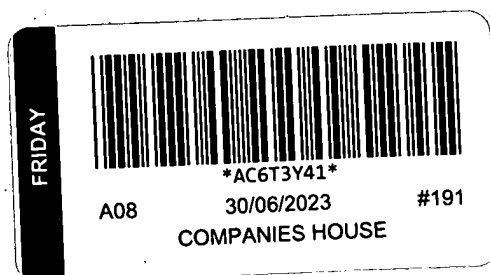


COMPANY REGISTRATION NUMBER: 00441273

Cummins Generator Technologies Limited

Annual Report

**For the year ended
31 December 2022**



Cummins Generator Technologies Limited

Annual Report

Year ended 31 December 2022

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Cummins Generator Technologies Limited

Officers and Professional Advisers

The board of directors

J Rigler
A Leitao
D J McMenamin
B V Daley
A Robson
E Avdic

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 2022

The directors present their Strategic Report for the financial year ended 31 December 2022.

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 £33.2m (2021: £23.5m) and profit for the financial year was £139.4m (2021: loss of £25.3m). The net assets at 31 December 2022 were £2,345.3m (2021: £2,714.7m).

Due to the gross loss in the year, the directors have considered the carrying value of its non-current assets and inventory, as a result, tangible assets relating to the manufacturing operation have been written down to nil. There is a regular review of cost against net realisable value and the directors consider that inventories continue to be stated at the lower of cost and net realisable value and no impairment is required.

The Russia-Ukraine conflict has had a significant impact on the European supply chain through 2022, with energy, steel and shipping costs adversely affected. Covid-19 impacts of global shipping capacity continued through the first half of 2022, with prices gradually starting to reduce in the second half of the year but remaining significantly higher than the long-term pre-Covid averages.

Competitive strengths

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

1: Leading brand

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

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

2. Customers and partners

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

3. Global presence

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

4. Leading technology

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

Strategy

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

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

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

2. Expanding into related markets

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

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2022

3. Creating greater shareholder value

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

4. Leveraging complementary businesses

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

5. Creating the right environment for success

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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

5. Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine, and the global response (including government bans or restrictions on doing business in Russia), could have a material adverse impact on Cummins and its group's results of operations, financial condition and cash flows. In March 2022, the Company suspended commercial operations in Russia indefinitely, including all sales, marketing and commission payments to Russia. As a result of the suspension of operations, the Company evaluated the recoverability of assets in Russia and assessed other potential liabilities. Also, it experienced and expect to continue to experience inability to collect customer receivables and may be the subject of litigation as a consequence of suspension of commercial operations in Russia. The broader consequences of this conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; potential retaliatory action by the Russian government against companies, including possible nationalization of foreign businesses in Russia; increased tensions between the United Kingdom and countries in which Company operates; and the extent of the conflict's effect on Company's business and results of operations as well as the global economy, cannot be predicted. To the extent the current conflict between Russia and Ukraine adversely affects business, it may also have the effect of heightening many other risks, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation, particularly with regard to raw material, transportation and labour price fluctuations; disruptions to our information technology environment, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; disruptions in global supply chains; and exposure to foreign currency exchange rate changes.

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2022

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

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

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

The markets in which the Company operates are highly competitive. It competes worldwide with a number of other manufacturers and distributors that produce and sell similar products, primarily with diesel engines and related diesel products; however, new technologies continue to be developed for gasoline, natural gas, electrification and other technologies and the Company will continue to face new competition from these expanding technologies. The Company's products primarily compete on the basis of performance, price, total cost of ownership, fuel economy, emissions compliance, speed of delivery, quality and customer support. The Company also 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.

Key performance indicators

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

Section 172 Companies Act 2006 ("s172") statement

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

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

Cummins Generator Technologies Limited

Strategic Report (continued)

Year ended 31 December 2022

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

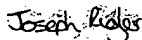
(i) Environmental, Social and Governance -ESG) - During 2022, the board increased its knowledge of and focus upon the increasing regulatory burdens placed on the Company posed by ESG. The board held a number of discussions on pending ESG regulations and their impact on Company business. The Company's ultimate parent, Cummins, has established a central functional team to manage the impact of ESG regulations and associated reporting requirements on the Cummins Group. A recent example was the Plastic Packaging Tax for which the Company partnered with Biffapak, a registered packaging compliance scheme in the UK, to assist in the completion of data submission to determine how much plastic the Company had imported into the United Kingdom. The directors engaged with the Health, Safety and Environment (HSE) team of the Company who registered the Company with HMRC in April 2022. The Company filed its first Plastic Tax quarterly return with HMRC in July 2023.

(ii) Russia-Ukraine conflict - In line with the board duties under s172(e) and international sanctions, the directors carefully considered and unanimously agreed with Cummins decision taken in March 2022 to suspend Cummins operations indefinitely in Russia. The board held a number of discussions during Q1-Q2 2022 to evaluate the recoverability of assets in Russia and to assess other potential liabilities, whilst at the same time being kept informed of the plan to implement and complete the requisite suspension of operations.

(iii) COVID-19 - With the top priority being health and safety of employees, throughout 2022 the board continued to monitor and assess actions required to be taken due to the ongoing COVID situation. A sample of the action taken include:

- From second quarter of 2022, the Company started its post COVID journey to return to normal operations and welcomed the employees back to all sites with measures such as maximum 50% occupancy at a time, availability to masks and sanitizers near each workstation and necessary adjustments in the facilities layout i.e., common places, toilets, canteen etc.
- A risk assessment team, led by Senior Vice President and Chief Administrative Officer of Cummins Inc., was formed, which continued to meet regularly during 2022 to ensure emphasis on employee health and safety. The risk assessment team comprised of various cross-business and cross-functional leaders and provided guidance to all Cummins worldwide sites (including Company's sites) for safely navigating to working in the new normal environment.
- The Company continued to refer to the Safe Work Playbook, which aims to be a one-stop resource for the policies, processes, tools, templates and training materials applicable to the Company's updated health and wellness protocols.

This report was approved by the board of directors on 28 June 2023 and signed on behalf of the board by:



J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

Cummins Generator Technologies Limited

Directors' Report

Year ended 31 December 2022

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 December 2022.

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
L Middleton
C O'Sullivan (Resigned 16 September 2022)

E D Smith resigned as a director on 31 March 2023.
L Middleton resigned as a director on 31 March 2023.
B V Daley was appointed as a director on 31 March 2023.
A Robson was appointed as a director on 31 March 2023.
E Avdic was appointed as a director on 31 March 2023.

Dividends paid and payable

An interim dividend of \$471,627,000 was paid during the year, no final dividend has been proposed. No dividends have been paid or proposed between the balance sheet date and the date of signing the financial statements.

Future developments

In April 2023, the company started consultation with the employees of the manufacturing production facility at the UK alternator production site to cease alternator manufacturing operations in the UK. Despite the hardest efforts of employees and management, the site has continued to operate at a significant financial loss and regrettably management has made the decision to cease manufacturing operations later in 2023 (subject to consultation). The UK entity will continue to purchase alternators from CGT's global supply chain and sell to the UK customer base. The Ryhall Road site in Stamford will continue to support an Engineering base, with the EMEA and HQ functions located in Peterborough.

Financial risk management

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

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

Foreign exchange risk

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

Credit risk

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

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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.

Supply Chain Disruption 2022

The Company's supply chain continued to be challenged during 2022 due to Russia-Ukraine conflict; resulting in global shortages of raw materials used by suppliers for the production of components supplied to the Company and a shortage of freight containers causing an increase in freight costs and global freight capacity issues. Major pricing impact was seen on a large range of commodities and energy costs driven by Russia - Ukraine conflict which resulted in an increased number of financial concerns for the Company's suppliers. Lessons learned from the disruption in 2021/2022 have enabled effective mitigation strategies implemented to maintain supply chain deliverables in 2022, allowing improved reaction time and rapid decision making in response to these industry challenges of which semi-conductor supply remains an ongoing issue.

Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine, and the global response (including government bans or restrictions on doing business in Russia), could have a material adverse impact on the Company and group's results of operations, financial condition and cash flows. In March 2022, the Company suspended its commercial operations in Russia indefinitely. The broader consequences of this conflict are discussed in the Strategic Report under the principal risks and uncertainties section.

Research and development

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

Directors' and officers' insurance

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

Going concern

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

Disclosure of information in the strategic report

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

Statement of directors' responsibilities in respect of the financial statements

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

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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

The directors are also 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.

Directors' confirmations

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 in order 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 more successful, whilst delivering better long-term business outcomes. The Company committed to embedding and sustaining this positive culture which has been important to the board for many years and is reflected in the Company's core values of Integrity, Diversity, Equity & 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 personnel changes, acquisitions and strategic partnerships. Members of the board are involved in many of the aspects of this information sharing process. Throughout 2022 there was a great deal of additional communication owing to the ongoing pandemic to ensure that employees were informed regarding working arrangements, home working and safety precautions required, and updates as circumstances changed, offices re-opened and Cummins rolled out its enhanced ways of working.

The Cummins business is composed of five business segments, with a number of functions in each region supporting all business segments. Every employee of the Company sits within a 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 U.K. receive regular monthly updates from their local site, incorporating global business news within the local context of regional customers and markets.

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. Live webinars and video presentations are also shared at different times throughout the year on specific topics. For example, leaders and employees took part in a live webinar event on International Day of the Girl.

The Company recognises that in-person interactions are also extremely valuable. In September 2022, Cummins launched an ambitious, global programme called Cummins Cafés. This programme was a direct result of what the Company heard from its last employee experience survey and other channels. The ask of leaders throughout at the Cummins group (including the Company) was to reconnect with employees after more than two years of a global pandemic, recognise them for extraordinary efforts, and clearly lay out Cummins' purpose, direction for the future, and the role employees have played and will continue play in the Company's success. An important part of these sessions was spending time hearing from and listening to employees. Many in-person sessions were held across the Company and all parts of Cummins, along with virtual sessions, and feedback was very positive. Quarterly regional townhall meetings continue virtually, where senior leaders update on business news in the Europe region. Time is always made to allow employees to ask questions and recordings are made available after the event.

During the COVID-19 pandemic, Cummins set up the "Move Europe" movement campaign, to improve mental and physical health, to which the Company was a part. At the first event, Cummins employees in Europe travelled over 70k km virtually together during one month. Feedback was positive, when surveying those that took part in Move Europe, 88% of respondents said that taking part had improved their mood. It was so successful that Cummins decided to carry it on. In 2022, Move Europe happened twice, in March and October, with employees running, walking, swimming and moving as they wanted and recording their progress as a collective.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

To promote good mind health, a webinar with Optum Employee Assistance Programme (EAP) was organised, to discuss the offerings of the service and how employees and managers can gain support. This was endorsed by Antonio Leitao, the Vice President for Europe and a member of the Company's board. Employees of the Company were able to ask questions and shown how to access resources. In addition, flyers and cards in multiple languages were shipped to Company sites in order to promote the EAP programme. The Company also held live webinar events to promote Women's health, where the Women's Empowerment Network presented on topics such as menopause, and infertility.

In 2022 the Company was excited to announce Cummins Volunteer Week, which took place in June. This was a time for colleagues from around the world to join together in demonstrating support and commitment to their communities. It had been over two years since the start of the pandemic, and employees were able to come together in person and give back to their communities. All sites of the Company got involved, and employees were able to use four hours of volunteering time to support local causes and Company's community partners.

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 2022 regular virtual meeting were held, 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 updates 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 (ERGs). Each of these groups has a sponsor, who will be a senior leader in the region and often a board member. ERGs 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, ERGs have been formed for the following diversity dimensions: Disabilities, Gender, LGBTQ+, Veterans and Multi-cultural. Employees are also encouraged to reach out to senior leaders for ideas of new groups which may be formed. The Company recently cemented its commitment to veterans by signing the Armed Forces Covenant in 2022.

The board takes a keen interest in employee matters. In 2022, 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 more work is required. 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. Work is also underway to facilitate a more representative workforce in the Company's hourly production workforce with an initiative aimed at encouraging female STEM apprentices. The Company has continued to expand its recruitment council scope with the intention of providing consistent oversight of the recruitment process for manager and director-level roles by ensuring a diverse slate of candidates for each role.

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 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. Cummins recognises that it takes courage to be who you are, especially at work, and by making room for everyone to succeed and by responding with empathy, we win with the power of difference.

Another area of Company's focus 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.

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

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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 including:

- **Building Success in You:** Focused on the Cummins Leadership Behaviours, this is a multi-session virtual classroom experience that combines teaching with intimate discussion and reflection in small table groups. The objective is for leaders to internalise and role model the Leadership Behaviours in their everyday interactions with stakeholders, peers and direct reports. This course is being actively rolled out across Company and the wider Europe, Middle East and Africa region.

Engagement with Stakeholders

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

Customers

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

Interactions between the Company's sales account managers and customers' purchasing leaders are very frequent. Customers may 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.

Business updates are regularly shared with / disseminated to all of the Company's customers, in case of a product change, update to shipping terms or if any closures of manufacturing plants are intended. The Company usually interacts with customers at trade shows which re-started in 2022 as COVID-19 restrictions started to relax.

Distributors

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

Communities

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

In 2022, more than 70% of the Company's employees participated in our Every Employee Every Community (EEEC) programme, which enables each employee to use at least four work hours to engage in their communities. The Company's employees contributed more than 14,500 hours volunteering to support their local communities in 2022. In addition, the Company, working with the Cummins Foundation, provided targeted grants to charities addressing the needs of refugee women and children arriving in Company's communities who were impacted by the war in Ukraine.

One example of a programme that the Company supported in 2022 was Breaking Barriers' First Steps programme. Breaking Barriers is a UK charity that works to support refugees in the UK, through integrating them into employment. Through grants and volunteering, The Company is supporting Breaking Barriers by providing tailored assistance to refugees who have little or no work experience in the UK. The Company volunteers offer career guidance, mentorship and employment workshops. Throughout 2022, the Company's employees and leaders also continued engaging in the Company's strategic community program focused on gender equality.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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 2022 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. Progress towards those targets slowed in 2022 as the company returned to its pre-COVID operating conditions. In particular, during 2022 the Company:

- generated 195 tonnes of waste, a drop of 12.6% on 2021, all of which (100%) was recycled;
- used 5,547,822 kWh of energy, a decrease of 0.1% against the previous year;
- emitted 1,083 MT of carbon dioxide, an increase of 5% against the previous year; and
- used 2,083 m3 of water, a 113.0% increase compared to the previous year.

Suppliers

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

During the 2022 financial year the Company invested significant time in a supply chain review. By undertaking the review, the Company has enhanced its supply chain operations through an internal transformation to adopt a global approach to supplier relationship management. The Company continues to work collaboratively with suppliers, to develop new ideas and business opportunities, such as identifying component design changes that would improve the manufacturing complexity and reduce process costs for one supplier.

- Supply Chain Finance - Increased the implementation of Supply Chain Financing ("SCF") opportunities for suppliers providing the selected suppliers with lower cost financing, faster invoice payment, increased liquidity and improved control of invoice payments;
- Supplier Diversity - As a Charter Member, the Company sponsored an innovation challenge programme with Minority Supplier Development UK (MSDUK) to attract and provide opportunities to Ethnic Minority Business suppliers. Started in 2018 there has been over 600 innovative ideas and 2022 saw the in-person event start again following the pandemic enforced virtual events. Cummins led the environmental category with the event attracting over 100 applicants with three Category winners and the overall winner receiving £20,000 plus a place on the Accenture Corporate Mentoring programme and 1 year MSDUK subscription; and
- Supplier recognition - in the fourth quarter of 2022 a virtual supplier recognition event was held to recognise outstanding supplier performance in the region. The event was attended by circa 150 delegates and in addition to overall Supplier of The Year awards for both direct and indirect purchasing awards were also given to those suppliers who excelled in areas of safety, quality, delivery, diversity, innovation, new product development and customer support.

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 2022 Cummins took part in a number of meetings (including round tables with other industry representatives) with Government to discuss and consult on trade, and transport and energy policy.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

Cummins UK Pension Plan

The trustee and the Company continue to have a strong and collaborative relationship with the Group Pensions Manager attending trustee meetings and providing periodic updates to directors of the Company. Following the year end, in February 2023 the Company paid to the Cummins UK Pension Plan contribution that had been agreed at the last valuation.

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 2022 financial year, the Company operated within its ultimate parent company's, Cummins Inc., "Cummins Code of Business Conduct" and "Cummins Inc. Corporate Governance Principles" (the 'Cummins Code'). Copies of each are available on the Cummins investor relations website at <https://investor.cummins.com/board-esg/governance/governance-documents>. Cummins requires each member of its group to be committed to the Cummins standards and values, by passing down its principles, and requiring that those be upheld.

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

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

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

The Company implements a risk monitoring and review process whereby a dedicated Risk Manager reports to the board at least twice a year on any key risks identified and detailing how those risks are being monitored. During 2022, changes to the key risks, included (i) removal of COVID; and (ii) addition of China dependency, Russia and energy security/supply (natural gas/electric).

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 2022 the board undertook an annual review of the Company's modern slavery policy. The board met more regularly in 2022 due to rapid changes in world events specifically Russia-Ukraine war and the board maintained its focus on the health, safety and well-being of the Company's employees, particularly in the context of the return to office of employees following ease in pandemic restrictions.

In 2022 the board comprised of six directors, as set out on page 6. 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.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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. During 2022 the company undertook a review of its board and decided to make certain changes to ensure that the board better reflects the operations of the company. In particular, the changes ensure all directors receive same level of information concerning the Company and that the board includes experts in engineering and finance. These changes were implemented in early 2023.

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 2022.

All directors are expected to continue to develop and educate themselves. Training during the 2022 financial year included updates on pension regulations that have an impact on the Company's pension scheme and updates on Environmental, Social and Governance (ESG) regulations. 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 2022 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 2022 to 31st December 2022, representing the Company's financial year. The Company has adopted a robust environmental management system and was ISO 14001 registered for the relevant period. The company is no longer ISO 50001 registered.

Energy Consumption

(a) The total annual quantity of energy consumed by the Company in the relevant period was 5,547,822 kWh (2020: 5,554,406 kWh), broken down as follows:

- Natural gas - 3,284,357 kWh (2021: 3,797,461 kWh);
- Electricity (purchased) - 1,399,948 kWh (2021: 1,347,092 kWh);
- Diesel - 789,994 kWh (2021: 352,986 kWh) based on assumed consumption of 73,562 litres;
- Propane - 38,867 kWh (2021: 40,288 kWh) based on assumed consumption of 5,477 litres; and
- Transport fuels - 34,656 kWh (2021: 16,226 kWh) based on assumed consumption of 3,319 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 346,559 kWh (2021: 162,249 kWh) (based on the consumption of 33,189 litres). The Company considers that it is responsible for 10% of this consumption.

(c) The Company has seen in 2022 an increase in diesel use for testing (124% increase over 2021) at its Stamford facility due to the increased use of its pilot centre which was closed throughout 2020 and reopened part way through 2021.

(d) The Company has seen in 2022 an increase in water use at its Peterborough office following a 28% increase in headcount plus work with the utility company to improve the accuracy of their data.

Cummins Generator Technologies Limited

Directors' Report (continued)

Year ended 31 December 2022

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 1,083 tCO₂e (2021: 1,026.88 tCO₂e, 2020: 978.31 tCO₂e), broken down as follows (figures in tCO₂e):

- Natural gas - 593.43 (2021: 778.18);
- Electricity (purchased) - 273.37 (2021: 134.71);
- Diesel - 199.43 (2021: 89.90);
- Propane - 8.25 (2021: 6.89);
- Transportation emissions - 8.2 (2021: 3.92)

The Company emits 3.39 tCO₂e for full time equivalent employee a decrease of 18.31% from 2021.

Energy Efficiency Measures

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

- Improved management of their air compressor
- Expansion of its shutdown programme to include their high loss transformer
- Expansion of its employee engagement program focused on low cost / no cost improvements.

The Company expects the above measures to result in energy savings of 42,000 kWh (2021: 92,903 kWh).

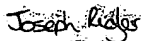
The Company's site at Peterborough remained partly closed for the part of the year during 2022 with the returning staff consolidating on the ground floor of the double storey office block.

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) 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 report was approved by the board of directors on 28 June 2023 and signed on behalf of the board by:



J Rigler
Director

Registered office:
Fountain Court
Lynch Wood
Peterborough
PE2 6FZ

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2022; 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.

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

Reporting on other information (continued)

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.

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 2022 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 in respect of the financial statements, 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 Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
28 June 2023

Cummins Generator Technologies Limited**Statement of Comprehensive Income****Year ended 31 December 2022**

		2022	2021
	Note	£000	£000
Turnover	4	33,241	23,519
Cost of sales		(59,051)	(42,867)
Gross loss		(25,810)	(19,348)
Distribution costs		(5,411)	(4,342)
Administrative expenses		(7,467)	(8,432)
Other operating income	5	14,529	11,812
Operating loss	6	(24,159)	(20,310)
Impairment on property, plant and equipment		–	(2,306)
Income from shares in group undertakings	9	472,390	1,705
Other interest receivable and similar income		1,408	593
Amounts written off investments	10	(305,770)	–
Interest payable and similar expenses		(1,951)	(674)
Profit/(loss) before taxation		141,918	(20,992)
Tax on profit/(loss)	11	(2,490)	(4,352)
Profit/(loss) for the financial year		139,428	(25,344)
Remeasurement of the net defined benefit plan		(48,987)	35,636
Tax relating to components of other comprehensive expense/income		11,765	(7,047)
Other comprehensive (expense)/income for the year		(37,222)	28,589
Total comprehensive income for the year		102,206	3,245

All the activities of the Company are from continuing operations.

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

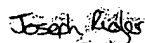
Cummins Generator Technologies Limited

Statement of Financial Position

As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	643	—
Tangible assets	14	4,561	7,180
Investments	15	2,431,761	2,737,530
		<u>2,436,965</u>	<u>2,744,710</u>
Current assets			
Stocks	16	5,758	6,695
Debtors	17	31,663	20,730
Cash at bank and in hand		998	1,506
		<u>38,419</u>	<u>28,931</u>
Creditors: amounts falling due within one year	18	(147,797)	(114,724)
Net current liabilities		<u>(109,378)</u>	<u>(85,793)</u>
Total assets less current liabilities		<u>2,327,587</u>	<u>2,658,917</u>
Provisions for liabilities	19	(199)	(117)
Net assets excluding defined benefit pension plan asset		<u>2,327,388</u>	<u>2,658,800</u>
Defined benefit pension plan asset	21	17,899	55,908
Net assets including defined benefit pension plan asset		<u>2,345,287</u>	<u>2,714,708</u>
Capital and reserves			
Called up share capital	22	500	500
Share premium account	23	1,890,675	1,890,675
Capital contribution	23	4,200	4,200
Profit and loss account	23	449,912	819,333
Total shareholders' funds		<u>2,345,287</u>	<u>2,714,708</u>

The financial statements on pages 18 to 35 were approved by the board of directors and authorised for issue on 28 June 2023, and are signed on behalf of the board by:



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 2022

	Note	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2021		500	1,890,675	4,200	816,088	2,711,463
Loss for the year		-	-	-	(25,344)	(25,344)
Other comprehensive income/(expense) for the year:						
Remeasurement of the net defined benefit plan	21	-	-	-	35,636	35,636
Tax relating to components of other comprehensive income	11	-	-	-	(7,047)	(7,047)
Total comprehensive income for the year		-	-	-	3,245	3,245
At 31 December 2021		500	1,890,675	4,200	819,333	2,714,708
Profit for the year		-	-	-	139,428	139,428
Other comprehensive income/(expense) for the year:						
Remeasurement of the net defined benefit plan	21	-	-	-	(48,987)	(48,987)
Tax relating to components of other comprehensive income	11	-	-	-	11,765	11,765
Total comprehensive income for the year		-	-	-	102,206	102,206
Dividends paid and payable	12	-	-	-	(471,627)	(471,627)
Total investments by and distributions to owners		-	-	-	(471,627)	(471,627)
At 31 December 2022		<u>500</u>	<u>1,890,675</u>	<u>4,200</u>	<u>449,912</u>	<u>2,345,287</u>

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 2022

1. General Information

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

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

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

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

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Cummins Inc. which can be obtained from the address in note 27. As such, advantage has been taken of the disclosure exemptions available under paragraph 1.12 of FRS 102 and no cash flow statement has been presented for the company.

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

Consolidation

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

Judgements and key sources of estimation uncertainty

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

Significant judgements

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

Investment impairment

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

Further details of investments in subsidiaries are contained in note 15 to the financial statements. The carrying amount of investments in subsidiaries at the balance sheet date was £2,431,761,000 (2021: £2,737,530,000) with an impairment loss of £305,770,000 being recognised in 2022 or (2021: £nil).

Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation are determined using actuarial valuations which make assumptions about a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These factors are estimated in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

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

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

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

Royalty income is recognised on an accruals basis based on the customers subsequent sales or usage in accordance with the substance of the underlying agreement.

Taxation

Current tax including corporation tax and overseas tax is provided on taxable profits at the current rate.
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

Foreign currencies

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

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

Leases

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

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

3. Accounting policies (continued)

Software

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

Amortisation

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

Computer software	-	20% straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

All fixed assets are initially recorded at cost.

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

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

Depreciation

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

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

The freehold land is not depreciated.

Investments in subsidiary and associated undertakings

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

Impairment of fixed assets

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

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

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

Stocks

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

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

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

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

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

3. Accounting policies (continued)

Provisions

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

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

Financial instruments

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

Financial assets

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

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

Financial liabilities

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

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

Pension costs

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

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

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

Government grants

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

Research and development

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

Cummins Generator Technologies Limited**Notes to the Financial Statements (continued)****Year ended 31 December 2022****4. Turnover**

Turnover arises from:

	2022	2021
	£000	£000
Sale of goods	<u>33,241</u>	<u>23,519</u>

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:

	2022	2021
	£000	£000
United Kingdom	28,170	17,822
Europe	2,784	1,361
North America	167	1,254
Asia	1,196	418
Rest of the world	924	2,664
	<u>33,241</u>	<u>23,519</u>

5. Other operating income

	2022	2021
	£000	£000
Royalty income	14,394	11,090
Miscellaneous income	135	722
	<u>14,529</u>	<u>11,812</u>

6. Operating loss

Operating loss is stated after charging/(crediting):

	2022	2021
	£000	£000
Depreciation of tangible assets	1,193	1,399
Loss on disposal of tangible assets	480	527
(Reversal of impairment)/impairment of trade debtors	(153)	38
Foreign exchange differences	2,006	880
Operating lease costs	1,379	1,611
Research and development	<u>3,967</u>	<u>3,774</u>

Amortisation of intangible assets is included in administrative expenses.

Auditor's remuneration for the audit of the financial statements of the Company: £ 48 (2021: £ 48)

7. Staff costs

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

	2022	2021
	No.	No.
Production and engineering	155	152
Administration	29	30
Sales and distribution	31	36
	<u>215</u>	<u>218</u>

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

	2022	2021
	£000	£000
Wages and salaries	9,304	10,111
Social security costs	1,263	1,281
Other pension costs	3,201	3,387
	<u>13,768</u>	<u>14,779</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

8. Directors' remuneration

2 (2021: 2) of the directors in office during the year were employees of the company and 3 (2021: 4) were employees of other group companies. The directors are remunerated for their services as employees and do not receive emoluments for their services as directors of the company.

9. Income from shares in group undertakings

	2022 £000	2021 £000
Dividends from subsidiaries	<u>472,390</u>	<u>1,705</u>

During the year cash dividends of £763,053 (2021: £1,704,525) were received from the company's subsidiary Cummins Generator Technologies India Private Limited. The company also received dividends in specie of the benefit of certain loan notes valued at £30,435,140 and £441,191,533 from its subsidiaries CMI PGI Holdings LLC and CMI Group Holdings B.V. respectively (2021: £NIL). These loan notes were subsequently distributed to the company's shareholder.

10. Amounts written off investments

	2022 £000	2021 £000
Impairment of investments	<u>305,770</u>	<u>-</u>

As part of a wider separation of the global filtration business from Cummins, the company's subsidiary CMI Group Holdings B.V. sold its filtration trade and assets valued at £471,627,000 to Cummins Power Generation Inc. The directors consider that an impairment in the value of its investment in CMI Group Holdings B.V. should be made in the amount of the filtration trade and assets sold as these are no longer part of the group headed by the company.

11. Tax on profit/(loss)

Major components of tax expense

	2022 £000	2021 £000
Foreign current tax expense	1,723	1,289
Adjustments in respect of prior periods	(9)	(336)
Total current tax	<u>1,714</u>	<u>953</u>
Deferred tax:		
Origination and reversal of timing differences	698	(260)
Impact of change in tax rate	-	3,591
Adjustments in respect of previous periods	78	68
Total deferred tax	<u>776</u>	<u>3,399</u>
Tax on profit/(loss)	<u>2,490</u>	<u>4,352</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 £(11,765,000) (2021: £7,047,000).

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

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

Reconciliation of tax expense

The tax assessed on the profit/(loss) before taxation is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £000	2021 £000
Profit/(loss) before taxation	141,918	(20,992)
Profit/(loss) before taxation multiplied by rate of tax	<u>26,965</u>	<u>(3,988)</u>
Adjustments in respect of prior periods	69	(268)
Effect of expenses not deductible for tax purposes	57,818	(127)
Effect of income exempt from tax	(89,769)	(79)
Group losses surrendered not paid for	4,883	3,934
Deferred tax not recognised at standard rate	801	-
Double taxation relief	1,723	1,289
Remeasurement of deferred tax - change in UK tax rate	-	<u>3,591</u>
Total tax on profit/(loss)	<u>2,490</u>	<u>4,352</u>

Factors that may affect future tax expense

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

12. Dividends paid and payable

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2022 £000	2021 £000
Interim paid: 2022: £943.25 per £1 share: £nil (2021: £nil)	<u>471,627</u>	<u>-</u>

13. Intangible assets

	Computer software £000
Cost	
At 1 January 2022	213
Additions	643
At 31 December 2022	<u>856</u>
Accumulated amortisation	
At 1 January 2022 and 31 December 2022	<u>213</u>
Carrying amount	
At 31 December 2022	<u>643</u>
At 31 December 2021	<u>-</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

14. Tangible assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2022	2,601	14,822	17,423
Additions	–	6	6
Disposals	–	(1,508)	(1,508)
Reclassifications	98	(97)	1
At 31 December 2022	2,699	13,223	15,922
Accumulated depreciation and impairment losses			
At 1 January 2022	2,146	8,097	10,243
Charge for the year	277	916	1,193
Disposals	–	(75)	(75)
At 31 December 2022	2,423	8,938	11,361
Carrying amount			
At 31 December 2022	276	4,285	4,561
At 31 December 2021	455	6,725	7,180

Plant and equipment includes amounts relating to construction in progress of £167,000 (2021: £490,000).

Capital commitments

	2022 £000	2021 £000
Contracted for but not provided for in the financial statements	16	11

15. Investments

	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost			
At 1 January 2022 and 31 December 2022	2,938,707	1,381	2,940,088
Accumulated impairment			
At 1 January 2022	202,558	–	202,558
Impairment losses (note 10)	305,769	–	305,769
At 31 December 2022	508,327	–	508,327
Carrying amount			
At 31 December 2022	2,430,380	1,381	2,431,761
At 31 December 2021	2,736,149	1,381	2,737,530

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

15. 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
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
	% ordinary shares held	Registered office	Principal activity
CMI Group Holdings B.V.	100%	Westerdoksdiik 423 1013 BX Amsterdam Netherlands	Holding Company
Cummins S. de RL de CV	*100%	Ave. Industrias Esq. Eje 122, No. 200, Zona Industrial San Luis Potosi Mexico, 28090	Manufacture & sale of diesel engines & related parts & components
CMI Mexico LLC	*100%	500 Jackson Street Columbus IN 47201, USA	Holding Company
Cummins Grupo Comercial Y de Servicios, S. de R.L. de C.V.	*100%	Carretera Federal 57 #4380 esquina Eje 128 Zona Industrial San Luis Potosi, S.L.P. Mexico, 78395	Manufacture & sale of diesel engines & related parts & components
Cummins Grupo Industrial S. de R.L. de C.V.	*100%	Boulevard Juan Pablo II No. 1951 Fracc. Rio Bravo Ciudad Juarez Chihuahua Mexico, 32550	Manufacture & sale of diesel engines & related parts & components
AVK Holdco UK Limited	100%	Fountain Court, Lynch Wood Peterborough, PE2 6FZ	Dormant

* held indirectly

The directors believe that no impairment indicators have been identified in the current year for the material investments except for the impairment disclosed in note 10.

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

15. Investments (continued)

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 2022 was £1,260,000 (2021: £862,000).

16. Stocks

	2022 £000	2021 £000
Raw materials and consumables	5,526	5,984
Work in progress	132	169
Finished goods and goods for resale	100	542
	<u>5,758</u>	<u>6,695</u>

Stocks are stated after provisions for impairments of £339,000 (2021: £124,000). The value of stocks in the balance sheet is not materially different from the replacement cost.

17. Debtors

	2022 £000	2021 £000
Trade debtors	4,792	4,627
Amounts owed by group undertakings	26,274	13,151
Deferred tax asset	–	1,039
Corporation tax repayable	–	419
Other debtors	–	695
Prepayments and accrued income	597	799
	<u>31,663</u>	<u>20,730</u>

Trade debtors are disclosed net of the bad debt provision £nil (2021: £143,000).

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.

18. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	119,140	90,329
Trade creditors	3,105	3,246
Amounts owed to group undertakings	22,840	19,084
Corporation tax	273	–
Other creditors including taxation and social security	786	296
Accruals and deferred income	1,653	1,769
	<u>147,797</u>	<u>114,724</u>

The bank overdraft arises on a cash pooling facility, is repayable on demand and interest is charged at bank base rate plus country risk premium. The overdraft is guaranteed by Cummins Inc.

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

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

19. Provisions for liabilities

	Warranties
	£000
At 1 January 2022	117
Additions	310
Charge against provision	(228)
At 31 December 2022	199

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.

20. Deferred tax

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

	2022	2021
	£000	£000
Included in debtors (note 17)	-	1,039

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

	2022	2021
	£000	£000
Accelerated capital allowances	-	1,023
Other timing differences	-	16
	-	1,039

21. 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 £459,000 (2021: £452,000).

Defined benefit section

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

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

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

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

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

21. Pensions and other post retirement benefits (continued)

From 1 January 2022 to 31 December 2024 no future service regular Company contributions are currently being paid. The Company continues to pay 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 2021.

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:

	2022 % pa	2021 % pa
Price inflation (RPI)	3.25	3.50
Price inflation (CPI)	3.00	3.00
Increases on pensions increasing with RPI		
- subject to a maximum of 5% pa	3.10	3.30
- subject to a maximum of 3% pa	2.40	2.50
Increases on pensions increasing with CPI		
- subject to a maximum of 5%	2.95	2.95
- subject to a maximum of 3%	2.40	2.40
- subject to a maximum of 2.5%	2.10	2.10
Earnings increases	3.75	3.75
Discount rate	5.00	1.95

The mortality assumptions as at 31 December 2022 are based on the SAPS "S3" tables, with a 101%/106% adjustment for male/female buy-in pensioners, a 97%/96% adjustment for male/female non buy-in pensioners and a 100%/96% adjustment for male/female non-pensioners, projected from 2013 using CMI 2019 Core Projection improvements with a 1.5% per annum long term trend, a smoothing parameter of 7.0 (the core value) and an initial addition of 0.25%.

The mortality rates imply future life expectancies at age 65 in 2022 and 2021 of:

	2022		2021		2021	
	Non buy-in pensioners	Buy-in pensioners	Non-pensioners	Non buy-in pensioners	Buy-in pensioners	Non-pensioners
Males	22.7	22.4	24.2	22.6	22.3	24.1
Females	25.1	24.4	26.8	25.0	24.3	26.7

Plan assets

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

	2022 %	2021 %
Equities	28.8	31.2
Bonds	7.0	35.2
Property	2.5	2.3
Cash and reinsurance	37.7	13.3
Buy-in policy	24.0	18.0
Fair value of assets (£000)	976,459	1,699,395

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

21. Pensions and other post retirement benefits (continued)

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

	Figures for whole plan		Figures for company	
	2022 £000	2021 £000	2022 £000	2021 £000
Present value of defined benefit obligations	(881,125)	(1,396,669)	(181,180)	(284,979)
Fair value of plan assets	976,459	1,699,395	205,045	358,880
	<u>95,334</u>	<u>302,726</u>	<u>23,865</u>	<u>73,901</u>
Deferred tax liabilities recognised	(23,833)	(75,681)	(5,966)	(17,993)
	<u>71,501</u>	<u>227,045</u>	<u>17,899</u>	<u>55,908</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 2022	1,396,669	284,979
Current service cost	23,908	2,742
Interest expense	26,756	5,459
Benefits paid	(49,339)	(10,144)
Contributions by plan participants	78	6
Remeasurements:		
Actuarial gains and losses	(516,947)	(101,862)
At 31 December 2022	<u>881,125</u>	<u>181,180</u>

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

	Figures for whole plan £000	Figures for company £000
At 1 January 2022	1,699,395	358,880
Interest income	32,686	6,866
Benefits paid	(49,339)	(10,144)
Contributions by employer	2,556	286
Contributions by plan participants	78	6
Remeasurements:		
Return on plan assets, excluding amount included in interest income	(708,917)	(150,849)
At 31 December 2022	<u>976,459</u>	<u>205,045</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

21. 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	
	2022 £000	2021 £000	2022 £000	2021 £000
Recognised in profit or loss:				
Current service cost	23,908	24,399	2,742	2,935
Net interest income	(5,930)	(2,206)	(1,407)	(593)
	<u>17,978</u>	<u>22,193</u>	<u>1,335</u>	<u>2,342</u>
Recognised in other comprehensive income:				
Remeasurement of the liability:				
Actuarial gains and losses	(516,947)	(101,829)	(101,862)	(20,827)
Return on plan assets, excluding amounts included in net interest	708,917	(65,180)	150,849	(14,809)
	<u>191,970</u>	<u>(167,009)</u>	<u>48,987</u>	<u>(35,636)</u>

The return on plan assets are as follows:

	Figures for whole plan		Figures for company	
	2022 £000	2021 £000	2022 £000	2021 £000
Return on assets of benefit plan	(676,326)	89,320	(142,060)	18,864

22. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>

23. 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.

24. Operating leases

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

	2022 £000	2021 £000
Not later than 1 year	1,134	3,132
Later than 1 year and not later than 5 years	15,860	13,332
Later than 5 years	225	-
	<u>17,219</u>	<u>16,464</u>

Cummins Generator Technologies Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2022

25. Guarantees

The UK group's bankers have given a total guarantee amounting to £7,552,000 in favour of H M Revenue & Customs (2021: £7,612,000), of this £600,000 (2021: £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.

26. 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 (2021: none).

27. 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.