

LTI Limited

Financial statements for the year ended 31 July 2003
together with directors' and independent auditors' reports

Registered number: 382553



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DIRECTORS AND ADVISERS

Directors

M Fryer

I Pickering

P Shillcock

J Thorpe

Company Secretary

T White

Registered Office

Holyhead Road

Coventry

West Midlands

CV5 8JJ

Bankers

HSBC Bank PLC

Poultry & Princes Street

London

EC2P 2BX

Auditors

Deloitte & Touche LLP

London

DIRECTORS' REPORT

The directors present their report and audited financial statements, together with the auditors' report, for the year ended 31 July 2003.

Statement of directors' responsibilities

United Kingdom 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 at the end of the financial year and of the profit or loss of the Company for that period. In preparing the 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; 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 the system of internal control, 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 loss for the year after taxation amounted to £19,323 (2002: £730,825 loss). The directors do not propose a dividend for the year (2002: £nil).

Directors and directors' interests

The directors of the Company who served throughout the year except where stated, were as follows:

GRJ Borwick	(resigned 17 January 2003)
M Fryer	
I Pickering	
P Shillcock	(appointed 10 November 2002)
J Thorpe	

DIRECTORS' REPORT (continued)

Directors and directors' interests (continued)

The directors of the Company held options over the shares of Manganese Bronze Holdings PLC, the ultimate parent undertaking as follows:

	Held at 1 August 2002	Issued during year	Held at 31 July 2003	Exercise price (pence)	Date from which first exercisable	Expiry date
J Thorpe	5,000		5,000	360.5	11 October 1999	11 October 2006
	40,080		40,080	412.0	30 March 2001	30 March 2008
	30,000		30,000	229.0	23 September 2002	23 September 2009
		28,481	28,481	73.5	7 May 2006	7 May 2013
P Shillcock	30,000		30,000	66.5	5 November 2004	5 November 2011
		28,481	28,481	73.5	7 May 2006	7 May 2013

The market price of Manganese Bronze Holdings PLC's shares at 31 July 2003 was 130p and the range during the year ended 31 July 2003 was 50p to 130p.

I Pickering and M Fryer are directors of Manganese Bronze Holdings PLC, and their interests in that Company are disclosed in its report and financial statements.

No other director had any notifiable interest in the share capital of the Company or any of the subsidiaries of its ultimate parent Company.

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 from disabled persons and if existing employees become disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

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 invoice. At the year-end, the amount owed to trade suppliers was equivalent to 49 days credit (2002: 51 days).

Donations

The Company made donations for charitable purposes during the year ended 31 July 2003 of £11,567 (2002: £15,262). These donations have been made to local charities serving the communities in which the company operates. No political donations were made during the year (2002: £nil).

DIRECTORS' REPORT (continued)

Elective regime

The Companies Act 1989 introduced into the Companies Act 1985 the elective regime in order to simplify the conduct of private companies. On 25 April 1991 the Company passed elective resolutions to dispense with:

1. the holding of Annual General Meetings; and
2. the laying of financial statements and reports before the Company in general meetings.

Auditors

On 1 August 2003, Deloitte & Touche transferred its business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

By order of the Board

T White Company Secretary

21 May 2004

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT to the Members of LTI Limited

We have audited the financial statements of LTI Limited for the year ended 31 July 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under 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 auditors' 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, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 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.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

London

Chartered Accountants and Registered Auditors

21 May 2004

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2003

	Notes	2003 £	2002 £
Turnover	2	83,407,782	84,241,405
Cost of sales		<u>(73,131,859)</u>	<u>(73,912,318)</u>
Gross profit		10,275,923	10,329,087
Distribution costs		(3,371,947)	(4,111,298)
Administrative expenses		(7,503,914)	(6,659,432)
Other operating income		<u>-</u>	<u>94,172</u>
Operating loss	3	(599,938)	(347,471)
Finance charges – net	4	<u>(502,497)</u>	<u>(609,671)</u>
Loss on ordinary activities before taxation		(1,102,435)	(957,142)
Tax credit on loss on ordinary activities	6	<u>1,083,112</u>	<u>226,317</u>
Loss on ordinary activities after taxation for the financial year		<u>(19,323)</u>	<u>(730,825)</u>
Retained loss for the financial year	14	<u>(19,323)</u>	<u>(730,825)</u>

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

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

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

BALANCE SHEET at 31 July 2003

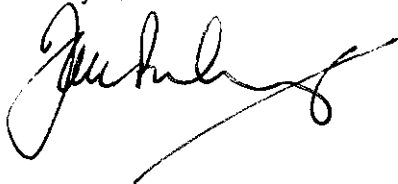
	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	7	11,343,030	14,186,841
Current assets			
Stocks	8	15,419,321	16,282,333
Debtors	9	4,301,835	2,284,576
Cash at bank and in hand		732,713	1,567,178
		<u>20,453,869</u>	<u>20,134,087</u>
Creditors Amounts falling due within one year	10	(26,752,768)	(28,289,529)
Net current liabilities		<u>(6,298,899)</u>	<u>(8,155,442)</u>
Total assets less current liabilities		5,044,131	6,031,399
Creditors Amounts falling due after more than one year	11	(42,335)	(104,691)
Provisions for liabilities and charges	12	(2,687,567)	(3,593,156)
Net assets		<u>2,314,229</u>	<u>2,333,552</u>
Capital and reserves			
Called up share capital	13	1,200,000	1,200,000
Share premium account	14	2,412,671	2,412,671
Profit and loss account	14	(1,298,442)	(1,279,119)
Equity shareholders' funds	15	<u>2,314,229</u>	<u>2,333,552</u>

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

These financial statements were approved by the Board of Directors and signed on their behalf by:

I Pickering Director

21 May 2004



NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

- (i) *The financial statements are prepared under the historical cost convention.*
- (ii) The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.
- (iii) The Company has taken advantage of the exemption from preparing a cash flow statement afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Manganese Bronze Holdings PLC which prepares consolidated financial statements which are publicly available.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated on a straight line basis at rates calculated to write down the cost to residual value over the estimated useful life of the asset. The estimated useful lives are:

Plant and machinery – four to ten years.

Turnover

Turnover comprises the value of sales (excluding VAT, similar taxes and intra-Group transactions) of goods and services provided in the normal course of business.

Financing of Stocks

Stocks of taxis held by Company and non Company dealers and financed through stocking loans are included in the balance sheet as finished goods together with the related borrowing.

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 material content plus labour and applicable overheads. Appropriate provisions are made for slow moving and obsolete items.

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 substantively enacted by the balance sheet date.

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 group'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 the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

1 ACCOUNTING POLICIES (continued)

Research and development

Revenue expenditure on research and development costs are written off in the year in which they are incurred.

Foreign currencies

Foreign currency transactions entered into are translated into sterling at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at either the rates of exchange ruling at the balance sheet date or at related forward contract rates if applicable and any resulting exchange gains and losses are taken to the profit and loss account.

Finance contracts

Finance leases and hire purchase contracts (together "finance contracts") are recorded in the balance sheet as tangible fixed assets and as an obligation to pay future rentals. Finance charges are allocated to accounting periods so as to approximate to a constant periodic rate of charge on the outstanding obligation.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The Company is a member of the Manganese Bronze Holdings PLC defined contribution pension plan (Account Plus). Payments to this scheme are charged to the profit and loss account as incurred, except to the extent that a significant event has occurred necessitating the payment of additional contributions to the scheme which are written off as incurred. Costs associated with the Manganese Bronze Group pension scheme, a defined benefit scheme in which members have ceased to accrue additional pensionable service, are expensed at Group level.

Government grants

Government grants are recognised as to match them with the capital and revenue expenditure toward which they are intended to contribute, to the extent that the conditions for receipt have been met and there is reasonable assurance that the grant will be received.

2 ANALYSIS OF RESULTS

All turnover arises through sales or leasing of motor vehicles and parts from the UK.

An analysis of turnover by destination is shown below:

	2003 £	2002 £
Asia	1,550,690	1,172,217
North America	726,355	326,321
Rest of Europe	417,722	122,253
Rest of World	-	280,031
Total exports	2,694,767	1,900,822
United Kingdom	80,713,015	82,340,583
	<u>83,407,782</u>	<u>84,241,405</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

3 OPERATING LOSS

	2003 £	2002 £
The operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	3,220,445	3,413,818
– leased	61,317	43,400
Research and development	614,127	1,257,413
Auditors' remuneration – audit	39,000	38,500
– other	-	7,310
Operating lease rentals – plant	383,739	481,583
– land and buildings	1,077,754	1,100,287
Aggregate rentals receivable in respect of operating leases of taxis	(195,446)	(316,000)
Government grants	-	(34,000)

4 FINANCE CHARGES - NET

	2003 £	2002 £
Group interest payable	157,562	184,621
Stocking loan interest payable	302,336	425,050
Finance contracts interest payable	42,599	-
Net interest payable	502,497	609,671

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Company during the year (which excludes Messrs Pickering and Fryer) was as follows:

	2003 Number	2002 Number
Management	17	16
Administration and sales	183	184
Production	270	302
	<u>470</u>	<u>502</u>

The aggregate remuneration of these employees was as follows:

	2003 £	2002 £
Wages and salaries	11,445,110	12,076,600
Social security costs	1,160,089	1,160,879
Other pension costs	405,643	438,476
Redundancy and severance payments	400,036	377,510
	<u>13,410,878</u>	<u>14,053,465</u>

The remuneration of the directors of the Company was:

	2003 £	2002 £
Aggregate remuneration	221,507	211,089
Company pension contributions to money purchase schemes	20,706	19,529
Compensation for loss of office	-	49,110
	<u>242,213</u>	<u>279,728</u>

The above mentioned pension contributions were paid into a money purchase scheme in respect of two (2002: three) of the Company's directors.

Highest paid director:

	2003 £	2002 £
Aggregate remuneration	126,125	100,686
Company pension contributions to money purchase schemes	11,667	8,620
Compensation for loss of office	-	49,110
	<u>137,792</u>	<u>158,416</u>

The remuneration of I Pickering and M Fryer, who are also directors of Manganese Bronze Holdings PLC, are disclosed in that Company's financial statements. It is not practicable to allocate the remuneration of these directors by company.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The taxation credit which is based on the loss for the year comprises:

	2003 £	2002 £
UK corporation tax	(44,744)	(311,415)
Adjustments relating to prior years – current taxation	22,501	137,773
	(22,243)	(173,642)
Deferred taxation	1,020,265	527,575
Adjustments relating to prior years – deferred taxation	85,090	(127,616)
Total taxation credit	1,083,112	226,317

The difference between total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is:

	2003 £	2002 £
Loss on ordinary activities before taxation	1,102,435	957,142
Corporation tax thereon at 30%	330,731	287,143
Sundry disallowed expenses	68,600	(70,983)
Timing differences	(1,020,265)	(527,575)
Group relief not paid for	576,190	-
Adjustments to prior years	22,501	137,773
Taxation charge for current year	(22,243)	(173,642)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

7 TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost:	
At 1 August 2002	32,859,188
Additions	1,162,154
Disposals	(1,010,556)
At 31 July 2003	<u>33,010,786</u>
Depreciation:	
At 1 August 2002	18,672,347
Charge for the year	3,281,762
Additions	3,761
Disposals	(290,114)
At 31 July 2003	<u>21,667,756</u>
Net book value at 31 July 2003	<u>11,343,030</u>
Net book value at 31 July 2002	<u>14,186,841</u>

The net book value of fixed assets held under finance leases or hire purchase is £399,629 (2002: £562,517). The gross amount of assets held for use in operating leases is £435,909 (2002 £602,743); the related accumulated depreciation is £36,280 (2002 £40,226).

8 STOCKS

	2003 £	2002 £
Raw materials and bought-out items	2,387,104	2,185,249
Work in progress	1,262,877	1,451,396
Finished stocks	<u>11,769,340</u>	<u>12,645,688</u>
	<u>15,419,321</u>	<u>16,282,333</u>

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

9 DEBTORS

	2003 £	2002 £
Trade debtors	3,486,753	1,527,471
Amounts owed by Group undertakings	2,110	69,387
Other debtors	491,970	411,677
Prepayments	321,002	276,041
	<u>4,301,835</u>	<u>2,284,576</u>

No amounts fall due after more than one year from the balance sheet date.

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Stocking loan	6,671,095	7,358,726
Finance contracts	319,033	506,441
Trade creditors	8,422,374	8,854,097
Amounts owed to Group undertakings	7,810,949	7,108,541
Corporation Tax	43,794	785,919
Social security, payroll and other taxes	1,181,245	1,502,463
Other creditors	664,950	596,434
Accruals	1,639,328	1,576,908
	<u>26,752,768</u>	<u>28,289,529</u>

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

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Finance contracts	<u>42,335</u>	<u>104,691</u>

All obligations fall due within one to two years.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Warranty costs £	Total £
At 1 August 2002	1,280,734	2,312,422	3,593,156
(Credit)/charge to profit and loss account	(1,105,355)	2,923,699	1,818,344
Utilised in year	-	(2,723,933)	(2,723,933)
At 31 July 2003	<u>175,379</u>	<u>2,512,188</u>	<u>2,687,567</u>

The elements of deferred taxation are as follows:

	2003 £	2002 £
Accelerated capital allowances	198,312	1,320,858
Other	(22,933)	(40,124)
	<u>175,379</u>	<u>1,280,734</u>

13 CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised, allotted, called up and fully paid:		
1,100,000 Ordinary shares of £1 each (2002 1,100,000 Ordinary shares of £1 each)	1,100,000	1,100,000
100,000 Deferred shares of £1 each (2002 100,000 Deferred shares of £1 each)	100,000	100,000
	<u>1,200,000</u>	<u>1,200,000</u>

14 RESERVES

	Share premium account £	Profit and loss account £
At 1 August 2002	2,412,671	(1,279,119)
Retained loss for the year	-	(19,323)
At 31 July 2003	<u>2,412,671</u>	<u>(1,298,442)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

15 SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Loss for the financial year	(19,323)	(730,825)
Opening shareholders' funds	2,333,552	3,064,377
Closing shareholders' funds	<u>2,314,229</u>	<u>2,333,552</u>

16 CAPITAL COMMITMENTS

	2003 £	2002 £
The following expenditure has been authorised and contracted at 31 July:	<u>131,405</u>	<u>287,504</u>

17 FINANCIAL COMMITMENTS

At 31 July 2003 the Company had annual commitments under non-cancellable operating leases that expire:

	Land and buildings 2003 £	Other 2003 £	Land and buildings 2002 £	Other 2002 £
Operating leases which expire:				
Within one year	34,750	29,292	92,051	47,174
In the second to fifth years inclusive	375,000	203,164	57,573	351,616
Over five years	<u>88,291</u>	<u>132,000</u>	<u>-</u>	<u>-</u>
	<u>498,041</u>	<u>364,456</u>	<u>149,624</u>	<u>398,790</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2003 (continued)

18 PENSIONS

The Company is a member of the Manganese Bronze Holdings PLC defined benefit and money purchase Group pension schemes. It is not possible to separately identify LTI Limited's share of the underlying assets and liabilities of the scheme. Accordingly the Company accounts for the pension scheme as a defined contributions scheme. The pension costs charged in the profit and loss account for the year were £405,643 (2002: £438,476).

Additional disclosures regarding the defined benefit pension scheme required under the transitional provisions of FRS 17 "Retirement benefits" are provided in the notes to the accounts of Manganese Bronze Holdings PLC.

Full actuarial valuations were carried out at 31 December 2001 and updated to 31 July 2003 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued at fair value. The deficit in the scheme as at 31 July 2003 was £10,030,000 (2002: £9,248,000; 2001: £5,448,000).

19 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8 for related party transactions with other group companies and with directors who are also group directors, as 100% of the voting rights are controlled within the group. The ultimate parent company, Manganese Bronze Holdings PLC, has prepared consolidated accounts which include the results of the Company for the year and are available to the public.

20 PARENT UNDERTAKING

The immediate parent undertaking and ultimate parent undertaking of the largest and smallest group in which the Company is consolidated is Manganese Bronze Holdings PLC, a Company incorporated in Great Britain and registered in England and Wales, whose financial statements may be obtained from the Company Secretary at Third Floor, Midsummer House, Midsummer Boulevard, Milton Keynes, MK9 3BN.