

Nelson-Burgess Limited

Report and financial statements

for the year ended 31 December 2002

Registered number: 1794102



Nelson-Burgess Limited

Report and financial statements for the year ended 31 December 2002

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Nelson-Burgess Limited

Directors and advisors

Directors

P Angelinetta
D C Wright
C G M Roper
R Eyres

Secretary

P Angelinetta

Registered office

Brookfield Road
Hinckley
Leicestershire
LE10 2LN

Bankers

NatWest
The Borough
Hinckley
LE10 1NW

Solicitors

Pinsents
Dashwood House
69 Old Broad Street
London
EC2M 1NR

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Nelson-Burgess Limited

Directors' report for the year ended 31 December 2002

The directors' presents their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company continues to be the manufacture and sale of silencing and filtration systems for vehicles, and silencers for diesel engines used in industrial and marine applications.

Results and dividends

The company's loss for the financial year before taxation is £1,467,274 (2001: £2,793,702)

The directors do not recommend the payment of a dividend (2001: £nil).

Directors and their interests

The directors who served during the year and subsequently were as follows:

R G Flowers	(Chairman) (resigned 21 November 2003)
P Angelinetta	
D C Wright	
C G M Roper	
M F Dodsworth	(resigned 28 February 2002)
M R Eyres	(appointed 1 June 2003)

There are no directors' interests requiring disclosure under Schedule 7 of the Companies Act 1985.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group, through formal and informal meetings.

Nelson-Burgess Limited

Directors' report for the year ended 31 December 2002 (continued)

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each year which 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 year. In preparing those financial statements, the directors are required to:

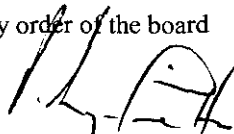
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 United Kingdom 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

On 13 May 2004 Deloitte & Touche LLP resigned as auditors of the company and PricewaterhouseCoopers LLP were appointed as auditors on that date. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the board



P Angelinetta
Secretary
24 May 2004

Independent auditors' report to the shareholders of Nelson-Burgess Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

24 May 2004

Nelson-Burgess Limited

Profit and loss account for the year ended 31 December 2002

		2002	2001
	Note	£	£
Turnover	2	9,559,265	11,116,754
Cost of sales		(9,340,710)	(10,309,549)
Gross profit		218,555	807,205
Administrative expenses		(1,685,829)	(3,600,907)
Operating loss on ordinary activities before taxation	3	(1,467,274)	(2,793,702)
Taxation on loss on ordinary activities	5	10,706	(18,148)
Loss for the year transferred from reserves	12	(1,456,568)	(2,811,850)

All operations of the company continued throughout both years and no operations were acquired or discontinued.

There is no material difference between the result as disclosed in this profit and loss account and the result on an historical cost basis.

There are no recognised gains or losses in either year other than the loss for that year.

The accompanying notes are an integral part of this profit and loss account.

Nelson-Burgess Limited

Balance sheet for the year ended 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	6	3,718,646	4,191,405
Current assets			
Stocks	7	1,764,753	2,379,164
Debtors	8	2,854,365	2,984,178
Cash at bank and in hand		850	20,142
		4,619,968	5,383,484
Creditors: amounts falling due within one year	9	(6,599,826)	(6,379,533)
Net current liabilities		(1,979,858)	(996,049)
Total assets less current liabilities		1,738,788	3,195,356
Creditors: Amounts falling due after more than one year	10	(1,750,000)	(1,750,000)
Net (liabilities)/assets		(11,212)	1,445,356
Capital and reserves			
Called up share capital	11	7,164,781	7,164,781
Share premium account	12	191,988	191,988
Revaluation reserve	12	754,915	754,915
Profit and loss account	12	(8,122,896)	(6,666,328)
Equity Shareholders' funds	13	(11,212)	1,445,356

The accompanying notes are an integral part of this balance sheet.

The financial statements were approved by the Board of Directors on 24 May 2004 and signed on its behalf by



P Angelinetta
Director

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The particular accounting policies which have been applied consistently are described below:

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention. In accordance with FRS18 "Accounting Policies" the directors have reviewed the accounting policies and deem them to be the most appropriate for the company.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	over 24 years
Plant and machinery	over a period not exceeding 12 years
Furniture and fixtures	over a period not exceeding 10 years
Tools and dies	over 4 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	average cost based on purchase invoice cost
Work in progress and finished goods	cost of direct materials and labour plus attributable overheads on the normal level of activity

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded 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 from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average 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 a non-discounted basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Pension costs

For the defined benefit scheme, the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet. The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Cash flow statement

The company is a wholly owned subsidiary of Cummins Inc. and the cash flows of the company are included in the consolidated group cash flow statement of Cummins Inc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

2 Turnover

All turnover arises in the United Kingdom from the principal activity of the company. An analysis of turnover by geographical market is given below

	2002 £	2001 £
United Kingdom	4,322,755	4,550,282
Rest of Europe	5,042,524	6,135,207
Other	193,986	431,265
	9,559,265	11,116,754

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after (crediting)/charging:

	Note	2002 £	2001 £
(Profit) on sale of fixed assets		(99,084)	(1,000)
Depreciation and amounts written off tangible fixed assets			
- owned		288,336	216,494
- exceptional impairment of fixed assets – included in admin expenses		-	614,700
- exceptional redundancy costs – included in admin expenses		-	363,862
Operating lease rentals			
- plant and machinery		109,478	134,544
Auditors' remuneration for audit services		36,000	31,000

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

4 Staff costs

The average monthly number of employees (including executive directors) was:

	2002	2001
	Number	Number
Production	125	161
Management, administration and sales	60	68
	185	229

Their aggregate remuneration comprised:

	2002	2001
	£	£
Wages and salaries	3,486,801	3,572,076
Social security costs	306,893	359,584
Other pension costs (note 15)	109,343	113,151
	3,903,037	4,044,811

Directors' emoluments:

	2002	2001
	£	£
Emoluments	60,536	60,668

Pensions

The number of directors who were members of pension schemes was as follows:

	2002	2001
	Number	Number
Defined benefit schemes	1	1

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Notes to the financial statements for the year ended 31 December 2002

5 Taxation on loss on ordinary activities

The tax charge in the current year represents an adjustment in respect of previous years. The company has tax losses available to it to carry forward of approximately £2,500,000 (2001: £2,500,000). Where possible the company surrenders the benefit of tax losses to fellow UK group undertakings. No payment is received for losses surrendered.

	31 December 2002	31 December 2001
	£	£
Current tax:		
UK corporation tax on profits of the period	-	
Adjustment in respect of previous periods	(10,706)	18,148
Total current tax (credit)/charge	(10,706)	18,148
Tax on profit on ordinary activities	(10,706)	18,148

The tax assessed for the period is lower (2001 - lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	31 December 2002	31 December 2001
	£	£
Loss on ordinary activities before tax	(1,467,274)	(2,793,702)
Loss on ordinary activities multiplied by average standard rate of UK corporation tax of 30%	(440,182)	(838,111)
Effects of:		
Expenses not deductible for tax purposes	(84,508)	109,793
Deficit of capital allowances over depreciation	76,070	208,673
Group relief (claimed)/surrendered not paid	448,620	519,645
Adjustments to tax charge in respect of previous periods	(10,706)	18,148
Current tax charge for the period	(10,706)	18,148

The company has a potential deferred tax asset of £915,140 (2001: £839,070) which has not been recognised.

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

6 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Furniture and fixtures	Tooling	Totals
	£	£	£	£	£
Cost					
At 1 January 2002	2,489,758	3,969,041	50,030	1,729,107	8,237,936
Additions	81,777	238,820	-	77,000	397,597
Disposals	(50,916)	(1,081,888)	-	(1,700,154)	(2,832,958)
Transfers from fellow subsidiaries	-	202,520	-	-	202,520
At 31 December 2002	2,520,619	3,328,493	50,030	105,953	6,005,095
Depreciation					
At 1 January 2002	258,911	2,008,483	50,030	1,729,107	4,046,531
Charge for the year	28,423	252,675	-	7,238	288,336
Disposals	-	(428,758)	-	(1,727,555)	(2,156,313)
Transfers from fellow subsidiaries	-	107,895	-	-	107,895
At 31 December 2002	287,334	1,940,295	50,030	8,790	2,286,449
Net book value					
At 31 December 2002	2,233,285	1,388,198	-	97,163	3,718,646
At 31 December 2001	2,230,847	1,960,558	-	-	4,191,405

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

6 Tangible fixed assets (continued)

Freehold land amounting to £1,733,526 has not been depreciated (2001: £1,784,442).

Freehold land was professionally valued by Gerald Eve, Chartered Surveyors in 2003 on an existing use value basis, which the directors consider is not materially different from the open market value.

The plant and machinery were professionally valued on a fair market value basis by American Appraisal (UK) Limited in 1998.

Subsequent additions at cost were as follows:

	2002		2001	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	£	£	£	£
Valuation 1998	2,429,803	1,542,101	2,480,719	2,623,989
Cost (net)	90,816	1,786,392	9,039	1,345,052
Cost or revaluation at 31 December 2002	2,520,619	3,328,493	2,489,758	3,969,041

If the land and buildings, and plant and machinery had not been revalued they would have been included at the following amounts:

	2002		2001	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	£	£	£	£
Cost	2,010,076	3,328,493	1,979,216	3,969,041
Depreciation	(287,334)	(2,184,668)	(258,911)	(2,252,856)
Net book value	1,722,742	1,143,825	1,720,305	1,716,185

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

7 Stocks

	2002	2001
	£	£
Raw materials and consumables	554,399	797,299
Work in progress	506,088	623,089
Finished goods	704,266	958,776
	1,764,753	2,379,164

There is no material difference between the balance sheet value of stocks and their replacement cost.

8 Debtors

	2002	2001
	£	£
Trade debtors	1,549,905	2,067,808
Amounts owed by group undertakings	437,963	496,360
Other debtors	574,316	174,362
Prepayments and accrued income	292,181	245,648
	2,854,365	2,984,178

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Notes to the financial statements for the year ended 31 December 2002

9 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	22,248	-
Trade creditors	866,157	1,090,347
Amounts owed to group undertakings (including loans)	5,688,138	5,256,370
Accruals and deferred income	23,283	32,816
	6,599,826	6,379,533

10 Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Intercompany loan	1,750,000	1,750,000

The intercompany loan is unsecured and non-interest bearing. Repayment of this loan is not anticipated during the year ending 31 December 2003. Additionally, the ultimate parent company has indicated that no repayment over and above that which the company has the means to settle, will be sought.

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

11 Called up share capital

	2002	2001
	£	£
Authorised, allotted, called up and fully paid		
1,665,100 ordinary shares of £1 each	1,665,100	1,665,100
1,833,227 "A" Deferred shares of £1 each	1,833,227	1,833,227
1,833,227 "B" Deferred shares of £1 each	1,833,227	1,833,227
1,833,227 "C" Deferred shares of £1 each	1,833,227	1,833,227
	7,164,781	7,164,781

The deferred shares rank pari passu with the ordinary shares for dividend purposes and voting rights, but after the ordinary shares in respect of any payments on liquidation or otherwise.

12 Reserves

	Share premium account	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 January 2002	191,988	754,915	(6,666,328)	(5,719,425)
Loss for the year	-	-	(1,456,568)	(1,456,568)
At 31 December 2002	191,988	754,915	(8,122,896)	(7,175,993)

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

13 Reconciliation of movements in equity shareholders' funds

	2002	2001
	£	£
Opening shareholders' funds	1,445,356	4,257,206
Loss for the year	(1,456,568)	(2,811,850)
Closing shareholders' funds	(11,212)	1,445,356

14 Guarantees and other financial commitments

(a) Capital commitments

There are no capital commitments at either year end.

(b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2002	2001
	£	£
Plant and machinery		
Expiry date – between 2-5 years	57,452	92,473

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Notes to the financial statements for the year ended 31 December 2002

15 Pension arrangements

The Company operates an occupational pension scheme, the Nelson-Burgess Pension Plan ("the Plan"), which has two sections, providing defined benefit and defined contribution benefits. The Plan's funds are administered by trustees and are independent of the Company's finances. Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial adviser.

i) SSAP 24

The contributions to the defined benefit section of the scheme are assessed in accordance with the advice of an independent professionally qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was conducted as of 31 May 2002 using the following main assumptions:

Rate of return on investments	5.3% to 7.3% per annum
Rate of pensionable earnings increases	4.4% per annum
Rate of price inflation	2.9% per annum
Rate of dividend growth	2.38% per annum
Pensions will be increased in line with guaranteed rates.	

This valuation showed that the market value of the scheme's assets at that date amounted to £2,376,284 (2001: £2,900,000) and the actuarial value was sufficient to cover 120% of the value of the accrued benefits for the members after allowing for the effect of expected future increases in their earnings. Accordingly, no contributions have been paid to the scheme by the company during the year. The pension charge in the profit and loss account was £nil (2001: £nil) as the regular charge has been wholly offset by variations arising as a result of the surplus.

The pension charge for the defined contribution scheme was £109,343 (2001: £113,151).

ii) FRS 17 "Retirement Benefits"

Actuarial valuations are carried out triennially for funding purposes, the most recent one being as at 31st May 2002 and the subject of a report dated 29th May 2003. This actuarial valuation was updated to 31st December 2002, by an independent qualified actuary in accordance with the transitional arrangements of FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS17 assumptions used for the Plan. The table also sets out as at 31st December 2001 and 31st December 2002 the estimated fair value of assets, an estimated breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities, the related deferred tax liability and the net pension liability.

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Notes to the financial statements for the year ended 31 December 2002

15 Pension arrangements (continued)

The major assumptions used by the actuary were (in nominal terms):

	2002	2001
	%	%
Rate of increase in salaries	3.8	4.0
Rate of increase of pensions in payment	2.3	2.5
Discount rate	5.6	6.0
Inflation assumption	2.3	2.5

The assets in the schemes and the expected rates of return were:

	2002	2002	2001	2001
	%	£'000	%	£'000
Equities	7.3	1,380	8.0	2,103
Bonds	4.5	248	5.0	406
Property	5.9	34	6.4	61
Cash	4.0	112	5.0	102
Other	5.6	958	6.0	765
Total market value of assets		2,732		3,437
Actuarial value of liability		(2,896)		(2,393)
Deficit/(surplus) in the scheme and net pension (liabilities)/asset before tax		(164)		1,044
Related deferred tax asset/(liability)		49		(313)
Net pension (liability)/asset		(115)		731

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Notes to the financial statements for the year ended 31 December 2002

15 Pension arrangements (continued)

Under FRS17, the Plan would be represented on the balance sheet as at 31st December 2002 a liability of £0.164m (£0.115m net of deferred tax). At 31st December 2001, the Plan would have been represented on the balance sheet as an asset of £1.044m (£0.731m net of deferred tax) as that was the extent that the company could have recovered surplus through reduced contributions in the future.

Over the year to 31st December 2002, no contributions by the company were made to the Plan. The company has agreed to pay contributions of 15.8% of Pensionable Pay commencing 1st June 2003, the contributions to be reviewed before the end of 2003 and if appropriate increased.

Analysis of the amount that would have been charged to operating profit

	2002
	£'000
Current service cost	44
Curtailment and settlement	16
Total operating charge	60

Analysis of the amount that would have been credited to other finance income

	2002
	£'000
Expected return on pension scheme assets	239
Interest on pension liabilities	(141)
Net return	98

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Notes to the financial statements for the year ended 31 December 2002

15 Pension arrangements (continued)

Analysis of amount that would have been recognised in statement of total recognised gains and losses (STRGL)

	2002	
	£'000	
Actual return less expected return on pension scheme assets	(799)	29%
Experience gains and losses arising on the scheme liabilities	(103)	4%
Changes in assumptions underlying the present value of the scheme liabilities	(344)	12%
Movements in balance sheet limitation	658	23%
Actuarial loss that would have been recognised in STRGL	(588)	20%

The above percentages show the STRGL components as a percentage of the end of year value of the Plan's assets or liabilities, as appropriate.

Movement in surplus during the year

	2002
	£'000
Deficit in scheme at 31 December 2001	1,044
Movement in year:	
Current service cost	(56)
Contributions	12
Curtailement and settlement loss	(16)
Net return on (interest cost)/assets	98
Actuarial loss	(1,246)
Deficit in scheme at 31 December 2002	(164)

Nelson-Burgess Limited

Notes to the financial statements for the year ended 31 December 2002

15 Pension arrangements (continued)

Balance sheet presentation

The company's net liabilities, including the disclosed FRS 17 balance sheet item above, would be £654,040 at 31 December 2002.

16 Ultimate parent company

The largest group in which the results of the company are consolidated is that of Cummins Inc, a company incorporated in the United States of America. Group accounts are available from The Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549.

The smallest in which the results of the company are consolidated is that of Nelson Industries Inc., a company incorporated in the United States of America.

Cummins Inc. has indicated that it intends to provide financial support as necessary to enable the company to continue operations.

17 Related party transactions

The company is a wholly owned subsidiary of Cummins Inc. Accordingly the company is exempt from the disclosure requirements of Financial Reporting Standard No. 8 concerning related party transactions with fellow group companies. No other related party transactions have occurred.