

**Registration Number 2058784**

**Onan International Limited**  
**Directors' Report**  
**and Financial Statements**  
**for the year ended 31st December 2003**

**Thomas May & Co**  
**Chartered Accountants**



## **Onan International Limited**

### **Company Information**

Directors	L L Satterthwaite R Eyres J M Perkins M Holtham
Company Number	2058784
Business Address	Unit 44 Guash Way Stamford Lincolnshire PE9 1XP
Registered Office	c/o Cummins Engine Co Ltd Unit 1-B Uniongate Ridgeway Trading Estate Iver Buckinghamshire SL0 9HX
Auditors	Thomas May & Co 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 2003**

The directors present their report and the financial statements for the year ended 31st December 2003.

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

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

The marine market picked up in 2003 with European boat builders finding alternative markets to compensate for the downturn in sales to the USA. This, coupled to boats generally getting larger in size which has produced increased load demands, resulting in the fitting of larger generators, saw our marine generator set revenue increase by 29% and our overall revenue by 26%. The marine generator set market is our predominate market with sales of our vehicle mounted sets staying static at similar levels to previous years.

#### **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  
M Holtham

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 financial statements 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.

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.

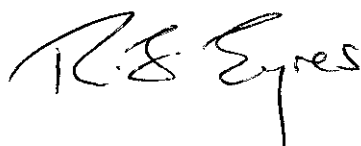
**Onan International Limited**

**Directors' Report  
for the year ended 31st December 2003**

**Auditors**

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

This report was approved by the Board on 29th September 2004 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'R. Eyres', written in a cursive style.

**R Eyres  
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 2003 on pages 5 to 15. 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 United Kingdom Auditing Standards.

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 United Kingdom Auditing Standards 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.

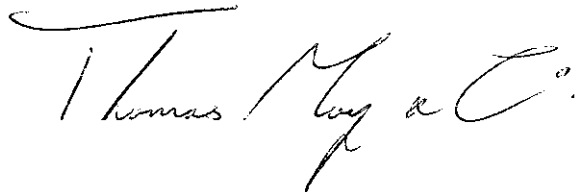
**Onan International Limited**

**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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Dated this 29th day of September 2004**

A handwritten signature in cursive script that reads "Thomas May & Co." with a flourish at the end.

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

**Thomas May & Co  
Chartered Accountants  
and Registered Auditors**

**Onan International Limited**  
**Profit and Loss Account**  
**for the year ended 31st December 2003**

		<b>Continuing operations</b>	
	<b>Notes</b>	<b>2003 £</b>	<b>2002 £</b>
<b>Turnover</b>	<b>2</b>	5,576,076	4,781,773
Other operating income		8,193	11,666
Raw materials and consumables		(4,676,473)	(4,161,119)
Other external charges		(105,056)	(162,743)
Staff costs	<b>6</b>	(206,502)	(189,904)
Depreciation on fixed assets		(2,893)	(1,902)
Other operating charges		(156,980)	(200,830)
<b>Operating profit</b>	<b>3</b>	<u>436,365</u>	<u>76,941</u>
Interest receivable and similar income	<b>4</b>	565	-
Interest payable and similar charges	<b>5</b>	(321)	-
<b>Profit on ordinary activities before taxation</b>		<u>436,609</u>	<u>76,941</u>
Tax on profit on ordinary activities	<b>8</b>	-	7,632
<b>Retained profit for the year</b>		<u>436,609</u>	<u>84,573</u>
Retained profit brought forward		371,942	287,369
<b>Retained profit carried forward</b>		<u>808,551</u>	<u>371,942</u>

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

**The notes on pages 8 to 15 form an integral part of these financial statements.**

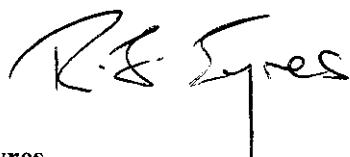


**Onan International Limited**

**Balance Sheet  
as at 31st December 2003**

	Notes	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	9		13,994		10,937
<b>Current Assets</b>					
Stocks	10	1,258,547		1,159,134	
Debtors	11	758,854		1,085,938	
Cash at bank and in hand		107,593		4,532	
		<u>2,124,994</u>		<u>2,249,604</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,074,964)</u>		<u>(1,633,126)</u>	
<b>Net Current Assets</b>			<u>1,050,030</u>		<u>616,478</u>
<b>Total Assets Less Current Liabilities</b>			<u><u>1,064,024</u></u>		<u><u>627,415</u></u>
<b>Capital and Reserves</b>					
Called up share capital	14		260,516		260,516
Other reserves	15		(5,043)		(5,043)
Profit and loss account	15		808,551		371,942
<b>Equity Shareholders' Funds</b>	16		<u><u>1,064,024</u></u>		<u><u>627,415</u></u>

The financial statements were approved by the Board on 29th September 2004 and signed on its behalf by



**R Eyres  
Director**

**The notes on pages 8 to 15 form an integral part of these financial statements.**

**Onan International Limited**

**Cash Flow Statement  
for the year ended 31st December 2003**

	Notes	2003 £	2002 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		436,365	76,941
Depreciation		2,893	1,902
(Increase)/decrease in stocks		(99,413)	269,691
Decrease/(increase) in debtors		320,143	(307,387)
Decrease in creditors		(558,028)	(63,445)
<b>Net cash inflow from operating activities</b>		<u>101,960</u>	<u>(22,299)</u>

**CASH FLOW STATEMENT**

Net cash inflow from operating activities		101,960	(22,299)
Returns on investments and servicing of finance	19	244	-
Taxation	19	6,941	31,208
Capital expenditure	19	(5,950)	(10,670)
<b>Increase in cash in the year</b>		<u>103,195</u>	<u>(1,761)</u>

**Reconciliation of net cash flow to movement in net funds (Note 20)**

<b>Increase in cash in the year</b>	103,195	(1,760)
<b>Net funds at 1st January 2003</b>	4,188	5,949
<b>Net funds at 31st December 2003</b>	<u>107,383</u>	<u>4,188</u>

**Onan International Limited**  
**Notes to the Financial Statements**  
**for the year ended 31st December 2003**

**1. Accounting Policies**

**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention .

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:

Storage building	- 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.

**2. Turnover**

	2003	2002
	£	£
<b>Geographical market</b>		
UK	2,185,460	1,664,169
Europe	2,787,028	2,393,677
Rest of the World	603,588	723,927
	<u>5,576,076</u>	<u>4,781,773</u>

**Onan International Limited**

**Notes to the Financial Statements  
for the year ended 31st December 2003**

..... continued

**3. Operating profit**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Foreign exchange losses	47,082	58,028
Depreciation and other amounts written off tangible assets	2,893	1,902
Operating lease rentals		
- Land and buildings	7,742	8,064
- Plant and machinery	22,129	18,860
Auditors' remuneration	6,000	6,000
	<u>          </u>	<u>          </u>

**4. Interest receivable and similar income**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Other interest	565	-
	<u>          </u>	<u>          </u>

**5. Interest payable and similar charges**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	321	-
	<u>          </u>	<u>          </u>

**Onan International Limited**

**Notes to the Financial Statements**  
**for the year ended 31st December 2003**

..... continued

**6. Employees**

**Number of employees**

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

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Management	4	4
Administration	2	2
Production and sales	6	5
	<u>12</u>	<u>11</u>

**Employment costs**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	177,573	161,977
Social security costs	14,347	13,112
Other pension costs	14,582	14,815
	<u>206,502</u>	<u>189,904</u>

**7. Pension costs**

**Defined contribution scheme**

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £1,597 (2002 - £1,500).

**Defined benefit scheme**

The company makes contributions to a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The scheme is run by Cummins Engine Co Limited, an associated company of Onan International Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The pension charge charged in the accounts amounted to £12,985 (2002 - £13,315).

**Onan International Limited**

**Notes to the Financial Statements  
for the year ended 31st December 2003**

..... continued

8. Taxation	2003 £	2002 £
<b>Current year</b>		
UK Corporation Tax	-	-
<b>Prior years</b>		
UK Corporation Tax	-	(7,632)
	<u>-</u>	<u>(7,632)</u>

**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:

	2003 £	2002 £
Profit/(loss) on ordinary activities	<u>436,609</u>	<u>76,941</u>
Tax on profit/(loss) on ordinary activities at 30%	130,983	23,082
Expenses not deductible for tax purposes	1,858	2,419
Capital allowances for year in excess of depreciation	(818)	(1,083)
Group relief claimed	(132,023)	(24,418)
	<u>-</u>	<u>-</u>

**Onan International Limited**

**Notes to the Financial Statements  
for the year ended 31st December 2003**

..... continued

**9. Tangible fixed assets**

	<b>Storage building £</b>	<b>Computer equipment £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1st January 2003	2,900	31,987	17,577	52,464
Additions	-	5,950	-	5,950
At 31st December 2003	<u>2,900</u>	<u>37,937</u>	<u>17,577</u>	<u>58,414</u>
<b>Depreciation</b>				
At 1st January 2003	194	24,217	17,116	41,527
Charge for the year	580	1,852	461	2,893
At 31st December 2003	<u>774</u>	<u>26,069</u>	<u>17,577</u>	<u>44,420</u>
<b>Net book values</b>				
At 31st December 2003	<u>2,126</u>	<u>11,868</u>	<u>-</u>	<u>13,994</u>
At 31st December 2002	<u>2,706</u>	<u>7,770</u>	<u>461</u>	<u>10,937</u>

**10. Stocks**

	<b>2003 £</b>	<b>2002 £</b>
Raw materials and consumables	2,055	2,055
Finished goods and goods for resale	1,256,492	1,157,079
	<u>1,258,547</u>	<u>1,159,134</u>

# Onan International Limited

## Notes to the Financial Statements for the year ended 31st December 2003

..... continued

### 11. Debtors

	2003 £	2002 £
Trade debtors	632,279	856,700
Amounts owed by group undertakings	82,199	169,135
Other debtors	34,914	56,736
Prepayments and accrued income	9,462	3,367
	<u>758,854</u>	<u>1,085,938</u>

### 12. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	210	344
Trade creditors	7,577	3,707
Amounts owed to group undertakings	957,777	1,463,436
Other taxes and social security costs	-	3,784
Other creditors	56,298	77,519
Accruals and deferred income	53,102	84,336
	<u>1,074,964</u>	<u>1,633,126</u>

### 13. Deferred Taxation

The company has no potential liability to deferred taxation at 31st December 2003.

### 14. Share capital

	2003 £	2002 £
<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>		
260,516 Ordinary shares of £1 each	<u>260,516</u>	<u>260,516</u>



**Onan International Limited**

**Notes to the Financial Statements  
for the year ended 31st December 2003**

..... continued

**15. Equity Reserves**

	Profit and loss account £	Exchange translation reserve £	Total  £
At 1st January 2003	371,942	(5,043)	366,899
Retained profit for the year	436,609		436,609
At 31st December 2003	<u>808,551</u>	<u>(5,043)</u>	<u>803,508</u>

**16. Reconciliation of movements in shareholders' funds**

	2003 £	2002 £
Profit for the year	436,609	84,573
Opening shareholders' funds	627,415	542,842
Closing shareholders' funds	<u>1,064,024</u>	<u>627,415</u>

**17. Financial commitments**

At 31st December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £	Other 2003 £	2002 £
<b>Expiry date:</b>				
Between one and five years	<u>8,237</u>	<u>8,064</u>	<u>20,065</u>	<u>20,242</u>

# Onan International Limited

## Notes to the Financial Statements for the year ended 31st December 2003

..... continued

### 18. 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.

As the company is a wholly owned subsidiary of Cummins Inc., the company has taken advantage of the exemption contained in FRS 8 and therefore has not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Cummins Inc., within which the company is included, are publicly available.

### 19. Gross Cash Flows

	2003 £	2002 £
<b>Returns on investments and servicing of finance</b>		
Interest received	565	-
Interest paid	(321)	-
	<u>244</u>	<u>-</u>
<b>Taxation</b>		
Corporation tax repaid	<u>6,941</u>	<u>31,208</u>
<b>Capital expenditure</b>		
Payments to acquire tangible assets	<u>(5,950)</u>	<u>(10,670)</u>

### 20. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	4,532	103,061	107,593
Overdrafts	(344)	134	(210)
<b>Net funds</b>	<u>4,188</u>	<u>103,195</u>	<u>107,383</u>