

COMPANY REGISTRATION NUMBER 08304429

CUMMINS PGI HOLDINGS LTD
ANNUAL REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2013



CUMMINS PGI HOLDINGS LTD

ANNUAL REPORT

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

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CUMMINS PGI HOLDINGS LTD

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

R J Eyres
A J Robinson

COMPANY SECRETARY

R J Eyres

REGISTERED OFFICE

49-51 Gresham Road
Staines
Middlesex
TW18 2BD

INDEPENDENT AUDITORS

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

CUMMINS PGI HOLDINGS LTD

STRATEGIC REPORT

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

BUSINESS REVIEW

The principal activity of the company during the period was that of a holding company and holds investments in subsidiaries of Cummins Inc.

On 27 November 2012 the company acquired 100% of the share capital of PGI (Overseas Holdings) BV in exchange for 100 ordinary £1 shares in the company. 99 of these shares were issued to Cummins EMEA Holdings Limited and 1 share was issued to Power Group International (Overseas Holdings) Limited.

During the period the company received dividends of £42m from its subsidiary undertakings.

As a result of the softening in the profitability of Cummins Power Generation Limited due to global economic conditions, an independent valuation of this company was carried out at 31 December 2013. As a result of this, during the year the company has recognised an impairment in the value of its investment in PGI (Overseas Holdings) B.V. of £323m.

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the nature of the company, the directors do not consider there to be any significant operational risks other than financial risks discussed in the directors' report.

KEY PERFORMANCE INDICATORS

Key performance indicators are not used to manage the business given its limited transactions.

Signed on behalf of the directors



A J ROBINSON
Director

Approved by the directors on 18 JUNE 2014

CUMMINS PGI HOLDINGS LTD

DIRECTORS' REPORT

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

The directors present their report and the audited financial statements of the company for the period from 22 November 2012 to 31 December 2013.

INCORPORATION

The company was incorporated on 22 November 2012.

FUTURE DEVELOPMENTS

The company will continue to act as a holding company.

RESULTS AND DIVIDENDS

The loss for the period amounted to £280,707,000.

FINANCIAL RISK MANAGEMENT

The company is not exposed to significant price risk, credit risk, liquidity risk or cash flow risk.

DIRECTORS

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

A J Robinson

R J Eyres

(Appointed 22 November 2012)

DIRECTORS' INDEMNITIES

The company's ultimate parent company Cummins Inc, maintains liability insurance for its directors and officers. Cummins Inc has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 and was in force during the financial period and also at the date of approval of the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 prepared 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

CUMMINS PGI HOLDINGS LTD

DIRECTORS' REPORT *(continued)*

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirm that:

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

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

Signed on behalf of the directors

x 

A J ROBINSON
Director

Approved by the directors on^x 18 JUNE 2014

CUMMINS PGI HOLDINGS LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CUMMINS PGI HOLDINGS LTD

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the period 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Cummins PGI Holdings Ltd, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of the financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CUMMINS PGI HOLDINGS LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CUMMINS PGI HOLDINGS LTD

(continued)

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

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 ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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 this opinion, 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.

Bill MacLeod

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

18 June 2014
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CUMMINS PGI HOLDINGS LTD

PROFIT AND LOSS ACCOUNT

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

	Note	Period from 22 Nov 12 to 31 Dec 13 £000
TURNOVER		–
Administrative expenses		(322,707)
OPERATING LOSS	2	(322,707)
Attributable to:		
Exceptional items	2	(322,707)
Income from shares in group undertakings		42,000
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(280,707)
Tax on loss on ordinary activities	4	–
LOSS FOR THE FINANCIAL PERIOD	9	<u>(280,707)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historic cost equivalents.

The notes on pages 9 to 12 form part of these financial statements.

CUMMINS PGI HOLDINGS LTD

BALANCE SHEET

31 DECEMBER 2013

	Note	31 Dec 13 £000
FIXED ASSETS		
Investments	6	261,719
TOTAL ASSETS		<u>261,719</u>
CAPITAL AND RESERVES		
Called up share capital	8	-
Share premium account	9	584,426
Profit and loss account	9	(322,707)
TOTAL SHAREHOLDERS' FUNDS	10	<u>261,719</u>

The financial statements on pages 7 to 12 were approved by the directors and authorised for issue on 18 JUNE 2014 and are signed on their behalf by:



A J ROBINSON

Company Registration Number: 08304429

The notes on pages 9 to 12 form part of these financial statements.

CUMMINS PGI HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of accounting

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

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.

Consolidation

The company was, at the end of the period, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements. As such these financial statements present information about the company and not the group.

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 wholly owned and its parent publishes a consolidated cash flow statement.

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.

Investment in subsidiary undertakings

The company's investment in subsidiary undertakings is stated at historic cost, or nominal value of shares issued, adjusted for the value of any subsequent capital contribution, less provision for impairment. The directors perform impairment reviews where they identify indicators of impairment.

2. OPERATING LOSS

Operating loss is stated after charging:

	Period from 22 Nov 12 to 31 Dec 13 £000
Auditors' remuneration	
- as auditors	3
Exceptional items	<u>322,707</u>

The audit fee was borne by Cummins Limited.

Exceptional items comprise the impairment in the value of the company's investment in PGI (Overseas Holdings) B.V. of £323m. The carrying amount of this investment was reduced to its value in use as determined by independent valuers appointed by the directors.

CUMMINS PGI HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

3. PARTICULARS OF EMPLOYEES

The company did not have any employees during the period.

The emoluments of the directors are paid by Cummins Limited. The directors' services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their service to Cummins Ltd.

4. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

The current and deferred tax charge for the period were both nil.

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the blended rate of corporation tax in the UK of 23.32%.

	Period from 22 Nov 12 to 31 Dec 13 £000
Loss on ordinary activities before taxation	(280,707)
Loss on ordinary activities by rate of tax	(65,468)
Non-taxable income	(9,796)
Expenses not deductible	75,264
Total current tax (note 4(a))	-

(c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Further reductions in this corporation tax rate effective on 1 April 2014 from 23% to 21% and on 1 April 2015 from 21% to 20% were substantially enacted for the purposes of FRS 19 on 2 July 2013. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 23.32%.

5. DIVIDENDS

	Period from 22 Nov 12 to 31 Dec 13 £000
Ordinary shares	
Interim paid: £210,000.00 per £1 share	42,000

CUMMINS PGI HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

6. INVESTMENTS

	Subsidiary undertakings £000
COST	
Additions	584,426
At 31 December 2013	<u>584,426</u>
IMPAIRMENT	
Impairment charge (note 2)	322,707
At 31 December 2013	<u>322,707</u>
NET BOOK VALUE	
At 31 December 2013	<u>261,719</u>

The subsidiaries of the company are as follows:

	Country of incorporation and operation	Principal activity	% of shares held
Power Group International (Overseas Holdings) BV	Netherlands	Holding company	100

On 27 November 2012 the company acquired 100% of the share capital of Power Group International (Overseas Holdings) BV in exchange for 100 ordinary shares in the company.

The directors believe that the carrying value of the investments is supported by their expected future cash flows.

7. RELATED PARTY TRANSACTIONS

As a subsidiary of Cummins Inc, the company has taken advantage of the exemption in Financial Reporting Standard 8, "Related Party Disclosures", not to disclose transactions with other wholly owned members of the group headed by Cummins Inc. There were no other related party transactions in the period.

8. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

Ordinary shares of £1 each	No <u>200</u>	£000 <u>-</u>
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100 £1 ordinary shares were issued at par on incorporation.

On 27 November 2012 100 £1 ordinary shares were issued at a total of £584,426,077 as consideration for the acquisition of the entire share capital of PGI (Overseas Holdings) B.V.

CUMMINS PGI HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 22 NOVEMBER 2012 TO 31 DECEMBER 2013

9. RESERVES

	Share premium account £000	Profit and loss account £000
Loss for the financial period	-	(280,707)
Equity dividends	-	(42,000)
Other movements		
Premium on new share capital subscribed	584,426	-
Balance carried forward	<u>584,426</u>	<u>(322,707)</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 13 £000
Loss for the financial period	(280,707)
Premium on new share capital subscribed	584,426
	<u>303,719</u>
Dividends	(42,000)
Net addition to shareholders' funds	<u>261,719</u>
Closing shareholders' funds	<u>261,719</u>

11. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Cummins Inc, a company incorporated in the state of Indiana, USA. The company's immediate parent company is Cummins EMEA Holdings Ltd, a company incorporated and registered in England & Wales.

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