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Registration Number 2058784

**Cummins Power Generation (UK) Limited  
(Formerly Onan International Limited)**

**Directors' Report  
and Financial Statements  
for the year ended 31st December 2006**

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**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Company Information**

Directors	L L Satterthwaite	
	R Eyres	
	J M Perkins	
	E A Kelly	Resigned 29th September 2006
	Julie Furber	Appointed 29th September 2006
Secretary	Ann Rapley	
Company Number	2058784	
Business Address	Unit 44 Guash Way Stamford Lincolnshire PE9 1XP	
Registered Office	49 – 51 Gresham Road Stanes Middlesex TW18 2BD	
Auditors	Rawlinsons The Lawns 33 Thorpe Road Peterborough PE3 6AD	

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

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**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Directors' Report**  
**for the year ended 31st December 2006**

The directors present their report and the financial statements for the year ended 31st December 2006

**Principal Activity and Review of the Business**

The principal activity of the company during the year was the sale of AC generating sets

2006 was another record year for the company, with sales increasing by 13% compared to 2005, ending the year at £8.14 million. The marine market continues to be our main market sector accounting for 96% of the total business. The overall marine market grew by 8% to 10% in 2006 and therefore our growth continues to be above the general market conditions. Most of our key markets had record years, in particular the UK, France, Italy and Turkey.

With the arrival of a completely new product range in 2007, in a new market sector for us, we expect increased growth in terms of our sales revenue.

**Results and Dividends**

The results for the year are set out on page 5 and can be summarized as follows:

**Key performance indicators**

	2006	2005	% change
<b>Sales per geographical location:</b>			
Europe	4,891,269	3,990,336	+22.6%
UK	2,511,231	2,290,914	+9.6%
Middle East	511,911	369,810	+38.4%
Africa	227,749	569,518	-60.0%
<b>Operating profit</b>	1%	2%	-1%

The directors do not recommend payment of a final dividend.

**Risks**

The company faces a range of risks and uncertainties as part of its day to day operations. The most significant risk factors we have identified relate to:

- Fluctuations in the US dollar or movements in interest rates,
- Pension scheme funding requirements,
- changes in our main operating market, the Marine boat market,
- changes in key staff

**Post Balance Sheet Events**

On 16th February 2007 by special resolution, the company changed its name to Cummins Power Generation (UK) Limited.

**Cummins Power Generation (UK) Limited  
(Formerly Onan International Limited)**

**Directors' Report  
for the year ended 31st December 2006**

**Directors and their Interests**

The directors who served during the year are as stated below

L L Satterthwaite

R Eyres

J M Perkins

E A Kelly            Resigned 29th September 2006

Julie Furber        Appointed 29th September 2006

No director has any interests in the shares of the company

**Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**Statement of Disclosure to Auditor**

- a) So far as the directors are aware there are no relevant audit information of which the company's auditors are unaware, and
- b) 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 auditors are aware of that information.

**Auditors**

In accordance with Section 394 of the Companies Act 1985, Thomas May & Co resigned as auditors of the company. The Company appointed Rawlinsons as their auditors.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Rawlinsons be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 17th September 2007 and signed on its behalf by



**Julie Furber  
Director**

**Cummins Power Generation (UK) Limited  
(Formerly Onan International Limited)**

**Independent Auditors' Report to the Shareholders**

We have audited the financial statements of Cummins Power Generation (UK) Limited (Formerly Onan International Limited) for the year ended 31st December 2006 on pages 5 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 1, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and the United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Cummins Power Generation (UK) Limited  
(Formerly Onan International Limited)**

**Independent Auditors' Report to the Shareholders**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements

**Dated this 18th day of September 2007**

A stylized, handwritten signature in black ink that reads "Rawlinsons". The signature is written in a cursive, flowing style with a large initial 'R'.

**The Lawns  
33 Thorpe Road  
Peterborough PE3 6AD**

**Rawlinsons  
Chartered Accountants  
and Registered Auditors**

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Profit and Loss Account**  
**for the year ended 31st December 2006**

		<b>Continuing operations</b>	
	<b>Notes</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	8,142,160	7,220,578
Raw materials and consumables		(7,257,453)	(6,437,089)
Other external charges		(165,583)	(190,131)
Staff costs	<b>4</b>	(293,483)	(246,718)
Depreciation on fixed assets		(5,406)	(3,324)
Other operating charges		(199,289)	(167,375)
<b>Retained profit for the year</b>		<u>220,946</u>	<u>175,941</u>
Retained profit brought forward		1,072,164	896,223
<b>Retained profit carried forward</b>		<u>1,293,110</u>	<u>1,072,164</u>

There are no recognised gains or losses other than the profit or loss for the above two financial years

The notes on pages 7 to 14 form an integral part of these financial statements.



**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Balance Sheet**  
**as at 31st December 2006**

	Notes	2006 £	£	2005 £	£
<b>Fixed Assets</b>					
Tangible assets	7		1,941		7,346
<b>Current Assets</b>					
Stocks	8	1,707,309		2,319,102	
Debtors	9	1,689,585		1,564,837	
Cash at bank and in hand		635		1,101	
		<u>3,397,529</u>		<u>3,885,040</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,845,942)</u>		<u>(2,559,804)</u>	
<b>Net Current Assets</b>			<u>1,551,587</u>		<u>1,325,236</u>
<b>Total Assets less Current Liabilities</b>			<u>1,553,528</u>		<u>1,332,582</u>
<b>Capital and Reserves</b>					
Called up share capital	12	260,418		260,418	
Profit and loss account		1,293,110		1,072,164	
<b>Equity Shareholders' Funds</b>	13	<u>1,553,528</u>		<u>1,332,582</u>	

The financial statements were approved by the Board on 17th September 2007 and signed on its behalf by



**Julie Furber**  
**Director**

The notes on pages 7 to 14 form an integral part of these financial statements.

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

**1. Accounting Policies**

**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a wholly-owned subsidiary

**1.2. Turnover**

Turnover represents the total invoice value, excluding value added tax, of sales made during the year

**1.3. Tangible fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows

Plant and machinery	- 20% per annum on cost
Computer equipment	- 20% per annum on cost
Office equipment	- 15% per annum on cost

**1.4. Leasing**

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

**1.5. Stock**

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

**1.6. Pensions**

The pension costs charged in the financial statements represent the contribution payable by the company during the year

**1.7. Deferred taxation**

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes

**1.8. Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**2. Turnover**

	2006 £	2005 £
<b>Geographical market</b>		
UK	2,511,231	2,290,914
Europe	4,891,269	3,990,336
Rest of the World	739,660	939,328
	<u>8,142,160</u>	<u>7,220,578</u>

**3. Operating profit**

	2006 £	2005 £
Operating profit is stated after charging		
Foreign exchange losses	135,756	-
Depreciation and other amounts written off tangible assets	2,828	3,324
Loss on disposal of tangible fixed assets	2,578	-
Operating lease rentals		
- Land and buildings	19,000	19,000
- Plant and machinery	22,323	22,529
Auditors' remuneration	6,000	6,000
	<u>                    </u>	<u>                    </u>
and after crediting		
Profit on foreign currencies	-	66,530
	<u>                    </u>	<u>                    </u>

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**4. Employees**

**Number of employees**

The average monthly numbers of employees (including the directors) during the year were

	2006 Number	2005 Number
Management	4	4
Administration	2	2
Production and sales	6	6
	<u>12</u>	<u>12</u>
<b>Employment costs</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Wages and salaries	207,399	202,065
Social security costs	20,347	18,308
Other pension costs	65,737	26,345
	<u>293,483</u>	<u>246,718</u>

**4.1 Directors' emoluments**

	2006 Number	2005 Number
Number of directors to whom retirement benefits are accruing under a defined benefit scheme	<u>4</u>	<u>4</u>

Contributions to these pension schemes are charged to other Group Companies and not incurred by the company

No director receives remuneration from the company or any other group undertaking for services to the company

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**5. Pension costs**

The company is a participating company of a Group pension scheme called the Cummins UK Pension Plan ("the Plan"). The Plan was set up following the merger of a number of separate company schemes in 1999. The Plan includes defined benefit and defined contribution members employed by the subsidiaries of Cummins Limited (formerly Cummins UK Limited) and other UK related companies. The assets of the Plan have been merged into a combined portfolio and are held separately in an independently administered fund.

**5.1. Defined contribution members**

The pension cost charge represents contributions payable by the company to the fund and amounted to £2,770 (2005 £1,590). This includes payments made under the new SMART pension scheme introduced by the company in April 2006, totaling £1,067. SMART pensions provides an opportunity for members to increase their take home pay and reduce national insurance contributions for the company.

**5.2. Defined benefit members**

The most recent actuarial valuation of the Plan for defined benefit members was completed for the Trustees as at 1 January 2006 and the funding ratio of the assets to liabilities for the purpose of the on-going valuation was 78.8%. Following the valuation, revised contribution rates have been set at a level designed to clear the shortfall in assets over the future working lifetime of the members. This has resulted in increased contributions for the company and its employees from 2006 onwards, subject to regular future reviews. The next actuarial valuation is due on 1st January 2009.

Pension costs are determined on a defined contribution approach i.e. based on company contributions payable. This approach is permitted by Financial Reporting Standard 17 for multi-employer defined benefit pension schemes. The company has adopted this approach because the Plan's Actuary has advised that this is appropriate where the company's share of the Plan's assets cannot be identified on a consistent and reasonable basis, as Plan cash-flows relating to the different participating companies are not separately identifiable.

The latest actuarial valuation of the scheme, prepared for the purposes of making disclosures in accordance with FRS 17 in the consolidated financial statements of Cummins Limited, shows a deficit before deferred taxation of £115.6m.

The pension costs are based on a principal contribution rate of 18.5% (2005 13.6%). A recovery plan has been agreed between Cummins UK Ltd and the Trustees of the Cummins UK pension plan to eliminate the deficit by 1 January 2013. Cummins Ltd paid an amount of £50.1m during the year to reduce the Plan's ongoing deficit (2005 £20,000,000). The company pension cost for the year was £65,737 (2005 £24,755). This includes payments made under the new SMART pension scheme introduced by the company from April 2006, totalling £5,778. This also includes the company's contribution of £29,700 towards the plan's ongoing deficit, of which £120,600 has been prepaid in respect of future years (2005 £nil). The company is due to make further payments towards the deficit over the next six years, totaling £60,300 per annum.

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**5. Pension costs (continued)**

At 31st December 2006, the company had no outstanding pension contributions payable to the Plan (2005 £nil)

Further information about the plan (including the estimated funding position at 31st December 2006) is included in the consolidated Group financial statements prepared by Cummins Limited

**6. Taxation**

There is no charge to corporation tax for the year

**6.1 Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)

The differences are explained below

	2006 £	2005 £
Profit on ordinary activities	220,946	175,941
Tax on profit on ordinary activities at 30%	66,284	52,782
Effects of		
Expenses not deductible for tax purposes	4,482	3,397
Capital allowances for year in excess of depreciation	137	49
Group relief claimed	(70,903)	(56,228)
	-	-

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**7. Tangible fixed assets**

	Plant and machinery £	Computer equipment £	Office equipment £	Total £
<b>Cost</b>				
At 1st January 2006	2,900	37,937	17,577	58,414
Disposals	-	(5,950)	-	(5,950)
At 31st December 2006	<u>2,900</u>	<u>31,987</u>	<u>17,577</u>	<u>52,464</u>
<b>Depreciation</b>				
At 1st January 2006	1,934	31,557	17,577	51,068
On disposals	-	(3,372)	-	(3,372)
Charge for the year	580	2,248	-	2,828
At 31st December 2006	<u>2,514</u>	<u>30,433</u>	<u>17,577</u>	<u>50,524</u>
<b>Net book values</b>				
At 31st December 2006	<u>387</u>	<u>1,554</u>	<u>-</u>	<u>1,941</u>
At 31st December 2005	<u>966</u>	<u>6,380</u>	<u>-</u>	<u>7,346</u>

**8. Stocks**

	2006 £	2005 £
Raw materials and consumables	2,055	2,055
Finished goods and goods for resale	1,705,254	2,317,047
	<u>1,707,309</u>	<u>2,319,102</u>

**9. Debtors**

	2006 £	2005 £
Trade debtors	997,275	857,145
Amounts owed by group undertakings	403,477	483,659
Other debtors	146,634	205,172
Prepayments and accrued income	142,199	18,861
	<u>1,689,585</u>	<u>1,564,837</u>

**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

10. Creditors: amounts falling due within one year	2006 £	2005 £
Bank overdraft (secured)	17	85
Trade creditors	15,130	12,993
Amounts owed to group undertakings	1,537,937	2,279,784
Other creditors	223,128	175,960
Accruals and deferred income	69,730	90,982
	<u>1,845,942</u>	<u>2,559,804</u>

The overdraft is secured by a composite cross-guarantee with other group companies

**11. Deferred taxation**

The company has no potential liability to deferred taxation at 31st December 2006

12. Share capital	2006 £	2005 £
<b>Authorised equity</b>		
260,516 Ordinary shares of £1 each	<u>260,516</u>	<u>260,516</u>
<b>Allotted, called up and fully paid equity</b>		
260,418 Ordinary shares of £1 each	<u>260,418</u>	<u>260,418</u>

**13 Reconciliation of movements in shareholders' funds**

	2006 £	2005 £
Profit for the year	220,946	175,941
Opening shareholders' funds	1,332,582	1,156,641
Closing shareholders' funds	<u>1,553,528</u>	<u>1,332,582</u>



**Cummins Power Generation (UK) Limited**  
**(Formerly Onan International Limited)**

**Notes to the Financial Statements**  
**for the year ended 31st December 2006**

continued

**14. Financial commitments**

At 31st December 2006 the company had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry date:</b>				
Within one year	-	-	-	6,259
Between one and five years	-	-	17,302	6,432
In over five years	19,000	19,000	-	-
	<u>19,000</u>	<u>19,000</u>	<u>17,302</u>	<u>12,691</u>

**15. Capital commitments**

**2006**      **2005**  
**£**              **£**

Details of capital commitments at the accounting date are as follows

Contracted for but not provided in the financial statements

Nil              Nil

**16. Ultimate parent undertaking**

The company is a wholly-owned subsidiary of Onan Corporation Inc , whose ultimate parent company is Cummins Inc Both companies are incorporated in the United States of America

The consolidated financial statements of Cummins Inc , in which the company is included, are publicly available

As a wholly-owned subsidiary undertaking, the company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not disclosed transactions or balances with entities which form part of the group

There were no other related party transactions during the year

**17 Controlling interest**

Cummins Inc is listed on the US stock exchange There is no one ultimate controlling interest in the company