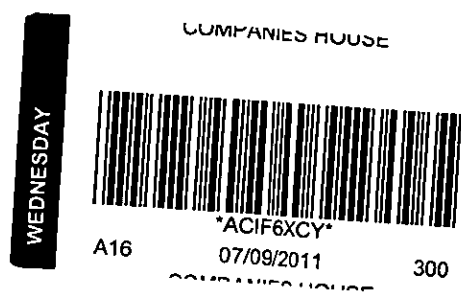


COMPANY REGISTRATION NUMBER 2058784

CUMMINS POWER GENERATION (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010



CUMMINS POWER GENERATION (UK) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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CUMMINS POWER GENERATION (UK) LIMITED

COMPANY INFORMATION

THE BOARD OF DIRECTORS

S Patch
L L Satterthwaite
R Eyres
J M Perkins

COMPANY SECRETARY

J Berenzweig

REGISTERED OFFICE

49-51 Gresham Road
Staines
Middlesex
TW18 2BD

AUDITOR

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

CUMMINS POWER GENERATION (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be that of the sale of AC generating sets into the marine and commercial vehicle sectors

In 2010 overall revenue was £11.9m which was a 34% increase over the previous year. This was due to the overall economic and market conditions primarily in the marine sector.

Marine revenue in 2010 was up by just over 30% compared with 2009. Due to picking up new sales accounts during this period, this was better than the general market situation which had a slight increase. This trend will continue during 2011 in some countries, but forecasts are indicating a higher growth in some countries such as the UK, France and Turkey compared to 2010.

The commercial mobile business grew in 2010 by just over 35% as this market was less affected by market conditions. Also new accounts continued to be gained within the UK with our new product line offerings.

KEY PERFORMANCE INDICATORS

	2010 £000	2009 £000
Sales per geographical location		
Europe	6,768	4,663
UK	3,505	3,111
Middle East & Africa	1,679	1,218

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £211,000. The directors have not recommended a dividend.

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 there is a foreign currency rate exposure. This exposure is hedged on a general basis through forward exchange contracts which are managed by its ultimate parent company, Cummins Inc.

Credit risk

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

Price risk

We are a significant user of steel and many other commodities are required for the manufacture of our products. Therefore increases in the prices of such commodities would potentially increase costs and impact on margins.

We rely on our suppliers to secure component products particularly steel and copper required for the manufacture of our products. All our engines and alternators are purchased from related parties, many other components are also sourced from related suppliers. Therefore exposure to commodity price risk is managed by our related suppliers and on a global basis through our ultimate parent company Cummins Inc.

CUMMINS POWER GENERATION (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

DIRECTORS

The directors who served the company during the year were as follows

L L Satterthwaite	
R Eyres	
J M Perkins	
S Philips	(Appointed 27 September 2010)
J M Day	(Resigned 27 September 2010)

S Philips resigned as a director on 19 April 2011
S Patch was appointed as a director on 19 April 2011

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

CUMMINS POWER GENERATION (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Registered office
49-51 Gresham Road
Staines
Middlesex
TW18 2BD

Signed on behalf of the directors



S PATCH
Director

Approved by the directors on 19-Aug-11

CUMMINS POWER GENERATION (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMMINS POWER GENERATION (UK) LIMITED

YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Cummins Power Generation (UK) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

CUMMINS POWER GENERATION (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMMINS POWER GENERATION (UK) LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2010

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Bill MacLeod

Bill MacLeod (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Newcastle upon Tyne

5 September 2011

CUMMINS POWER GENERATION (UK) LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
TURNOVER	2	11,952	8,992
Cost of sales		(10,387)	(7,770)
GROSS PROFIT		1,565	1,222
Distribution costs		(752)	(337)
Administrative expenses		(492)	(754)
OPERATING PROFIT	3	321	131
Interest receivable and similar income	5	8	-
Interest payable and similar charges	6	-	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		329	130
Tax on profit on ordinary activities	7	(118)	230
PROFIT FOR THE FINANCIAL YEAR		211	360

All of the activities of the company are classed as continuing

The notes on pages 10 to 20 form part of these financial statements

CUMMINS POWER GENERATION (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Profit for the financial year attributable to the shareholder	211	360
Actuarial gain/(loss) in respect of defined benefit pension scheme (note 13)	104	(42)
Deferred tax in respect of defined benefit pension scheme (note 13)	40	9
Total gains and losses recognised since the last annual report	<u>355</u>	<u>327</u>

The notes on pages 10 to 20 form part of these financial statements

CUMMINS POWER GENERATION (UK) LIMITED

BALANCE SHEET

31 DECEMBER 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	8	53	65
CURRENT ASSETS			
Stocks	9	2,273	1,925
Debtors	10	1,710	1,581
Cash at bank		6	5
		<u>3,989</u>	<u>3,511</u>
CREDITORS Amounts falling due within one year	12	<u>944</u>	<u>736</u>
NET CURRENT ASSETS		<u>3,045</u>	<u>2,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,098</u>	<u>2,840</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	11	—	(13)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>3,098</u>	<u>2,827</u>
Defined benefit pension scheme liability	13	(19)	(103)
NET ASSETS INCLUDING PENSION LIABILITY		<u>3,079</u>	<u>2,724</u>
CAPITAL AND RESERVES			
Called-up equity share capital	17	260	260
Profit and loss account	18	2,819	2,464
SHAREHOLDER'S FUNDS	19	<u>3,079</u>	<u>2,724</u>

These financial statements were approved by the directors and authorised for issue on 19-Aug-11, and are signed on their behalf by



S PATCH

Company Registration Number 2058784

The notes on pages 10 to 20 form part of these financial statements

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have also been prepared on the going concern basis and in accordance with the Companies Act 2006. The principal accounting policies adopted and consistently applied are set out below

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary undertaking of Cummins Inc (incorporated in the state of Indiana) which prepares consolidated financial statements that are publicly available

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

Fixed assets

Tangible fixed assets are stated at cost, less depreciation

Depreciation

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

Leasehold improvements	-	Over the length of the lease
Plant & machinery	-	20% straight line
Fixtures & fittings	-	15% & 20% straight line
Computer equipment	-	20% & 30% straight line

Stock

Stock is valued at the lower of cost and net realisable value

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Pension costs and other post-retirement benefits

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 period that those benefits are earned by employees. The financial return expected on the scheme's assets is recognised in the period in which they arise as part of finance (expense)/income and the effect of the unwinding of the discounted value of the scheme's liabilities is treated as part of finance (expense)/income. Pension scheme assets are measured using market 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 actuarial gains or losses as they arise in the statement of total recognised gains and losses. 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 period in which they arise

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling of the transaction. All differences are taken to the profit and loss account.

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2010	2009
	£000	£000
United Kingdom	3,505	3,111
Europe	6,768	4,663
Rest of the world	1,679	1,218
	<u>11,952</u>	<u>8,992</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	2010	2009
	£000	£000
Depreciation of owned fixed assets	12	11
Auditor's remuneration		
- as auditor	14	14
Operating lease costs		
- Plant and equipment	24	22
- Other	55	55
Net loss on foreign currency translation	24	338

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2010	2009
	No	No
Administration	2	2
Production and sales	5	6
	<u>7</u>	<u>8</u>

The aggregate payroll costs of the above were:

	2010	2009
	£000	£000
Wages and salaries	292	271
Social security costs	24	26
Other pension costs	31	28
	<u>347</u>	<u>325</u>

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income (see note 5), charged to finance costs (see note 6), and amounts recognised in the statement of recognised gains and losses.

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£000	£000
Net finance income in respect of defined benefit pension schemes	<u>8</u>	<u>-</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£000	£000
Other similar charges payable	<u>-</u>	<u>1</u>

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2010	2009
	£000	£000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	93	33
Adjustments to previous periods	(33)	(267)
Total current tax	<u>60</u>	<u>(234)</u>
Deferred tax		
Origination and reversal of timing differences	63	4
Effect of changed tax rate	(5)	-
Total deferred tax (note 11)	<u>58</u>	<u>4</u>
Tax on profit on ordinary activities	<u>118</u>	<u>(230)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010	2009
	£000	£000
Profit on ordinary activities before taxation	<u>329</u>	<u>130</u>
Profit on ordinary activities by rate of tax	92	36
Expenses not deductible for tax purposes	4	1
Fixed asset timing differences	-	(4)
Adjustments to tax charge in respect of previous periods	(33)	(267)
Pensions timing differences	(3)	-
Total current tax (note 7(a))	<u>60</u>	<u>(234)</u>

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

8 TANGIBLE FIXED ASSETS

	Improvements to land and buildings leasehold £000	Plant & machinery £000	Fixtures & Fittings £000	Computer equipment £000	Total £000
COST					
At 1 January 2010 and 31 December 2010	<u>53</u>	<u>14</u>	<u>9</u>	<u>13</u>	<u>89</u>
DEPRECIATION					
At 1 January 2010	5	4	4	11	24
Charge for the year	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>12</u>
At 31 December 2010	<u>11</u>	<u>10</u>	<u>4</u>	<u>11</u>	<u>36</u>
NET BOOK VALUE					
At 31 December 2010	<u>42</u>	<u>4</u>	<u>5</u>	<u>2</u>	<u>53</u>
At 31 December 2009	<u>48</u>	<u>10</u>	<u>5</u>	<u>2</u>	<u>65</u>

9 STOCKS

	2010 £000	2009 £000
Finished goods and goods for resale	<u>2,273</u>	<u>1,925</u>

10 DEBTORS

	2010 £000	2009 £000
Trade debtors	1,518	1,002
Amounts owed by group undertakings	130	268
Corporation tax repayable	17	-
VAT recoverable	13	-
Other debtors	-	282
Prepayments and accrued income	31	29
Deferred taxation (note 11)	1	-
	<u>1,710</u>	<u>1,581</u>

11 DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2010 £000	2009 £000
Included in debtors (note 10)	1	-
Included in provisions	-	(13)
	<u>1</u>	<u>(13)</u>

The movement in the deferred taxation account during the year was

	2010 £000	2009 £000
Balance brought forward	(13)	(9)
Profit and loss account movement arising during the year	14	(4)
Balance carried forward	<u>1</u>	<u>(13)</u>

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

11 DEFERRED TAXATION *(continued)*

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

	2010	2009
	£000	£000
Excess of depreciation over taxation allowances	1	(13)
	<u>1</u>	<u>(13)</u>

12 CREDITORS Amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	76	32
Amounts owed to group undertakings	784	329
Corporation tax	-	33
Other creditors	-	244
Accruals and deferred income	84	98
	<u>944</u>	<u>736</u>

13 PENSIONS AND OTHER POST RETIREMENT BENEFITS

DEFINED BENEFIT SECTION

The company participates in a final salary defined benefit scheme for employees, which is 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 scheme liabilities in these financial statements under FRS 17.

The approach of accounting under FRS 17 on a defined benefit basis was first adopted in these financial statements as at 31 December 2008. In previous financial statements, disclosures were prepared on a defined contribution basis, due to the difficulty in attributing liabilities and costs to the different companies participating within the scheme. For the purpose of allocating liabilities and costs to the Company more detailed calculations based on individual liability assessments are now performed, and assets are divided on a pragmatic basis. It should be stressed that the Plan is not operated on a sectionalised basis and these divisions are, therefore, purely notional for reporting purposes under FRS 17. The assets and costs relating to defined contribution benefits within the Plan are not included within these FRS 17 disclosures and are accounted for separately.

During the year to 31 December 2010 the participating companies paid contributions at an average rate of around 20.3% of pensionable pay to the Plan plus member contributions (at an average rate of around 7.7% pa of pensionable pay) for those employees participating in SMART pensions (an arrangement whereby the Company pays what would have been the member's contribution in lieu of a corresponding reduction in pay). These contribution rates were based on the actuarial valuation carried out as at 1 January 2009. Additional deficit contributions (of circa £30 million) were paid to ensure the total company contributions totalled £40 million.

In December 2010, Cummins Ltd also paid an additional £30 million into the Plan as early payment of the deficit contributions due in 2011.

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

13 PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

The latest actuarial valuation of the Plan for funding purposes was carried out as at 1 January 2009 by an independent professionally qualified actuary using the projected unit method, with a new rate of contributions subsequently coming into force from 2010. The value of the assets at the valuation date represented 79% of the value of members' accrued benefits, after allowing for projected future increases in pensionable remuneration in respect of members in service. In order to eliminate the shortfall the principal company of the Plan, Cummins UK Holdings Ltd have agreed that overall contributions of £40 million a year will be paid into the Plan by all the employers collectively from 1 January 2010 until 31 December 2015. This is inclusive of contributions in respect of future benefit accrual and to meet the costs of Pension Protection Fund levies, but exclusive of the contributions in respect of SMART pensions payable by the employers on behalf of members. In addition, participating employers meet the cost of life assurance premiums directly.

In addition, Cummins Ltd and Cummins Generator Technologies have made a commitment for Pension Protection Fund purposes that they will meet any contributions not met by the other employers up to the point the Cummins UK Pension Plan would be funded to 105% on the S179 basis.

Pension costs in these accounts are recognised in accordance with FRS 17 taking into account the amendment to the standard published in December 2006 as set out below.

Actuarial assumptions

The financial assumptions used to calculate scheme liabilities under FRS 17 are as follows:

	2010	2009	2008
	% pa	% pa	% pa
RPI inflation	3.50	3.50	3.25
CPI inflation	2.80	N/A	N/A
Salary increases	4.50	4.50	4.25
Increases to pensions in payment increasing with RPI			
- subject to a 5% maximum each year	3.25	3.25	3.00
- subject to a 2.5% maximum each year	2.50	2.50	2.40
Increases to pensions in payment increasing with CPI			
- subject to a 5% maximum each year	2.80	N/A	N/A
- subject to a 2.5% maximum each year	2.50	N/A	N/A
Increases to deferred pensions subject to statutory revaluation	2.80	3.50	3.25
Discount rate	5.50	5.80	6.20
Expected return on assets	7.00	7.25	7.25

Many of the benefit increases in the Plan are affected by the Government's change to linking future increases to CPI, rather than RPI, inflation as detailed in the table above.

Post retirement mortality rates adopted for the year ended 31 December 2010 are based on 1/3rd of the PA92 tables, projected to 2006 using the base level of improvement from the "92" series (with a one year deduction for pensioners and a two year deduction for non-pensioners to allow for future improvements) and 2/3rds of the SAPS S1PA tables with a 105% multiplier (reducing life expectancy) and projected from 2003 to 2010 using "medium cohort" improvements with a minimal annual rate of improvement of 1%, together with the same allowance for improvements after 2010.

The mortality rates imply future life expectancies of:

	2010	2009
	Years	Years
Longevity at age 65 for current pensioners		
- Men	20	20
- Women	23	23
Longevity at age 65 for future pensioners		
- Men	22	21
- Women	25	24

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

13 PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Scheme assets

The total Plan assets for the purpose of the overall FRS 17 assessment are set out below

	2010 %	2009 %	2008 %
Equities	57.0	58.5	54.1
Bonds	40.0	38.2	41.3
Property	3.0	3.3	4.4
Cash	-	-	0.2
Fair value of total Plan assets (£000)	696,511	571,016	511,434

The overall expected return has been derived by looking at the assets held at the balance sheet and considering expected returns for each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations. The Plan does not hold any direct financial instruments relating to the company or property occupied by it.

The amounts recognised in the profit and loss account are as follows

	Figures for whole plan		Figures for company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts charged to operating profit				
Current service cost	12,005	11,383	20	18
Gains on settlements and curtailments	-	(6,400)	-	(10)
Total operating charge	<u>12,005</u>	<u>4,983</u>	<u>20</u>	<u>8</u>
Amounts included in other finance (income)/cost				
Expected return on scheme assets	(42,078)	(36,221)	(66)	(56)
Interest on scheme liabilities	37,701	36,302	58	57
Other finance (income)/cost	<u>(4,377)</u>	<u>81</u>	<u>(8)</u>	<u>1</u>
Total charge to the profit and loss account	<u>7,628</u>	<u>5,064</u>	<u>12</u>	<u>9</u>

Other finance income is included in the profit and loss account within interest receivable and similar income

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

13 PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Analysis of amounts recognised in the statement of total recognised gains and losses

	2010 £000	2009 £000	2010 £000	2009 £000
Expected return less actual return on scheme assets	(34,151)	(46,228)	(51)	(153)
Expected losses on scheme liabilities	(19,600)	(14,085)	(45)	(41)
Loss/(gain) on change of assumptions underlying the present value of scheme liabilities	(3,629)	80,700	(8)	236
Total loss recognised in the statement of total recognised gains and losses	(57,380)	20,387	(104)	42

Cumulative actuarial loss recognised in statement of total recognised gains and losses

	2010 £000	2009 £000	2010 £000	2009 £000
Cumulative amount at start of year	108,120	87,733	200	158
Cumulative amount at end of year	50,740	108,120	96	200

The amounts recognised in the balance sheet are as follows

	Figures for whole plan		Figures for company	
	2010 £000	2009 £000	2010 £000	2009 £000
Present value of funded obligations	(665,100)	(662,400)	(1,021)	(1,033)
Fair value of scheme assets	696,511	571,016	994	890
	31,411	(91,384)	(27)	(143)
Related deferred tax asset	3,830	25,588	8	40
Net pension asset/(liability)	35,241	(65,796)	(19)	(103)

Of the movement in deferred tax, £40,000 (2009 - £9,000) was recognised as a gain in the statement of total recognised gains and losses and an expense of £72,000 (2009 - £nil) was recognised in the profit and loss account

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

	Figures for whole plan		Figures for company	
	2010 £000	2009 £000	2010 £000	2009 £000
Opening defined benefit obligation	662,400	590,850	1,033	830
Current service cost	12,005	11,383	20	18
Previously unrecognised surplus deducted from losses on settlements and curtailments	-	(6,400)	-	(10)
Interest on scheme liabilities	37,701	36,302	58	57
Actuarial (gain)/loss	(23,229)	66,615	(53)	195
Contributions by scheme participants	584	654	-	1
Benefits paid	(24,361)	(37,004)	(37)	(58)
Closing defined benefit obligation	665,100	662,400	1,021	1,033

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

13 PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

Changes in the fair value of scheme assets are as follows

	Figures for whole plan		Figures for company	
	2010 £000	2009 £000	2010 £000	2009 £000
Opening fair value of scheme assets	571,016	511,434	890	719
Expected return on scheme assets	42,078	36,221	66	56
Contributions by employer	73,043	13,483	24	19
Contributions by scheme participants	584	654	—	1
Actuarial gain	34,151	46,228	51	153
Benefits paid	(24,361)	(37,004)	(37)	(58)
Closing fair value of scheme assets	<u>696,511</u>	<u>571,016</u>	<u>994</u>	<u>890</u>

Amounts for the current and previous two periods are as follows

Figures for whole plan	2010 £000	2009 £000	2008 £000
Defined benefit obligation	(665,100)	(662,400)	(590,850)
Fair value of scheme assets	<u>696,511</u>	<u>571,016</u>	<u>511,434</u>
Surplus/(deficit) in the scheme	<u>31,411</u>	<u>(91,384)</u>	<u>(79,416)</u>
Experience adjustments on scheme liabilities (£000)	<u>(23,229)</u>	<u>66,615</u>	<u>(32,522)</u>
Experience adjustments on scheme assets (£000)	<u>34,151</u>	<u>46,228</u>	<u>(146,022)</u>
Figures for company	2010 £000	2009 £000	2008 £000
Defined benefit obligation	(1,021)	(1,033)	(830)
Fair value of scheme assets	<u>994</u>	<u>890</u>	<u>719</u>
Deficit in the scheme	<u>(27)</u>	<u>(143)</u>	<u>(111)</u>
Experience adjustments on scheme liabilities (£000)	<u>(53)</u>	<u>195</u>	<u>(39)</u>
Experience adjustments on scheme assets (£000)	<u>51</u>	<u>153</u>	<u>(197)</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year for the company was £117,000 (2009 - £209,000).

DEFINED CONTRIBUTION SECTION

The cost of contributions to the defined contribution section amounts to £9,000 (2009 - £16,000).

CUMMINS POWER GENERATION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

14 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	-	-	-	2
Within 2 to 5 years	-	5	-	16
After more than 5 years	55	-	55	-
	<u>55</u>	<u>5</u>	<u>55</u>	<u>18</u>

15 GUARANTEES

The UK group's bankers have given a total guarantee amounting to £2,810,000 in favour of HM Revenue & Customs (2009 - £6,700,000) of this £100,000 (2009 - £100 000) 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.

16 RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Cummins Inc the company has taken advantage of the exemption in FRS 8 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 (2009 - none)

17 SHARE CAPITAL

Authorised share capital

	2010	2009
	£000	£000
260 516 Ordinary shares of £1 each	<u>261</u>	<u>261</u>

Allotted, called up and fully paid

	2010		2009	
	No	£000	No	£000
260,418 Ordinary shares of £1 each	<u>260,418</u>	<u>260</u>	<u>260,418</u>	<u>260</u>

CUMMINS POWER GENERATION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010**

18 RESERVES

	Profit and loss account
	£000
Balance brought forward	2,464
Profit for the year	211
Actuarial gain/(loss) on pension scheme net of deferred tax	144
Balance carried forward	<u>2 819</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2010 £000	2009 £000
Profit for the financial year	211	360
Actuarial gain/(loss) on pension scheme net of deferred tax	144	(33)
Net addition to shareholder's funds	<u>355</u>	<u>327</u>
Opening shareholder's funds	2 724	2,397
Closing shareholder's funds	<u>3,079</u>	<u>2 724</u>

20 ULTIMATE PARENT COMPANY

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