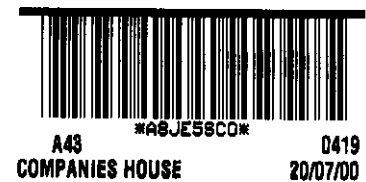


**Onan International Limited**  
**FINANCIAL STATEMENTS**  
**31st December 1999**

**Registered number: 2058784**

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



**Onan International Limited**  
**FINANCIAL STATEMENTS**  
**for the year ended 31st December 1999**

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**The following pages do not form part of the statutory accounts**

Detailed trading and profit and loss account	Appendix	1
Schedule to the detailed trading and profit and loss account	Appendix	2

**Onan International Limited****COMPANY INFORMATION****31st December 1999**

NUMBER	2058784
DIRECTORS	M A Holtham G L Brisbin R Eyres
REGISTERED OFFICE	46-50 Coombe Road, New Malden, KT3 4QL.
AUDITORS	Thomas May & Co Chartered Accountants The Lawns 33 Thorpe Road Peterborough PE3 6AD

## Onan International Limited

## DIRECTORS' REPORT

31st December 1999

The directors present their report and the audited financial statements for the year ended 31st December 1999.

**Principal activity**

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

**Business review**

Despite fierce ongoing competition in Europe and a downturn in sales in the Middle East, 1999 was the company's best year since 1996, with sales growth of approximately ten per cent in the Consumer Marine generator set sector, much of which was achieved through market share gains. The company's market position has been helped by the fact that the Onan marine product range is the first of its kind to receive marine agency type approval (from Det Norske Veritas).

**Results and dividends**

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

**Directors**

The directors of the company during the year were as follows:-

M A Holtham  
G L Brisbin  
R Eyres

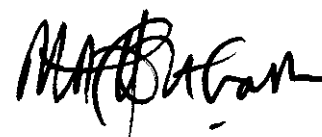
All directors served throughout the year. No director has any interest in the issued share capital of the company.

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

**Auditors**

Thomas May and Co. have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



M A Holtham  
Director

Unit 44  
Guash Way  
Stamford  
Lincolnshire

27<sup>th</sup> June 2000

**Onan International Limited****STATEMENT OF 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 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.

On behalf of the board



M A Holtham  
Director

27<sup>th</sup> June 2000

**Onan International Limited****AUDITORS' REPORT****Auditors' report to the members of****Onan International Limited**

We have audited the financial statements on pages 5 to 14, which have been prepared under the historical cost convention, and the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 error or other irregularity. 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 as at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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



Thomas May & Co  
Registered Auditors  
Chartered Accountants

3<sup>rd</sup> July 2000

## Onan International Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1999

	Note	1999 £	1998 £
<b>Turnover</b>	2	2,489,398	2,090,085
Other operating income		55,033	52,407
		<hr/>	<hr/>
		2,544,431	2,142,492
Raw materials and consumables		(2,014,096)	(1,737,083)
Other external charges		(66,881)	(88,160)
Staff costs	4	(137,059)	(122,020)
Depreciation	3	(5,496)	(4,951)
Other operating charges		(112,566)	(128,947)
		<hr/>	<hr/>
<b>Operating profit</b>	3	208,333	61,331
Investment income	5	14	30
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		208,347	61,361
Taxation	6	(46,485)	(18)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation retained for the year</b>	15	161,862	61,343
		<hr/>	<hr/>

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

There were no recognised gains and losses in 1999 or 1998 other than the profit for the year.

## BALANCE SHEET

at 31st December 1999

	Note	£	1999 £	£	1998 £
<b>Fixed assets</b>					
Tangible assets	7		12,480		11,528
<b>Current assets</b>					
Stocks	8	631,823		640,411	
Debtors	9	445,901		479,332	
Cash at bank and in hand		17,406		4,701	
		<u>1,095,130</u>		<u>1,124,444</u>	
<b>Creditors:</b> amounts falling due within one year	10	(741,885)		(932,109)	
<b>Net current assets</b>			353,245		192,335
<b>Total assets less current liabilities</b>			<u>365,725</u>		<u>203,863</u>
<b>Capital and reserves</b>					
Called up share capital	13	260,516		260,516	
Other reserves	14	(5,043)		(5,043)	
Profit and loss account	15	110,252		(51,610)	
<b>Total shareholders' funds</b>	12		<u>365,725</u>		<u>203,863</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 27<sup>th</sup> June 2000 and signed on its behalf by:



M A Holtham  
Director



**Onan International Limited**  
**CASH FLOW STATEMENT**  
**for the year ended 31st December 1999**

		<b>1999</b>		<b>1998</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net cash inflow/(outflow) from operating activities</b>	18		19,147		(61,824)
<b>Returns on investments and servicing of finance</b>					
Interest received		14		30	
			14		30
<b>Taxation</b>					
Corporation tax received			-		66,737
Corporation tax paid			(9)		(8)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(6,447)		(5,201)	
Sale of tangible fixed assets		-		1,691	
			(6,447)		(3,510)
<b>Increase in cash</b>	18		<u>12,705</u>		<u>1,425</u>

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

**1 Accounting policies****Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

**Tangible fixed assets**

Depreciation of fixed assets is calculated to write off their cost or valuation, less any residual value, over their estimated useful lives as follows:

Computer equipment	20% per annum on cost
Office equipment	15% per annum on cost

**Leases and hire purchase contracts**

Rentals paid under operating leases are charged to income as incurred.

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

**Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**Foreign currencies**

The company primarily conducts its trade in US Dollars. Transactions expressed in foreign currencies are translated into sterling and recorded at the average rate of exchange for the month of transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date.

Any gain or loss arising from movement in exchange rates is included as an exchange gain or loss in the Profit and Loss Account.

**Pensions****Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

**2 Turnover**

The turnover for the year was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	1999 £	1998 £
<b>Geographically</b>		
United Kingdom	850,554	678,144
Other EC countries	1,295,366	1,078,067
Middle East	315,267	300,727
Rest of the World	28,211	33,147
	<u>£ 2,489,398</u>	<u>£ 2,090,085</u>

**3 Operating profit**

Operating profit is stated after crediting:

	1999 £	1998 £
Gain on foreign exchange	3,026	-
and after charging:		
Staff costs (note 4)	137,059	122,020
Auditors' remuneration	5,400	6,000
Auditors' remuneration - non-audit work	-	1,575
Operating leases:		
Hire of plant and machinery	15,907	13,138
Office lease	4,032	4,032
Loss on sale of assets	48	-
Loss on foreign exchange	-	1,742
Depreciation of tangible fixed assets (note 7):		
Owned assets	<u>5,448</u>	<u>4,951</u>

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

**4 Directors and employees**

	<b>1999</b>	<b>1998</b>
	£	£
<b>Staff costs including directors' emoluments</b>		
Wages and salaries	118,273	107,419
Social security costs	9,321	7,426
Pension costs	9,465	7,175
	<u>137,059</u>	<u>122,020</u>

	<b>Number</b>	<b>Number</b>
<b>Average monthly number employed including executive directors:</b>		
Production staff	4	3
Office and management	3	3
Administration staff	2	2
	<u>9</u>	<u>8</u>

**Directors**

No director received remuneration from the company during the year.

**Defined contribution pension scheme**

The company operates a defined contribution scheme. The assets of the scheme 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 £ 9,465 (1998 £ 7,175) including contributions in respect of employees. Contributions totalling £ Nil (1998 £ Nil) were payable to the fund at 31st December 1999.

**5 Investment income**

	<b>1999</b>	<b>1998</b>
	£	£
Interest receivable	<u>14</u>	<u>30</u>

**6 Taxation**

	<b>1999</b>	<b>1998</b>
	£	£
Corporation tax on profit on ordinary activities at 30%/31% (1998 31%)	46,486	10
(Over)/under provision in earlier years	(1)	8
	<u>46,485</u>	<u>18</u>

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

## 7 Tangible fixed assets

<b>Cost</b>	<b>Computer Equipment £</b>	<b>Office Equipment £</b>	<b>Total £</b>
At 1st January 1999	20,079	15,519	35,598
Additions	6,447	-	6,447
Disposals	-	(250)	(250)
At 31st December 1999	<u>26,526</u>	<u>15,269</u>	<u>41,795</u>
<b>Depreciation</b>			
At 1st January 1999	11,729	12,341	24,069
Charge for the year	3,881	1,567	5,448
Disposals	-	(202)	(202)
At 31st December 1999	<u>15,610</u>	<u>13,706</u>	<u>29,315</u>
<b>Net book amount</b>			
At 31st December 1999	<u>10,917</u>	<u>1,563</u>	<u>12,480</u>
At 31st December 1998	<u>8,350</u>	<u>3,178</u>	<u>11,528</u>

## 8 Stocks

	<b>1999 £</b>	<b>1998 £</b>
Warehouse inventory	629,768	638,356
Supplies stock	2,055	2,055
	<u>631,823</u>	<u>640,411</u>

## 9 Debtors

	<b>1999 £</b>	<b>1998 £</b>
<b>Amounts falling due within one year</b>		
Trade debtors	362,863	358,120
Amounts owed by group undertakings	50,619	67,306
Other debtors	29,395	48,966
Prepayments and accrued income	3,024	4,940
	<u>445,901</u>	<u>479,332</u>

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

**10 Creditors:** amounts falling due within one year

	<b>1999</b>	<b>1998</b>
	£	£
Trade creditors	6,502	4,314
Amounts owed to group undertakings	591,476	860,543
Corporation tax	46,486	10
Other taxation and social security	-	1,421
Other creditors	88,304	57,896
Accruals and deferred income	9,117	7,925
	<u>741,885</u>	<u>932,109</u>

**11 Deferred taxation**

The company has no potential liability to deferred taxation at 31st December 1999.

**12 Reconciliation of movements in shareholders' funds**

	<b>1999</b>	<b>1998</b>
	£	£
<b>Profit for the financial year</b>	161,862	61,343
Opening shareholders' funds	203,863	142,520
<b>Closing shareholders' funds</b>	<u>365,725</u>	<u>203,863</u>

**13 Called up share capital**

	<b>1999</b>		<b>1998</b>	
	<b>Number of shares</b>	<b>£</b>	<b>Number of shares</b>	<b>£</b>
<b>Authorised</b>				
Ordinary shares of £ 1 each	<u>260,516</u>	<u>260,516</u>	<u>260,516</u>	<u>260,516</u>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £ 1 each	<u>260,516</u>	<u>260,516</u>	<u>260,516</u>	<u>260,516</u>

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

## 14 Other reserves

1999  
£

Exchange translation reserve	(5,043)
------------------------------	---------

## 15 Profit and loss account

1999  
£

At 1st January 1999	(51,610)
Retained profit for the year	161,862
At 31st December 1999	110,252

## 16 Financial Commitments

At 31st December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and Buildings	Other	Land and Buildings	Other
<b>Operating leases which expire within:</b>				
One year	-	1,676	-	-
Two to five years	4,032	9,946	4,032	12,820
Over five years	-	-	-	-
	<u>4,032</u>	<u>11,622</u>	<u>4,032</u>	<u>12,820</u>

## 17 Ultimate Holding Company

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

## Onan International Limited

## NOTES ON FINANCIAL STATEMENTS

31st December 1999

## 18 Notes to the cashflow statement

## Reconciliation of operating profit to operating cash flows

	1999 £	1998 £
Operating profit	208,333	61,331
Depreciation charges	5,448	4,951
Loss on sale of fixed assets	48	-
Decrease/(increase) in stocks	8,588	(92,637)
Decrease/(increase) in debtors	33,430	(120,892)
(Decrease)/increase in creditors	(236,700)	85,423
<b>Net cash inflow/(outflow) from operating activities</b>	<b>19,147</b>	<b>(61,824)</b>

## Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash at bank and in hand	4,701	12,705	17,406

## Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Increase in cash in the year	12,705	1,425
Change in net debt resulting from cash flows	12,705	1,425
Net debt at 1st January 1999	4,701	3,276
<b>Net debt at 31st December 1999</b>	<b>17,406</b>	<b>4,701</b>