

Registration Number 2058784

Onan International Limited

**Directors' Report
and Financial Statements
for the year ended 31st December 2004**

**Thomas May & Co
Chartered Accountants**



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Onan International Limited

Company Information

Directors	L L Satterthwaite R Eyres J M Perkins E A Kelly
Secretary	A 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	Thomas May & Co The Lawns 33 Thorpe Road Peterborough PE3 6AD

Onan International Limited

Contents

	Page
Directors' Report	1 - 2
Auditors' Report	3 - 4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 - 15

Onan International Limited

Directors' Report for the year ended 31st December 2004

The directors present their report and the financial statements for the year ended 31st December 2004.

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 industry continues to grow across all sectors within Europe and the Middle East. This coupled with Sterling being strong against the US dollar and our new electronic sets being released, overall revenue is up by 7.7%.

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	Retired 1st November 2004
E A Kelly	Appointed 1st November 2004

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.

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 2004**

.....continued

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 22nd August 2005 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 2004 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.

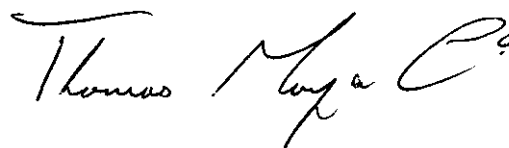
Onan International Limited

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dated this 30th day of August 2005

A handwritten signature in cursive script that reads "Thomas May & Co".

**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 2004

		Continuing operations	
	Notes	2004	2003
		£	£
Turnover	2	6,004,959	5,576,076
Other operating income		-	8,193
Raw materials and consumables		(5,357,811)	(4,676,473)
Other external charges		(141,029)	(105,056)
Staff costs	7	(223,886)	(206,502)
Depreciation on fixed assets		(3,324)	(2,893)
Other operating charges		(186,292)	(156,980)
Operating profit	3	<u>92,617</u>	<u>436,365</u>
Interest receivable and similar income	4	-	565
Interest payable and similar charges	5	-	(321)
Retained profit for the year	16	<u>92,617</u>	<u>436,609</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 15 form an integral part of these financial statements.

Onan International Limited

**Balance Sheet
as at 31st December 2004**

	Notes	2004 £	2003 £
Fixed Assets			
Tangible assets	10	10,670	13,994
Current Assets			
Stocks	11	1,072,898	1,258,547
Debtors	12	1,098,374	758,854
Cash at bank and in hand		33,014	107,593
		<u>2,204,286</u>	<u>2,124,994</u>
Creditors: amounts falling due within one year	13	<u>(1,058,315)</u>	<u>(1,074,964)</u>
Net Current Assets		<u>1,145,971</u>	<u>1,050,030</u>
Total Assets less Current Liabilities		<u>1,156,641</u>	<u>1,064,024</u>
Capital and Reserves			
Called up share capital	15	260,516	260,516
Other reserves	16	-	(5,043)
Profit and loss account	16	896,125	808,551
Equity Shareholders' Funds	17	<u>1,156,641</u>	<u>1,064,024</u>

The financial statements were approved by the Board on 22nd August 2005 and signed on its behalf by



**E A Kelly
Director**

The notes on pages 7 to 15 form an integral part of these financial statements.

Onan International Limited

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

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:

Buildings	- 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 2004**

..... continued

2. Turnover	2004	2003
	£	£
Geographical market		
UK	2,167,335	2,185,460
Rest of Europe	3,285,103	3,077,710
Rest of the World	552,521	312,906
	<u>6,004,959</u>	<u>5,576,076</u>
 3. Operating profit	 2004	 2003
	£	£
Operating profit is stated after charging:		
Foreign exchange losses	44,960	47,082
Depreciation and other amounts written off tangible assets	3,324	2,893
Operating lease rentals		
- Land and buildings	19,000	7,742
- Plant and machinery	20,095	22,129
Auditors' remuneration	6,000	6,000
	<u> </u>	<u> </u>
 4. Interest receivable and similar income	 2004	 2003
	£	£
Other interest	-	565
	<u> </u>	<u> </u>
 5. Interest payable and similar charges	 2004	 2003
	£	£
On bank loans and overdrafts	-	321
	<u> </u>	<u> </u>

Onan International Limited

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

..... continued

6. Directors' emoluments

	2004	2003
	Number	Number
Number of directors to whom retirement benefits are accruing under a defined benefit scheme	<u>4</u>	<u>4</u>

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

7. Employees

Number of employees

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

	2004	2003
	Number	Number
Management	4	4
Administration	2	2
Production and sales	6	6
	<u>12</u>	<u>12</u>

Employment costs	2004	2003
	£	£
Wages and salaries	192,921	177,573
Social security costs	17,399	14,347
Other pension costs	13,566	14,582
	<u>223,886</u>	<u>206,502</u>

Onan International Limited

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

..... continued

8. 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.

8.1. Defined contribution members

The pension cost charge represents contributions payable by the company to the fund and amounted to £1,684 (2003 £1,597).

8.2. Defined benefit members

The most recent actuarial valuation of the Plan was completed for the Trustee as at 1 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 1 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 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 £148.5m (being 44% of the market value of assets at 31 December 2004).

The pension costs are based on a principal contribution rate of 13.6% (2003: 13.3% up to April 2003 and 13.6% from 1 May 2003). In addition, Cummins Limited paid an amount of £10,260,000 to reduce the Plan's ongoing deficit (2003: £10,000,000). The company pension cost for the year was £11,882 (2003: £12,986). At 31 December 2004, the company had no outstanding pension contributions payable to the Plan (2003: Nil).

Further information about the Plan (including the estimated funding position at 31 December 2004) 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 2004**

..... continued

9. Taxation

There is no charge to corporation tax for the year.

9.1. 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	92,617	436,609
	<hr/>	<hr/>
Tax on profit on ordinary activities at 30%	27,785	130,983
Effects of:		
Expenses not deductible for tax purposes	1,868	1,858
Capital allowances for the year in excess of depreciation	(267)	(818)
Group relief claimed	(29,386)	(132,023)
	<hr/>	<hr/>
Tax charge for the year	-	-
	<hr/>	<hr/>

Onan International Limited

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

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10. Tangible fixed assets

	Land and buildings freehold £	Plant and machinery £	Computer equipment £	Office equipment £	Total
Cost					
At 1st January 2004	2,900	-	37,937	17,577	58,414
Re-categorisation of asset	(2,900)	2,900	-	-	-
At 31st December 2004	<u>-</u>	<u>2,900</u>	<u>37,937</u>	<u>17,577</u>	<u>58,414</u>
Depreciation					
At 1st January 2004	774	-	26,069	17,577	44,420
Re-categorisation of asset	(774)	774	-	-	-
Charge for the year	-	580	2,744	-	3,324
At 31st December 2004	<u>-</u>	<u>1,354</u>	<u>28,813</u>	<u>17,577</u>	<u>47,744</u>
Net book values					
At 31st December 2004	<u>-</u>	<u>1,546</u>	<u>9,124</u>	<u>-</u>	<u>10,670</u>
At 31st December 2003	<u>2,126</u>	<u>-</u>	<u>11,868</u>	<u>-</u>	<u>13,994</u>

11. Stocks

	2004 £	2003 £
Raw materials and consumables	2,055	2,055
Finished goods and goods for resale	1,070,843	1,256,492
	<u>1,072,898</u>	<u>1,258,547</u>

Onan International Limited

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

..... continued

12. Debtors

	2004	2003
	£	£
Trade debtors	879,198	632,279
Amounts owed by group undertakings	106,602	82,199
Other debtors	103,980	34,914
Prepayments and accrued income	8,594	9,462
	<u>1,098,374</u>	<u>758,854</u>

**13. Creditors: amounts falling due
within one year**

	2004	2003
	£	£
Bank overdraft	-	210
Trade creditors	6,016	7,577
Amounts owed to group undertakings	818,844	957,777
Other creditors	134,299	56,298
Accruals and deferred income	99,156	53,102
	<u>1,058,315</u>	<u>1,074,964</u>

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

14. Deferred taxation

The company has no potential liability to deferred taxation at 31st December 2004.

Onan International Limited

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

..... continued

15. Share capital	2004	2003
	£	£
Authorised equity		
260,516 Ordinary shares of £1 each	260,516	260,516
	<u> </u>	<u> </u>
Allotted, called up and fully paid equity		
260,516 Ordinary shares of £1 each	260,516	260,516
	<u> </u>	<u> </u>

16. Equity reserves	Profit and loss account	Exchange translation reserve	Total
	£	£	£
At 1st January 2004	808,551	(5,043)	803,508
Retained profit for the year	92,617	-	92,617
Other movements	(5,043)	5,043	-
At 31st December 2004	<u>896,125</u>	<u>-</u>	<u>896,125</u>

17. Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the year	92,617	436,609
Opening shareholders' funds	1,064,024	627,415
Closing shareholders' funds	<u>1,156,641</u>	<u>1,064,024</u>

18. Financial commitments

At 31st December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	19,000	-	2,295	-
Between one and five years	-	8,237	15,410	20,065
	<u>19,000</u>	<u>8,237</u>	<u>17,705</u>	<u>20,065</u>

Onan International Limited

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

..... continued

19. Capital commitments

2004	2003
£	£

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

Contracted for but not provided in the financial statements

Nil	Nil
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20. 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.

21. Controlling interest

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