

Onan International Limited

Directors' Report and  
Statement of Accounts  
for the year ended  
31st December 1995

Registered No. 2058784

Thomas May & Co  
Chartered Accountants



# Onan International Limited

## Directors

M A Holtham  
G L Brisbin

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31st December 1995.

### PRINCIPAL ACTIVITY

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

### BUSINESS REVIEW

Market conditions remained highly competitive. Sales of our Mobile range of products were at an all-time high, but sales of Industrial products were affected by a delay in the introduction of the Onan Sterling range, manufactured in the UK. The Onan Sterling range was launched in July 1995 and sales during the second half of the year show a recovery.

### RESULTS AND DIVIDENDS

The results for the year are set out in the attached profit and loss account.

The directors recommend that no dividend be paid in respect of the year ended 31st December 1995.

### FIXED ASSETS

The movement in fixed assets are shown in the notes to the accounts.

### DIRECTORS

The directors during the year under review were as shown above, except for J R Porter and W N Preismeyer who both resigned on 31st December 1995.

### 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 affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select accounting policies and then apply them consistently;
- make judgments 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 (Continued)

DIRECTORS' INTERESTS

No director has any interest in the issued share capital of the company.

The shares of the company are held by Onan Corporation, which is incorporated in the United States.

The directors' report was approved by the Board of Directors on 25th October 1996

On Behalf of the Board



M A Holtham

Director

54, The Broadway  
Peterborough  
Cambridgeshire

Onan International Limited

PROFIT AND LOSS ACCOUNT

Year Ended 31st December 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
<u>TURNOVER (continuing activities)</u>	1 & 2	5,498,232	2,650,334
Other operating income		580,003	717,493
		<hr/> 6,078,235	<hr/> 3,367,827
Operating costs	3	6,288,384	3,291,431
Depreciation of tangible fixed assets-owned assets	1 & 7	18,828	17,116
		<hr/> 6,307,212	<hr/> 3,308,547
<u>OPERATING (LOSS)/PROFIT (continuing activities)</u>		(228,977)	59,280
Interest receivable		9,095	10,684
<u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		<hr/> (219,882)	<hr/> 69,964
Tax on result from ordinary activities	6	(49,265)	20,866
<u>(NET LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR</u>		<hr/> (170,617)	<hr/> 49,098
Retained profit brought forward		322,538	273,440
<u>RETAINED PROFIT CARRIED FORWARD</u>		<hr/> <hr/> £ 151,921	<hr/> <hr/> £ 322,538

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than as shown above.

Onan International Limited

BALANCE SHEET

31st December 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
<u>FIXED ASSETS</u>			
Tangible assets	7	50,410	59,132
<u>CURRENT ASSETS</u>			
Stocks	8	450,952	562,841
Debtors	9	1,971,600	562,030
Cash at bank		86,405	188,044
		<u>2,508,957</u>	<u>1,312,915</u>
<u>CREDITORS: Amounts falling due</u>	10		
within one year			
Bank overdraft		6,269	-
Other		2,145,704	792,636
		<u>2,151,973</u>	<u>792,636</u>
NET CURRENT ASSETS		356,984	520,279
TOTAL ASSETS LESS CURRENT LIABILITIES		407,394	579,411
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>			
Deferred Taxation	6b	-	1,400
NET ASSETS		<u>£ 407,394</u>	<u>£ 578,011</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	260,516	260,516
Reserves	13	146,878	317,495
SHAREHOLDERS' FUNDS	12	<u>£ 407,394</u>	<u>£ 578,011</u>

The accounts were approved by the  
Board of Directors on 25th October 1996

On behalf of the Board



M A Holtham  
Director

Onan International Limited

CASH FLOW STATEMENT  
For The Year Ended 31st December 1995

	<u>1995</u>	<u>1994</u>
	£	£
<u>NET CASH OUTFLOW</u>		
<u>FROM OPERATING ACTIVITIES</u>	(70,364)	(47,887)
<u>RETURNS ON INVESTMENTS AND SERVICING</u>		
<u>OF FINANCE</u>		
Interest received	9,095	10,684
<u>TAXATION</u>		
Tax paid	(36,533)	(98,066)
<u>INVESTMENT ACTIVITIES</u>		
Purchase of fixed assets	(10,106)	(12,796)
Net cash outflow from investment activities	(10,106)	(12,796)
<u>DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(107,908)</u>	<u>(148,065)</u>

Onan International Limited  
Notes to the Accounts

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting Convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is calculated so as to write down to estimated residual value the cost of tangible fixed assets over their estimated useful lives as follows:-

EDP Equipment	20% per annum on cost
Office equipment	15% per annum on cost
Motor vehicles	20% per annum on cost

Stocks and Work in Progress

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

Work in progress and finished stocks are valued at the lower of cost (including overheads) and net realisable value.

Deferred Taxation

Provision is made for deferred taxation using the liability method for all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future (Note 6).

Pension Scheme

Pension scheme contributions payable by the company are charged to the profit and loss account as incurred.

Accounting for Leases

Operating leases - Payments under operating leases are charged to the profit and loss account as incurred.

Turnover

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax.

Onan International Limited  
Notes to the Accounts

2 TURNOVER

	<u>1995</u>	<u>1994</u>
	£	£
By Geographical area:-		
United Kingdom	780,861	614,431
Europe	1,736,367	666,263
Middle East	2,214,662	1,365,433
Rest Of World	766,342	4,207
	<hr/>	<hr/>
	5,498,232	2,650,334
	<hr/>	<hr/>

3 OPERATING COSTS

	<u>1995</u>	<u>1994</u>
	£	£
Goods for resale	4,764,588	2,037,774
Other external charges	429,054	284,586
Employee costs:		
Wages and salaries	440,370	401,744
Social security costs	25,579	23,755
Other pension costs	32,610	17,683
	<hr/>	<hr/>
	498,559	443,182
Other operating charges	596,183	525,889
	<hr/>	<hr/>
	£6,288,384	£3,291,431
	<hr/>	<hr/>

Included in operating costs are:

	<u>1995</u>	<u>1994</u>
	£	£
Hire of plant and machinery	72,000	67,499
Auditors remuneration	12,850	9,350
Directors emoluments:-		
Remuneration for management	56,730	51,517
Pension contributions	8,169	5,013
	<hr/>	<hr/>

4 EMPLOYEE NUMBERS

The average number of persons employed by the company including directors and part-time employees was as follows:-

	<u>1995</u>	<u>1994</u>
Directors	4	3
Management and administration	4	3
Sales	10	10
	<hr/>	<hr/>
	18	16
	<hr/>	<hr/>



Onan International Limited  
Notes to the Accounts

5 DIRECTORS' REMUNERATION

	<u>1995</u> £	<u>1994</u> £
Highest paid director	56,729	51,517
Number of directors receiving :	<u>No.</u>	<u>No.</u>
Nil	3	2
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-

6 TAXATION

(a) Tax on Result from Ordinary Activities

Based on the loss for the year is as follows:

	<u>1995</u> £	<u>1994</u> £
Corporation tax at 33%	-	17,500
Deferred Taxation	(1,400)	(200)
Under/(Over) Provision in Prior Years	(47,865)	3,566
	<u>£ (49,265)</u>	<u>£ 20,866</u>

The tax charge for the year has been reduced/(increased) by :-

	<u>1995</u> £	<u>1994</u> £
Accelerated capital allowances	515	724
Tax losses carried forward	(845)	-

(b) Deferred Taxation

The amount of deferred taxation for all timing differences at 31st December 1995 calculated on the liability method at 33% is as follows:-

	<u>Provided in these Accounts</u>	
	<u>1995</u> £	<u>1994</u> £
Accelerated capital allowances	(1,400)	(200)

The movement on the provision for deferred taxation is as follows:-

	<u>1995</u> £	<u>1994</u> £
Balance at 1st January 1995	1,400	1,600
Transfer to the Profit and loss account in the year	(1,400)	(200)
Balance at 31st December 1995	<u>Nil</u>	<u>1,400</u>

Onan International Limited  
Notes to the Accounts

7 TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures & Fittings £	Show Units £	Total £
COST:				
At 1st January 1995	114,564	20,103	21,353	156,020
Additions	5,101	2,341	2,664	10,106
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1995	£ 119,665	£ 22,444	£ 24,017	£ 166,126
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION:				
At 1st January 1995	82,881	7,135	6,872	96,888
Charge for year	10,681	2,701	5,446	18,828
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1995	£ 93,562	£ 9,836	£ 12,318	£ 115,716
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE:				
At 31st December 1995	£ 26,103	£ 12,608	£ 11,699	£ 50,410
At 30th November 1994	£ 31,683	£ 12,968	£ 14,481	£ 59,132
	<hr/>	<hr/>	<hr/>	<hr/>

8 STOCKS

	<u>1995</u> £	<u>1994</u> £
Warehouse inventory	449,939	562,841
Assembly inventory	1,013	-
	<hr/>	<hr/>
	£ 450,952	£ 562,841
	<hr/>	<hr/>

9 DEBTORS

	<u>1995</u> £	<u>1994</u> £
Amounts falling due within one year:-		
Trade debtors	1,815,498	489,169
Other debtors	56,613	45,524
Prepayments	29,090	23,837
Recoverable corporation tax	70,399	3,500
	<hr/>	<hr/>
	£1,971,600	£ 562,030
	<hr/>	<hr/>

Onan International Limited  
Notes to the Accounts

10 CREDITORS

Amounts falling due within one year:-

	<u>1995</u>	<u>1994</u>
	£	£
Amounts owed to group companies	1,939,783	731,207
Social security and other taxation	11,469	4,878
Accruals	57,977	28,131
Other creditors	136,475	10,920
Corporation tax payable	-	17,500
	<u>£2,145,704</u>	<u>£ 792,636</u>

11 SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
	£	£
Authorised:		
260,516 ordinary shares of £1 each	<u>£ 260,516</u>	<u>£ 260,516</u>
Allotted, called up and fully paid:		
260,516 ordinary shares of £1 each	<u>£ 260,516</u>	<u>£ 260,516</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
	£	£
(Loss)/profit for the financial year	(170,617)	49,098
Opening shareholders' funds	<u>578,011</u>	<u>528,913</u>
Closing shareholders' funds	<u>£ 407,394</u>	<u>£ 578,011</u>

13 RESERVES

	Profit and Loss Account	Foreign Exchange Translation	Total
Balance brought forward	322,538	(5,043)	317,495
Movement in year	(170,617)	-	(170,617)
Balance carried forward	<u>151,921</u>	<u>(5,043)</u>	<u>146,878</u>

Onan International Limited  
Notes to the Accounts

14 FINANCIAL COMMITMENTS

Capital expenditure contracted and authorised but not contracted at 31st December 1995 for which no provision has been made in these accounts was as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Contracted	Nil	Nil
Authorised but not contracted	Nil	Nil

At 31st December 1995 the company had annual commitments under non-cancellable operating leases as follows:-

	<u>1995</u>		<u>1994</u>	
	£		£	
	<u>Land and</u>		<u>Land and</u>	
	<u>Buildings</u>	<u>Other</u>	<u>Buildings</u>	<u>Other</u>
Operating leases which expire within:				
One year	-	270	-	3,552
Two to five years	31,200	19,405	31,200	30,684
Over five years	-	-	-	-
	<u>£ 31,200</u>	<u>£ 19,675</u>	<u>£ 31,200</u>	<u>£ 34,236</u>

The leases of land and buildings are subject to rent reviews.

15 PENSION SCHEME

The company operates a defined contribution pension scheme. The assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £32,610 (1994 £17,683).

16 ULTIMATE HOLDING COMPANY

The company is a wholly-owned subsidiary of Onan Corporation, whose ultimate parent is Cummins Engine Company Inc. both being incorporated in the United States.

Onan International Limited  
Notes to the Cash Flow Statement

1 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	<u>1995</u> £	<u>1994</u> £
Net (loss)/profit for the year	(219,882)	69,964
Net interest paid	(9,095)	(10,684)
Operating (loss)/profit	(228,977)	59,280
Depreciation charges	18,828	17,116
Increase/decrease in stocks	111,889	(36,607)
(Increase)/decrease in debtors	(1,342,671)	230,342
Increase/decrease in creditors	1,370,567	(318,018)
Net cash outflow from operating activities	(70,364)	(47,887)

2 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1995</u> £	<u>1994</u> £
Balance at 1st January 1995	188,044	336,109
Net cash outflow	(107,908)	(148,065)
Balance at 31st December 1995	80,136	188,044

3 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1995</u> £	<u>1994</u> £	<u>Change</u> <u>in year</u> £
Cash at bank and in hand	86,405	188,044	(101,639)
Bank overdrafts	(6,269)	-	(6,269)
	80,136	188,044	(107,908)

4 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Finance</u> <u>Leasing</u> £	<u>Share</u> <u>Capital</u> £
Balance as 1st January 1995	-	260,516
Balance at 31st December 1995	-	260,516

AUDITORS' REPORT TO THE SHAREHOLDERS OF  
Onan International Limited

We have audited the financial accounts on pages 3 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

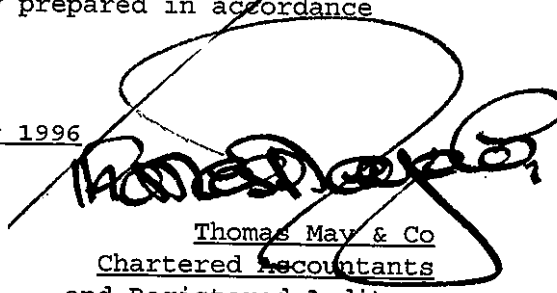
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial accounts are free from material misstatement, whether caused by fraud or other irregularity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

OPINION

In our opinion the financial accounts give a true and fair view of the state of the company's affairs as at 31st December 1995 and of its loss and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dated this 25th day of October 1996

The Lawns  
33 Thorpe Road  
Peterborough  
PE3 6AD

  
Thomas May & Co  
Chartered Accountants  
and Registered Auditors