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Registration Number 2058784

**Onan International Limited**

**Directors' Report  
and Financial Statements  
for the year ended 31st December 2005**

**Rawlinsons**

**Chartered Accountants**



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COMPANIES HOUSE 01/07/2006

## **Onan International Limited**

### **Company Information**

Directors	L L Satterthwaite R Eyres J M Perkins E A Kelly
Secretary	Ann Rapley
Company Number	2058784
Business Address	Unit 44 Guash Way Stamford Lincolnshire PE9 1XP
Registered Office	Unit 1-B Uniongate Ridgeway Trading Estate Iver Buckinghamshire SL0 9HX
Auditors	Rawlinsons The Lawns 33 Thorpe Road Peterborough PE3 6AD

# **Onan International Limited**

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## **Onan International Limited**

### **Directors' Report for the year ended 31st December 2005**

The directors present their report and the financial statements for the year ended 31st December 2005.

#### **Principal Activity and Review of the Business**

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

2005 was a good year for Onan International Ltd. Sales increased from £6 million in 2004 to £7.2 million in 2005, a 20% increase. 97% of our business is now into the marine industry which grew by 12-15% in Europe last year. Therefore our growth has been exceeding the market, which has been achieved by taking some key accounts, particularly in France. Additionally, we have seen growth in all the countries in the EMEA area with particular gains in our main marine countries of UK, France, Italy, Turkey and Egypt, all of which had a record year.

The signs are that the marine market will continue to grow in 2006 at 10-12%. Along with new product releases we should see continued growth through next year.

#### **Results And Dividends**

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

#### **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

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;
- state whether applicable 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.

**Onan International Limited**

**Directors' Report  
for the year ended 31st December 2005**

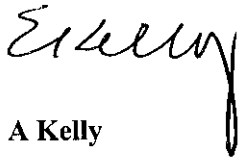
**Directors' Responsibilities (continued)**

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.

**Auditors**

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

This report was approved by the Board on 5th June 2006 and signed on its behalf by



**E A Kelly  
Director**

## **Onan International Limited**

### **Independent Auditors' Report to the Shareholders**

We have audited the financial statements of Onan International Limited for the year ended 31st December 2005 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 Auditing Standards (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 Auditing Standards (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.

**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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Dated this 5th day of June 2006**

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

A handwritten signature in black ink, appearing to read 'Rawlinsons', is written over a long, thin diagonal line that extends from the bottom left towards the top right.

**Rawlinsons  
Chartered Accountants  
and Registered Auditors**

**Onan International Limited**

**Profit and Loss Account  
for the year ended 31st December 2005**

		<b>Continuing operations</b>	
	<b>Notes</b>	<b>2005 £</b>	<b>2004 £</b>
<b>Turnover</b>	<b>2</b>	7,220,578	6,004,959
Raw materials and consumables		(6,437,089)	(5,357,811)
Other external charges		(190,131)	(141,029)
Staff costs	<b>4</b>	(246,718)	(223,886)
Depreciation on fixed assets		(3,324)	(3,324)
Other operating charges		(167,375)	(186,292)
<b>Retained profit for the year</b>		<u>175,941</u>	<u>92,617</u>
Retained profit brought forward		896,125	803,508
<b>Retained profit carried forward</b>		<u><u>1,072,066</u></u>	<u><u>896,125</u></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.**



**Onan International Limited**

**Balance Sheet  
as at 31st December 2005**

	Notes	2005 £	2004 £
<b>Fixed Assets</b>			
Tangible assets	7	7,346	10,670
<b>Current Assets</b>			
Stocks	8	2,319,102	1,072,898
Debtors	9	1,564,837	1,098,374
Cash at bank and in hand		1,101	33,014
		<u>3,885,040</u>	<u>2,204,286</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,559,804)</u>	<u>(1,058,315)</u>
<b>Net Current Assets</b>		<u>1,325,236</u>	<u>1,145,971</u>
<b>Total Assets less Current Liabilities</b>		<u>1,332,582</u>	<u>1,156,641</u>
<b>Capital and Reserves</b>			
Called up share capital	12	260,516	260,516
Profit and loss account	13	1,072,066	896,125
<b>Equity Shareholders' Funds</b>	14	<u>1,332,582</u>	<u>1,156,641</u>

The financial statements were approved by the Board on 5th June 2006 and signed on its behalf by

  
E A Kelly  
Director

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

## **Onan International Limited**

### **Notes to the Financial Statements for the year ended 31st December 2005**

#### **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.

The company has consistently applied all relevant accounting standards.

##### **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.

# Onan International Limited

## Notes to the Financial Statements for the year ended 31st December 2005

..... continued

<b>2. Turnover</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Geographical market</b>		
UK	2,290,914	2,167,335
Europe	3,990,336	3,285,103
Rest of the World	939,328	552,521
	<u>7,220,578</u>	<u>6,004,959</u>
 <b>3. Operating profit</b>	 <b>2005</b>	 <b>2004</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Foreign exchange losses	-	44,960
Depreciation and other amounts written off tangible assets	3,324	3,324
Operating lease rentals		
- Land and buildings	19,000	19,000
- Plant and machinery	22,529	20,095
Auditors' remuneration	6,000	6,000
	<u>          </u>	<u>          </u>
and after crediting:		
Profit on foreign currencies	66,530	-
	<u>          </u>	<u>          </u>

# Onan International Limited

## Notes to the Financial Statements for the year ended 31st December 2005

..... continued

### 4. Employees

#### Number of employees

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

	2005 Number	2004 Number
Management	4	4
Administration	1	2
Production and sales	6	6
	<u>11</u>	<u>12</u>

#### Employment costs

	2005 £	2004 £
Wages and salaries	202,065	192,921
Social security costs	18,308	17,399
Other pension costs	26,345	13,566
	<u>246,718</u>	<u>223,886</u>

### 4.1. Directors' emoluments

	2005 Number	2004 Number
Number of directors to whom retirement benefits are accruing under a defined benefit schemes	<u>4</u>	<u>4</u>

Contributions to these pension schemes are charged to other Group Companies and not incurred by Onan International Limited.

No director receives remuneration from the company or any other group undertaking for services to Onan International Limited.

## **Onan International Limited**

### **Notes to the Financial Statements for the year ended 31st December 2005**

..... 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 £1,590 (2004 £1,684).

##### **5.2. Defined benefit members**

The most recent actuarial valuation of the Plan was completed for the Trustee as at 1st January 2003 and the funding ratio of the assets to liabilities for the purpose of the on-going valuation was 73%. 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 2003 onwards, subject to regular future reviews. The next actuarial valuation is due on 1st January 2006.

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 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 £160.5m (being 38% of the market value of assets at 31st December 2005).

The pension costs are based on a principal contribution rate of 13.6% (2004: 13.6%). In addition, Cummins Limited paid an amount of £20,000,000 to reduce the Plan's ongoing deficit (2004: £10,260,000). The company pension cost for the year was £24,755 (2004: £11,882). At 31st December 2005, the company had no outstanding pension contributions payable to the Plan (2004: Nil).

Further information about the Plan (including the estimated funding position at 31st December 2005) is included in the consolidated Group financial statements prepared by Cummins Limited.

**Onan International Limited**  
**Notes to the Financial Statements**  
**for the year ended 31st December 2005**

..... continued

**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:

	2004 £	2003 £
Profit on ordinary activities	175,941	92,617
Tax on profit on ordinary activities at 30%	52,782	27,785
Effects of:		
Expenses not deductible for tax purposes	3,397	1,868
Capital allowances for year in excess of depreciation	49	(267)
Group relief claimed	(56,228)	(29,386)
Tax charge for the year	-	-

**7. Tangible fixed assets**

	Plant and Machinery £	Computer equipment £	Office equipment £	Total £
<b>Cost</b>				
At 1st January 2005 and at 31st December 2005	2,900	37,937	17,577	58,414
<b>Depreciation</b>				
At 1st January 2005	1,354	28,813	17,577	47,744
Charge for the year	580	2,744	-	3,324
At 31st December 2005	1,934	31,557	17,577	51,068
<b>Net book values</b>				
At 31st December 2005	966	6,380	-	7,346
At 31st December 2004	1,546	9,124	-	10,670

**Onan International Limited**  
**Notes to the Financial Statements**  
**for the year ended 31st December 2005**

..... continued

8. Stocks	2005 £	2004 £
Raw materials and consumables	2,055	2,055
Finished goods and goods for resale	2,317,047	1,070,843
	<u>2,319,102</u>	<u>1,072,898</u>
9. Debtors	2005 £	2004 £
Trade debtors	857,145	879,198
Amounts owed by group undertakings	483,659	106,602
Other debtors	205,172	103,980
Prepayments and accrued income	18,861	8,594
	<u>1,564,837</u>	<u>1,098,374</u>
10. Creditors: amounts falling due within one year	2005 £	2004 £
Bank overdraft	85	-
Trade creditors	12,993	6,016
Amounts owed to group undertakings	2,279,784	818,844
Other creditors	175,960	134,299
Accruals and deferred income	90,982	99,156
	<u>2,559,804</u>	<u>1,058,315</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 2005.

**Onan International Limited**

**Notes to the Financial Statements**  
**for the year ended 31st December 2005**

..... continued

12. Share capital	2005 £	2004 £
<b>Authorised equity</b>		
260,516 Ordinary shares of £1 each	260,516	260,516
	<hr/>	<hr/>
<b>Allotted, called up and fully paid equity</b>		
260,516 Ordinary shares of £1 each	260,516	260,516
	<hr/>	<hr/>
 13. Equity Reserves		
	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1st January 2005</b>	896,125	896,125
Retained profit for the year	175,941	175,941
	<hr/>	<hr/>
<b>At 31st December 2005</b>	1,072,066	1,072,066
	<hr/>	<hr/>
 14. Reconciliation of movements in shareholders' funds		
	2005 £	2004 £
Profit for the year	175,941	92,617
Opening shareholders' funds	1,156,641	1,064,024
	<hr/>	<hr/>
Closing shareholders' funds	1,332,582	1,156,641
	<hr/>	<hr/>



# Onan International Limited

## Notes to the Financial Statements for the year ended 31st December 2004

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### 15. Financial commitments

At 31st December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
<b>Expiry date:</b>				
Within one year	-	-	6,259	2,295
Between one and five years	-	-	6,432	15,410
In more than five years	19,000	19,000	-	-
	<u>19,000</u>	<u>19,000</u>	<u>12,691</u>	<u>17,705</u>

### 16. Capital commitments

<b>2005</b>	<b>2004</b>
<b>£</b>	<b>£</b>

Details of capital commitments at the accounting date are as follows:

Contracted for but not provided in the financial statements

<u>Nil</u>	<u>Nil</u>
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### 17. 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.

### 18. Controlling interest

Cummins Inc. is listed on the US stock exchange. There is no one ultimate controlling interest in Onan International Limited.