1 January 2020	-	54	54
Additions	476	-	476
Charge against provision	(391)	(54)	(445)
At 31 December 2020	<u>85</u>	<u>-</u>	<u>85</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.

21. Deferred tax

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

	2020 £000	2019 £000
Included in debtors (note 18)	579	-
Included in provisions for liabilities (note 20)	-	(54)
	<u>579</u>	<u>(54)</u>

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

	2020 £000	2019 £000
Accelerated capital allowances	567	(68)
Other timing differences	12	14
	<u>579</u>	<u>(54)</u>

22. 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 £426,000 (2019: £492,000).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

22. Pensions and other post retirement benefits (continued)

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 2018 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 2019. The value of the assets at the valuation date represented 105% 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. The company otherwise agreed to continue to pay contributions in respect of future benefit accrual and PPF levies, in addition to contributions in respect of SMART Pensions payable on behalf of members.

During the year to 31 December 2020 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.

Actuarial assumptions

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

	2020	2019
	% pa	% pa
Price inflation (RPI)	3.00	3.25
Price inflation (CPI)	2.25	2.25
Increases on pensions increasing with RPI		
- subject to a maximum of 5% pa	2.90	3.10
- subject to a maximum of 3% pa	2.30	2.40
Increases on pensions increasing with CPI		
- subject to a maximum of 5%	2.25	2.25
- subject to a maximum of 3%	2.00	2.00
- subject to a maximum of 2.5%	1.80	1.80
Earnings increases	3.75	3.75
Discount rate	1.50	2.00

The mortality assumptions as at 31 December 2020 are based on the SAPS tables, with a 91%/93% adjustment for male/female buy-in pensioners, an 85% adjustment for all non buy-in pensioners and an 83%/82% adjustment for male/female non-pensioners (the adjustments increase life expectancy relative to the standard SAPS tables), projected from 2007 using CMI 2017 Core Projection improvements with a 1.50% per annum long term trend.

The mortality rates imply future life expectancies at age 65 in 2020 and 2019 of:

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

22. Pensions and other post retirement benefits (continued)

	Non buy-in pensioners	2020 Buy-in pensioners	Non-pensioners	Non buy-in pensioners	2019 Buy-in pensioners	Non-pensioners
Males	23.6	23.1	25.5	23.5	23.0	25.4
Females	25.5	24.8	27.6	25.4	24.7	27.5

Plan assets

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

	2020 %	2019 %
Equities	25.0	25.1
Bonds	40.0	36.8
Property	2.0	2.4
Cash and reinsurance	12.8	14.0
Buy-in policy	20.2	21.7
Fair value of assets (£000)	1,633,650	1,489,820

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

	Figures for whole plan		Figures for company	
	2020 £000	2019 £000	2020 £000	2019 £000
Present value of defined benefit obligations	(1,497,674)	(1,397,504)	(307,715)	(297,767)
Fair value of plan assets	1,633,650	1,489,820	345,881	315,182
	135,976	92,316	38,166	17,415
Deferred tax liabilities recognised	(25,514)	(15,018)	(7,087)	(3,309)
	<u>110,462</u>	<u>77,298</u>	<u>31,079</u>	<u>14,106</u>

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 2020	1,397,504	297,767
Current service cost	24,952	3,001
Interest expense	27,394	5,628
Benefits paid	(55,918)	(11,500)
Contributions by plan participants	84	6
Remeasurements:		
Actuarial losses	103,658	12,813
At 31 December 2020	<u>1,497,674</u>	<u>307,715</u>

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

	Figures for whole plan £000	Figures for company £000
At 1 January 2020	1,489,820	315,182
Interest income	29,413	6,264
Benefits paid	(55,918)	(11,500)
Contributions by employer	37,144	4,614
Contributions by plan participants	84	6
Remeasurements:		
Return on plan assets, excluding amount included in interest income	133,107	31,315
At 31 December 2020	<u>1,633,650</u>	<u>345,881</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

22. Pensions and other post retirement benefits (continued)

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

	Figures for whole plan		Figures for company	
	2020 £000	2019 £000	2020 £000	2019 £000
Recognised in profit or loss:				
Current service cost	24,952	20,535	3,001	2,796
Net interest income	(2,019)	(3,795)	(636)	(920)
	<u>22,933</u>	<u>16,740</u>	<u>2,365</u>	<u>1,876</u>
Recognised in other comprehensive income:				
Remeasurement of the liability:				
Actuarial losses	103,658	181,912	12,813	35,946
Return on plan assets, excluding amounts included in net interest	(133,107)	(144,575)	(31,315)	(28,719)
	<u>(29,449)</u>	<u>37,337</u>	<u>(18,502)</u>	<u>7,227</u>

The return on plan assets are as follows:

	Figures for whole plan		Figures for company	
	2020 £000	2019 £000	2020 £000	2019 £000
Return on assets of benefit plan	<u>172,387</u>	<u>170,986</u>	<u>36,713</u>	<u>36,630</u>

23. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>

24. 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.

25. Operating leases

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

	2020 £000	2019 £000
Not later than 1 year	1,131	1,159
Later than 1 year and not later than 5 years	3,685	2,829
	<u>4,816</u>	<u>3,988</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

26. Guarantees

The UK group's bankers have given a total guarantee amounting to £10,457,000 in favour of H M Revenue & Customs (2019: £10,357,000), of this £600,000 (2019: £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.

27. Events after the end of the reporting period

There is a plan in place for the company to sell its investments in Distribuidora Cummins de Panama S. de R.L. and Cummins Centroamerica Holdings, S. de R.L. to Cummins Power Generation Inc. It is expected that these investments will be sold for proceeds equal to fair market value shortly after the signing of these financial statements.

28. 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 (2019: none).

29. 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.