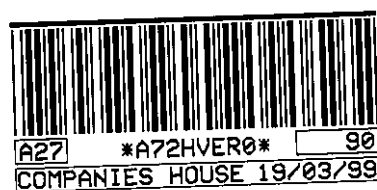


# ARTHUR ANDERSEN

## LTI Limited

Financial statements 31 July 1998  
together with directors' and auditors' reports

Registered number: 382553



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## Directors and Officers

### **Directors**

GRJ Borwick  
E Osmond  
AC Peake  
I Pickering  
B Widdowson

### **Secretary**

A Walker

### **Registered office**

Holyhead Road  
Coventry  
West Midlands  
CV5 8JJ

### **Bankers**

Midland Bank plc  
Poultry & Princes Street  
London  
EC2P 2BX

### **Auditors**

Arthur Andersen  
20 Old Bailey  
London  
EC4M 7AN

## **Directors' report**

For the year ended 31 July 1998

### **Financial Statements**

The directors present their report and financial statements for the year ended 31 July 1998.

### **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 loss for the year of £386,202 (1997: profit of £2,561,837), the directors propose a dividend of £nil (1997: £2,000,000).

## Directors' report (continued)

### Directors

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

GRJ Borwick	-	(Chairman)
B Widdowson	-	(Managing Director)
GRW Gillespie	-	(resigned 31 March 1998)
E Osmond		
AC Peake		
I Pickering	-	(appointed 1 May 1998)

GRJ Borwick, I Pickering 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.

At 31 July 1998 E Osmond and AC Peake held respectively 21,000 (1997: 70,000) and 4,000 (1997: 6,000) options to purchase shares in Manganese Bronze Holdings PLC.

### 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 the invoice. At the year end, the amount owed to trade suppliers was equivalent to 66 days credit (1997: 44 days).

### Year 2000

In response to the year 2000 problem, the Group has set up a task force, headed by the Group Finance Director, to review issues of Year 2000 Compliance. The task force has identified those systems which are in need of up-grading or replacing and is currently investigating the Year 2000 readiness of the Group's suppliers. Given the complexity of the problem, no organisation can guarantee that no Year 2000 problems will remain. The Board is, however, confident that all major internal risks have been reduced and that the Group's level of readiness is acceptable. Resource is also available to deal with problems or issues which may subsequently arise.

## 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 *2 March* 1999.



I Pickering  
Director

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London

## Auditors' report

To the shareholders of LTI Limited

We have audited the financial statements on pages 6 to 16 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 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 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 1998 and of its loss 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

3 March 1999

# Profit and loss account

For the year ended 31 July 1998

	Notes	1998 £	1997 £
<b>Turnover</b>	2	77,241,592	70,370,010
Cost of sales		<u>(65,150,531)</u>	<u>(56,171,621)</u>
<b>Gross Profit</b>		12,091,061	14,198,389
Distribution costs		(3,527,219)	(2,132,078)
Administrative expenses		<u>(7,907,785)</u>	<u>(7,689,582)</u>
<b>Operating profit</b>	3	656,057	4,376,729
Interest payable	5	<u>(419,253)</u>	<u>(148,347)</u>
<b>Profit on ordinary activities before taxation</b>		236,804	4,228,382
Tax on profit on ordinary activities	6	<u>(623,006)</u>	<u>(1,666,545)</u>
<b>(Loss)/profit on ordinary activities after taxation</b>		(386,202)	2,561,837
Dividends proposed		<u>-</u>	<u>(2,000,000)</u>
<b>Retained (loss)/profit for the financial year</b>	14	<u>(386,202)</u>	<u>561,837</u>

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

## Statement of total recognised gains and losses

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

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



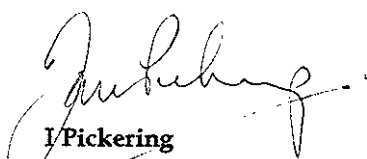
# Balance sheet

31 July 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	7	18,529,074	17,323,021
Investments	8	-	3,605,019
		<u>18,529,074</u>	<u>20,928,040</u>
<b>Current assets</b>			
Stocks	9	12,808,459	8,276,119
Debtors	10	6,194,736	4,598,259
Cash at bank and in hand		<u>1,675,864</u>	<u>3,462</u>
		<u>20,679,059</u>	<u>12,877,840</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(32,008,449)</u>	<u>(26,836,585)</u>
<b>Net current liabilities</b>		<u>(11,329,390)</u>	<u>(13,958,745)</u>
<b>Total assets less current liabilities</b>		<u>7,199,684</u>	<u>6,969,295</u>
<b>Provisions for liabilities and charges</b>	12	<u>(2,893,026)</u>	<u>(2,276,435)</u>
<b>Net assets</b>		<u>4,306,658</u>	<u>4,692,860</u>
<b>Capital and reserves</b>			
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	<u>693,987</u>	<u>1,080,189</u>
<b>Equity shareholders' funds</b>	15	<u>4,306,658</u>	<u>4,692,860</u>

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

The financial statements on pages 6 to 16 were approved by the Board of directors on 2 March 1999. Signed on its behalf by:

  
I Pickering  
Director

# Notes to the financial statements

For the year ended 31 July 1998

## 1 Accounting policies

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

### 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 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) 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, 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:

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. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

### g) Operating leases

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

### h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made, using the liability method, on all 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 year 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.

#### l) Cash flow statement

The Company is exempt from the requirement of FRS1 (Revised) to include a cash flow statement because the Company's ultimate parent undertaking has prepared consolidated financial statements, including a cash flow statement, incorporating the cash flows of the Company.

#### m) 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.

### 2 Analysis of results

	1998 £	1997 £
All turnover arises through sales of motor vehicles and parts		
Geographical analysis:		
United Kingdom	76,619,739	67,980,657
Asia	-	124,534
Western Europe	503,774	1,748,737
Other	118,079	516,082
	<u>77,241,592</u>	<u>70,370,010</u>

## Notes to the financial statements (continued)

### 3 Operating profit is stated after charging:

	1998 £	1997 £
Auditors' remuneration	35,000	35,000
Hire of plant and equipment	46,613	235,080
Operating lease rentals	591,682	441,677
Depreciation	2,346,250	842,415
Research and development	<u>450,289</u>	<u>1,365,942</u>

### 4 Staff numbers and cost

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

	Number	Number
Management	22	22
Administration and sales	152	152
Production	<u>370</u>	<u>327</u>
	<u>544</u>	<u>501</u>

The aggregate remuneration of these persons was as follows:

	1998 £	1997 £
Wages and salaries	12,655,598	11,480,122
Social security costs	1,240,938	1,121,099
Redundancy and severance payments	19,760	8,622
Other pension costs	<u>466,253</u>	<u>376,588</u>
	<u>14,382,549</u>	<u>12,986,431</u>

The remuneration of the directors of the company was:

Emoluments	128,733	149,001
Pension contributions	<u>14,849</u>	<u>14,124</u>
	<u>143,582</u>	<u>163,125</u>

The emoluments of GJR Borwick, I Pickering 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

	1998 £	1997 £
To group undertakings	244,350	2,566
Other interest payable	174,903	145,781
	<u>419,253</u>	<u>148,347</u>

### 6 Taxation

	1998 £	1997 £
<b>Based on profit for the year</b>		
UK Corporation tax at 31% (1997: 32.3%)	(253,500)	746,000
Deferred tax	715,813	705,251
<b>Adjustments in respect of prior years</b>		
UK Corporation tax	160,693	215,294
	<u>623,006</u>	<u>1,666,545</u>

The tax credit in the 1998 accounts relates to the loss relief on taxable losses incurred during the year. This will be carried back against prior year tax charges.

## Notes to the financial statements (continued)

### 7 Tangible fixed assets

	Lease improvements £	Plant and machinery £	Plant and Machinery under development £	Total £
<b>Cost</b>				
At 1 August 1997	538,360	8,473,430	13,133,483	22,145,273
Additions	104,999	4,481,335	-	4,586,334
Reclassified	(58,069)	13,191,552	(13,133,483)	-
Disposals	-	(153,706)	-	(153,706)
Group transfer	(585,290)	(631,604)	-	(1,216,894)
<b>At 31 July 1998</b>	<b>-</b>	<b>25,361,007</b>	<b>-</b>	<b>25,361,007</b>
<b>Depreciation</b>				
At 1 August 1997	144,363	4,677,889	-	4,822,252
Provision for the year	63,894	2,282,356	-	2,346,250
Disposals	-	(102,128)	-	(102,128)
Group transfer	(208,257)	(26,184)	-	(234,441)
<b>31 July 1998</b>	<b>-</b>	<b>6,831,933</b>	<b>-</b>	<b>6,831,933</b>
<b>Net book value</b>				
At 31 July 1998	-	18,529,074	-	18,529,074
At 31 July 1997	393,997	3,795,541	13,133,483	17,323,021

### 8 Investments in subsidiaries

	1998 £	1997 £
Shares in UK subsidiaries at cost	-	3,605,019

### 9 Stocks

	1998 £	1997 £
Raw materials and consumables	4,942,843	3,014,693
Work-in-progress	1,432,868	1,235,047
Finished goods	6,432,748	4,026,379
	<b>12,808,459</b>	<b>8,276,119</b>

## Notes to the financial statements (continued)

### 10 Debtors

	1998 £	1997 £
Trade debtors	2,130,522	2,044,481
Amounts owed by group undertakings, less provision	3,295,347	1,899,394
Other debtors	417,809	338,016
Prepayments & accrued income	351,058	316,368
	<u>6,194,736</u>	<u>4,598,259</u>

### 11 Creditors: amounts falling due within one year

	1998 £	1997 £
Stocking facilities with finance houses	4,414,338	2,079,714
Bank overdrafts	-	5,451,281
Trade creditors	12,674,953	6,865,958
Amounts owed to group undertakings	11,515,074	7,149,007
Other taxes and social security	1,129,446	62,935
Other creditors	682,170	337,689
Corporation tax	936,175	1,213,557
Accruals and deferred income	656,293	3,676,444
	<u>32,008,449</u>	<u>26,836,585</u>

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

# Notes to the financial statements (continued)

## 12 Provision for liabilities and charges

	Deferred Taxation £	Provision for future warranty costs £	Total £
1 August 1997	705,251	1,571,184	2,276,435
Transfer from profit and loss account	610,388	6,203	616,591
31 July 1998	<u>1,315,639</u>	<u>1,577,387</u>	<u>2,893,026</u>

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

	1998 £	1997 £
Accelerated capital allowances	1,341,748	803,444
Short term timing differences	<u>(26,109)</u>	<u>(98,193)</u>
	<u>1,315,639</u>	<u>705,251</u>

## 13 Called up share capital

	1998 £	1997 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	1,100,000	1,100,000
Deferred shares of £1 each	<u>100,000</u>	<u>100,000</u>
	<u>1,200,000</u>	<u>1,200,000</u>

## 14 Reserves

	Share premium account £	Profit and loss account £
At 1 August 1997	2,412,671	1,080,189
Loss for the year	-	<u>(386,202)</u>
At 31 July 1998	<u>2,412,671</u>	<u>693,987</u>



## Notes to the financial statements (continued)

### 15 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the financial year	(386,202)	2,561,837
Dividends	-	(2,000,000)
Net (reduction)/addition to shareholders' funds	(386,202)	561,837
Opening shareholders' funds	4,692,860	4,131,023
Closing shareholders' funds	4,306,658	4,692,860

### 16 Capital commitments

	1998 £	1997 £
The following expenditure has been authorised at 31 July		
Contracted	811,076	1,330,500

### 17 Financial commitments

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

	1998 £	1997 £
Within one year	57,110	35,633
In the second to fifth year	520,986	255,783
Over five years	228,401	391,832
	806,497	683,248

### 18 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.

### 19 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 1998, the relevant group net borrowings amount to £Nil (1997 : £3,493,000).

## Notes to the financial statements (continued)

### **20 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.