

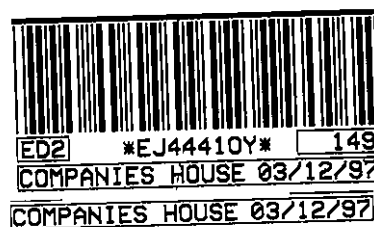
ARTHUR ANDERSEN

LTI Limited

Accounts 31 July 1997

together with directors' and auditors' reports

Registered number: 382553



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Directors and Officers

Directors

GRJ Borwick
GRW Gillespie
E Osmond
AC Peake
B Widdowson

Secretary

A Walker

Registered office

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Bankers

Midland Bank plc
London
EC2P 2BX

Auditors

Arthur Andersen
20 Old Bailey
London
EC4M 7AN

Directors' report

For the year ended 31 July 1997

Financial Statements

The directors present their report and financial statements for the year ended 31 July 1997.

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 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; and
- 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.

Principal activities, business review and future developments

The principal activities of the Company are the design, manufacture, sale and servicing of taxi cabs.

The directors consider the result for the year to be satisfactory and expect the company to trade profitably in the future.

Results and dividends

The results for the year are shown in the profit and loss account on page 6.

Out of the profit for the year of £2,561,837 (1996: £2,479,388), the directors propose a dividend of £2,000,000 (1996: £1,000,000).

Directors' report (continued)

Directors

The directors of the Company who served during the year are as follows:

GRJ Borwick - (Chairman)

B Widdowson - (Managing Director)

GRW Gillespie

E Osmond

AC Peake

GRJ Borwick, GRW Gillespie and B Widdowson are directors of Manganese Bronze Holdings PLC and their interests in that company are disclosed in its report and financial statements.

None of the directors has any notifiable interest in the share capital of the Company or in the share capital of any of the subsidiaries of the ultimate parent undertaking.

As at 31 July 1997 E Osmond and AC Peake held respectively 70,000 (1996: 70,000) and 6,000 (1996: 6,000) options to purchase shares in Manganese Bronze Holdings PLC:

Fixed assets

The movement on tangible fixed assets is set out in note 7 to the financial statements.

Employee participation

The Company has continued its policy of providing its employees and their representatives with regular information on matters of concern to them as employees and members of the pension schemes.

Employment of disabled persons

The Company always gives sympathetic consideration to applications for employment for disabled persons and if existing employees become disabled every effort is made to find them appropriate work and training where it is needed.

Supplier payment policy

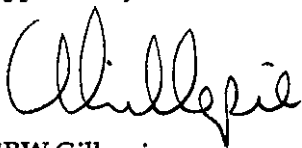
It is the company's policy to agree payment terms with its suppliers at the outset of a transaction, and to abide by these terms, subject to satisfactory performance by the supplier and the timely presentation of an accurate invoice. Amounts owed to suppliers are generally settled by the end of the month following the receipt of the invoice. At the year end, the amount owed to trade suppliers was equivalent to 44 days credit (1995/6: 52 days).

Directors' report (continued)

Elective regime

The Companies Act 1985 introduced the elective regime in order to simplify the conduct of private companies. On 25 April 1991 the Company passed elective resolutions to dispense with the holding of annual general meetings and the laying of accounts and reports before the Company in general meetings. On 10 January 1992 the Company passed an elective resolution to dispense with the obligation to appoint auditors annually.

Approved by the Board of Directors and signed on behalf of the Board on 17 October 1997.

A handwritten signature in cursive script, appearing to read 'Gillespie', written in black ink.

GRW Gillespie

Director

London

Auditors' report

To the shareholders of LTI Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the 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.

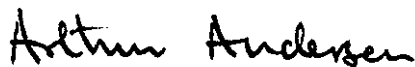
Basis of opinion

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 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 company's state of affairs at 31 July 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

20 Old Bailey

London EC4M 7AN

17 October 1997

Profit and loss account

For the year ended 31 July 1997

	Notes	1997 £	1996 £
Turnover	2	70,370,010	60,349,233
Cost of sales		<u>(56,171,621)</u>	<u>(48,449,317)</u>
Gross Profit		14,198,389	11,899,916
Distribution costs		<u>(2,132,078)</u>	<u>(1,901,054)</u>
Administrative expenses		<u>(7,689,582)</u>	<u>(6,782,391)</u>
Operating profit	3	4,376,729	3,216,471
Interest payable	5	<u>(148,347)</u>	<u>(183,487)</u>
Profit on ordinary activities before taxation		4,228,382	3,032,984
Tax on profit on ordinary activities	6	<u>(1,666,545)</u>	<u>(553,596)</u>
Profit on ordinary activities after taxation		2,561,837	2,479,388
Dividends proposed		<u>(2,000,000)</u>	<u>(1,000,000)</u>
Retained profit for the financial year	16	<u>561,837</u>	<u>1,479,388</u>

Statement of total recognised gains and losses

There are no recognised gains and losses other than those reported in the profit and loss account.

All of the company's results are derived from continuing operations.

Balance sheet

31 July 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	7	17,323,021	6,892,232
Investments	8	<u>3,605,019</u>	<u>3,605,019</u>
		20,928,040	10,497,251
Current assets			
Stocks	9	8,276,119	7,981,154
Debtors	10	4,598,259	11,600,898
Cash at bank and in hand		<u>3,462</u>	<u>48,238</u>
		12,877,840	19,630,290
Creditors: amounts falling due within one year	11	<u>(26,836,585)</u>	<u>(24,835,313)</u>
Net current liabilities		<u>(13,958,745)</u>	<u>(5,205,023)</u>
Total assets less current liabilities		6,969,295	5,292,228
Provisions for liabilities and charges	13	<u>(2,276,435)</u>	<u>(1,161,205)</u>
Net assets		<u>4,692,860</u>	<u>4,131,023</u>
Capital and reserves			
Called up share capital	14	1,200,000	1,200,000
Share premium account	15	2,412,671	2,412,671
Profit and loss account	15	<u>1,080,189</u>	<u>518,352</u>
Equity shareholders' funds	16	<u>4,692,860</u>	<u>4,131,023</u>

The financial statements on pages 6 to 15 were approved by the Board on 17 October 1997.



GRW Gillespie
Director

Notes to the financial statements

For the year ended 31 July 1997

1 Accounting policies

a) Consolidated financial statements

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a Company registered in England and Wales and which prepares consolidated accounts.

b) Accounting convention

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

c) Depreciation

Fixed assets are depreciated over their estimated useful lives on a straight line basis at annual rates varying as follows:

Plant and machinery 10% to 25%

d) Research and development

Research and development costs are written off in the year in which they are incurred.

e) Product tooling

The cost of tooling, including overheads in instances of own manufacture, in respect of clearly defined projects, is accumulated and capitalised to the date when production commences and is disclosed as Plant and Machinery under development. Upon commencement of production the accumulated capital cost is transferred to Plant and Machinery and it is amortised over the anticipated period of use of the investment with a maximum of 10 years.

f) Stocks

Stocks are valued consistently at the lower of cost and net realisable value on a first in, first out basis. Finished goods and work in progress are valued at cost of raw materials content and labour plus attributable overheads. Appropriate provisions are made for slow moving and obsolete items.

g) Operating leases

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

h) Deferred taxation

Provision is made, using the liability method, for taxation deferred by capital allowances on tangible fixed assets and by other timing differences, except to the extent that the directors consider that a liability will not arise in the foreseeable future.

Notes to the financial statements (continued)

1 Accounting policies (continued)

i) Foreign currencies

Export sales and imported goods invoiced in a foreign currency are translated into sterling at the amounts received or paid when the remittances to complete the transaction are exchanged for sterling. Assets and liabilities denominated in foreign currencies at the year end are translated into sterling at the rates ruling at the balance sheet date. Consequential gains or losses arising from movements in exchange rates are dealt with in the profit and loss account.

j) Warranties

Provision is made for expected future warranty costs in respect of products sold which, at the financial period end, are still eligible for warranty repair under the Company's conditions of sale.

k) Pension costs

The cost of the Company's pension arrangements are charged to the profit and loss account so as to spread the expected long term cost of pensions over the service lives of employees as calculated by a qualified actuary.

2 Analysis of results

	1997 £	1996 £
All turnover arises through sales of motor vehicles and parts		
Geographical analysis:		
United Kingdom	67,980,657	58,366,711
Asia	124,534	742,308
Western Europe	1,748,737	995,820
Other	516,082	244,394
	<u>70,370,010</u>	<u>60,349,233</u>

3 Operating profit is stated after charging:

	1997 £	1996 £
Auditors' remuneration	35,000	35,000
Hire of plant and equipment	235,080	113,141
Operating lease rentals	441,677	374,297
Depreciation	842,415	693,074
Research and development	<u>1,365,942</u>	<u>1,495,504</u>

Notes to the financial statements (continued)

4 Staff numbers and cost

The average number of people employed by the company during the year was as follows:

	Number	Number
Management	22	23
Administration and sales	152	142
Production	327	298
	<u>501</u>	<u>463</u>

The aggregate remuneration of these persons was as follows:

	1997 £	1996 £
Wages and salaries	11,480,122	9,203,214
Social security costs	1,121,099	928,484
Redundancy and severance payments	8,622	23,500
Other pension costs	376,588	302,349
	<u>12,986,431</u>	<u>10,457,547</u>

The remuneration of the directors of the company was:

Emoluments	149,001	116,715
Pension contributions	14,124	11,897
	<u>163,125</u>	<u>128,612</u>

Highest paid director

Emoluments	90,047	82,036
Pension contributions	8,547	8,228
	<u>98,594</u>	<u>90,264</u>

The emoluments of GJR Borwick, GRW Gillespie and B Widdowson who are also directors of Manganese Bronze Holdings PLC, are disclosed in that company's financial statements.

Notes to the financial statements (continued)

5 Interest payable

	1997 £	1996 £
To group undertakings	2,566	15,093
Other interest payable	145,781	168,394
	<u>148,347</u>	<u>183,487</u>

6 Taxation

	1997 £	1996 £
Based on profit for the year		
UK Corporation tax at 32.3% (1996: 33%)	746,000	833,260
Deferred tax	705,251	49,500
Adjustments in respect of prior years		
UK Corporation tax	<u>215,294</u>	<u>(329,164)</u>
	<u>1,666,545</u>	<u>553,596</u>

7 Tangible fixed assets

	Lease improvements £	Plant and machinery £	Plant and Machinery under development £	Total £
Cost				
At 1 August 1996	456,011	6,116,465	4,617,391	11,189,867
Additions	82,349	2,713,609	8,516,092	11,312,050
Disposals	-	(356,644)	-	(356,644)
At 31 July 1997	<u>538,360</u>	<u>8,473,430</u>	<u>13,133,483</u>	<u>22,145,273</u>
Depreciation				
At 1 August 1996	97,658	4,199,977	-	4,297,635
Provision for the year	46,705	795,710	-	842,415
Disposals	-	(317,798)	-	(317,798)
Group transfer				
31 July 1997	<u>144,363</u>	<u>4,677,889</u>	<u>-</u>	<u>4,822,252</u>
Net book value				
At 31 July 1997	<u>393,997</u>	<u>3,795,541</u>	<u>13,133,483</u>	<u>17,323,021</u>
At 31 July 1996	<u>358,353</u>	<u>1,916,488</u>	<u>4,617,391</u>	<u>6,892,232</u>

Notes to the financial statements (continued)

8 Investments in subsidiaries

	1997 £	1996 £
Shares in UK subsidiaries at cost	<u>3,605,019</u>	<u>3,605,019</u>

The principal subsidiary undertakings are listed below:

Name of Company	Country of registration	Nature of business	Company holding (%)
LTI Carbodies Limited	England and Wales	Dormant	100
London Taxis International Limited	England and Wales	Dormant	100
Mann & Overton Limited	England and Wales	Dormant	100*

* indicates shares held indirectly via another wholly owned subsidiary.

9 Stocks

	1997 £	1996 £
Raw materials and consumables	3,014,693	2,349,317
Work-in-progress	1,235,047	1,251,364
Finished goods	<u>4,026,379</u>	<u>4,380,473</u>
	<u>8,276,119</u>	<u>7,981,154</u>

10 Debtors

	1997 £	1996 £
Trade debtors	2,044,481	1,863,500
Amounts owed by group undertakings, less provision	1,899,394	9,196,336
Other debtors	338,016	321,042
Prepayments & accrued income	<u>316,368</u>	<u>220,020</u>
	<u>4,598,259</u>	<u>11,600,898</u>

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Stocking facilities with finance houses	2,079,714	3,646,923
Unsecured loan stock (note 12)	-	78,000
Bank overdrafts	5,451,281	-
Trade creditors	6,865,958	7,391,150
Amounts owed to group undertakings	7,149,007	10,657,266
Other taxes and social security	62,935	413,569
Other creditors	337,689	400,866
Corporation tax	1,213,557	934,675
Accruals and deferred income	3,676,444	1,312,865
	<u>26,836,585</u>	<u>24,835,313</u>

The stocking facilities are secured on the finished goods stock to which the loan relates.

12 Unsecured loan stock

Amount owed to group company and repayable in six-monthly instalments of £78,000 by 31 January 1997

-	<u>78,000</u>
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13 Provision for liabilities and charges

	Deferred Taxation £	Provision for future warranty costs £	Total £
1 August 1996	-	1,161,205	1,161,205
Transfer from profit and loss account	<u>705,251</u>	<u>409,979</u>	<u>1,115,230</u>
31 July 1996	<u>705,251</u>	<u>1,571,184</u>	<u>2,276,435</u>

The potential amounts of deferred taxation for which no provision has been made in these accounts is as follows:

	1997 £	1996 £
Accelerated capital allowances	803,444	419,869
Short term timing differences	<u>(98,193)</u>	<u>(171,822)</u>
	<u>705,251</u>	<u>248,047</u>

Notes to the financial statements (continued)

14 Called up share capital

	1997	1996
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	1,100,000	1,100,000
Deferred shares of £1 each	100,000	100,000
	<u>1,200,000</u>	<u>1,200,000</u>

15 Reserves

	Share premium account £	Profit and loss account £
At 1 August 1996	2,412,671	518,352
Profit for the year	-	561,837
At 31 July 1997	<u>2,412,671</u>	<u>1,080,189</u>

16 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	2,561,837	2,479,388
Dividends	(2,000,000)	(1,000,000)
Net addition to shareholders' funds	561,837	1,479,388
Opening shareholders' funds	4,131,023	2,651,635
Closing shareholders' funds	<u>4,692,860</u>	<u>4,131,023</u>

17 Capital commitments

The company is committed to make the following payments in the next year under operating leased expiring:

	1997 £	1996 £
The following expenditure has been authorised at 31 July		
Contracted	1,330,500	5,470,578
Not contracted	<u>-</u>	<u>878,071</u>

Notes to the financial statements (continued)

18 Financial commitments

The company is committed to make the following payments in the next year under operating leases expiring:

	1997 £	1996 £
Within one year	35,633	22,415
In the second to fifth year	255,783	170,692
Over five years	391,832	390,832
	<u>683,248</u>	<u>583,939</u>

19 Pensions

The Company is a member of the Manganese Bronze Holdings PLC defined benefit and money purchase group pension schemes. Any pension costs charged are based on pension costs across the group as a whole, assessed by a qualified actuary. Full disclosure of the group pension scheme is included in the financial statements of Manganese Bronze Holdings PLC.

20 Contingent liability note

The company has given a guarantee to its bankers in respect of any amounts outstanding on the group borrowing facilities. At 31 July 1997, the relevant group net borrowings amount to £3,493,000. (1996:£nil)

21 Ultimate parent undertaking

The Company's ultimate parent undertaking of the largest and smallest group in which the company is consolidated is Manganese Bronze Holdings PLC, which is registered in England and Wales. Copies of the group accounts are available from the Company Secretary, 1 Love Lane, London, EC2V 7HJ.