

Company Registration No. 382553

LTI Limited

Report and Financial Statements

for the year ended 31 December 2008



LTI Limited

Report and financial statements for the year ended 31 December 2008

| Contents | Page |
|---|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Statement of director's responsibilities | 8 |
| Independent auditors' report | 9 |
| Income statement | 11 |
| Balance sheet | 12 |
| Statement of recognised income and expense | 14 |
| Cash flow statement | 15 |
| Notes to the financial statements | 16 |

LTI Limited

Report and financial statements for the year ended 31 December 2008

Officers and professional advisers

Directors

M Fryer
J Russell
P Shillcock

Company Secretary

M Devin

Registered Office

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Bankers

HSBC Bank PLC
60 Queen Victoria Street
London
EC4N 4TR

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham
United Kingdom

LTI Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008. The financial statements have been prepared in accordance with International Financial Reporting Standards. The 17 month comparative reporting period is caused by the parent company's decision to align its year end with that of its Chinese joint venture partner, Geely Automobile Holdings Limited.

Principal activities

The principal activity of the Company is the design, manufacture, sale and servicing of taxi cabs. The directors do not anticipate any change to this in the foreseeable future.

Business review

The Company is a wholly owned subsidiary of Manganese Bronze Holdings PLC, and operates as its vehicle sales business segment.

Capital investment in the year was relatively low, with £816,989 (17 months ended 31 December 2007: £4,015,252) invested in tangible and intangible assets. The expenditure in the prior period primarily related to the development of the TX4, the latest taxi model, which was successfully launched in October 2006.

Sales of new taxis in the UK for the calendar year 2008, at 1,951, were down 37.5% on our sales in calendar year 2007. This was due to a combination of uncertain economic conditions and the fact that the comparative year saw a near record sales volume following the launch of the new TX4. Overseas sales were 173 (17 months ended 31 December 2007: 52) and included 100 vehicles of a 200 order for Bahrain. Revenue reduced to £75,400,763 (17 months ended 31 December 2007: £142,200,810), primarily reflecting the reduction in new vehicle sales volumes and the 17 month comparative period.

In September 2008 the Company commenced a product recall following a small number of under bonnet fires that had occurred in early production models of the TX4 taxi. This recall is now substantially complete, with the total cost now estimated at £3,764,664, being lower than the £4,542,324 originally envisaged and charged to the income statement in the 17 month period ended 31 December 2007. As a result of this reduction, £777,660 has been credited to the income statement in the year as an exceptional item. In addition, the Company has made good progress with a number of parties to mitigate this expense, leading to an exceptional income of £1,290,423 (see note 7 to the financial statements).

Due to the declining sales, a rapid series of cost reduction measures have been instigated. These have included a reduction in headcount, reduction in fixed costs, short-time working, reduced daily output, and a 10% pay reduction for all employees and directors. Other exceptional costs have been incurred in the year arising from the current economic climate. This includes the impairment of the Company's investment in London Taxis North America ("LTNA") of £1,834,496, the impairment loss on taxis within property, plant and equipment of £497,458, the write down of used vehicle inventory of £245,000, and redundancy costs of £382,800.

As a result of the reduced sales volumes and exceptional costs, the Company made an operating loss for the year of £5,045,380 (17 months ended 31 December 2007: £1,777,253). Net interest costs were £545,405 (17 months ended 31 December 2007: £399,649), leaving a loss before tax of £5,590,785 (17 months ended 31 December 2007: £2,174,902).

With a tax credit for the year of £976,426 (17 months ended 31 December 2007: £1,034,560), the Company made a loss for the year after taxation of £4,614,359 (17 months ended 31 December 2007: £1,140,342).

The Company's net assets decreased by £4,250,868 to £124,015 (2007: £4,374,883), primarily due to the losses in the year. There were reductions in cash primarily associated with product recall costs, and asset impairments and write-offs, being partly offset by increases in inventory. The Company ended the year with cash and cash equivalents of £23,080 (2007: £7,346,924) and borrowings of £8,912,154 (2007: £7,042,007) primarily reflecting increases in working capital.

On 26 June 2009, the Company's parent company, Manganese Bronze Holdings PLC, raised £9,400,000 net of expenses following the successful placing of £5.3 million new ordinary shares. During 2010 the Company plans to issue further shares, for cash, to its parent company, which will significantly strengthen the Company's balance sheet.

LTI Limited

Directors' report (continued)

The Manganese Bronze Holdings PLC Group manages its operations by business segment. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance, or position of the business. The performance of the vehicle sales business segment, which includes the Company, is discussed in the Group's Annual Report which does not form part of this report.

Dividends

The directors do not propose a dividend (17 months ended 31 December 2007: nil).

Going concern

The risk profile of the Company has increased significantly in the past year due to the effects of the current recession. Together with the marked reduction in our sales we have experienced a far more significant volatility in our sales cycle. This has made optimisation of inventory levels far more challenging and has resulted in higher levels of inventory than would be ideal. This puts pressure on the use of financing facilities at a time when additional banking facilities are challenging to obtain. Our parent company has provided security to HSBC over the Group's assets by way of debenture. The parent company's relationships with its bankers, HSBC and Lloyds, remain good.

Another negative consequence of the current economic climate has seen a significant increase in the risk of loss of key suppliers. The Company, like most small automotive companies, is single source for almost every component used to manufacture the vehicle. Any loss of a key supplier can have major funding consequences if production is suspended even for a short time period. We do have contingency plans in place, including procurement from China, but some components are of greater impact than others.

The restriction of credit from suppliers could have a marked effect on our working capital. This could arise both from credit suppliers restricting insurance to the automotive industry as well as suppliers who do not utilise credit insurance seeking to better manage their own funding position. The availability of finance to fund our vehicle sales has not been a major risk for us as it has been for the automotive industry as a whole.

We are compliant with all terms of finance facilities and these facilities have been renewed. We have management plans in place to seek to mitigate financial risks and these have been stress tested. The directors will seek to investigate opportunities to strengthen the capital base of the Company in the event of a further downturn in the economic environment.

We do not provide significant guarantees and do not enter into long term arrangements. Liabilities are known and fully managed within contractual terms. We have demonstrated financial adaptability through previous periods of low sales. Our customers are not struggling to access credit to purchase new TX4's. Our most significant risk is therefore dependence on counterparties, particularly our suppliers and in most instances we have contingency plans in place to manage this risk. The significant risks to the business are detailed on pages 4 and 5.

However, current economic conditions create uncertainty particularly over the level of demand for the Company's products. For these reasons, a sensitivity analysis has been performed on the Company's forecasts and projections, to take account of reasonably possible changes in trading performance. This analysis shows that the Company will be able to operate within the level of its borrowing facilities. As a consequence, and after making relevant other enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Report & Financial Statements for the year ended 31 December 2008.

LTI Limited

Directors' report (continued)

Principal risks

The Company is exposed to a variety of risks in the conduct of its business. Each year the parent company, Manganese Bronze Holdings PLC, conducts a formal review of those risks and reports these to the Board of the parent company. Mitigation action and strategies to reduce the likely impact are agreed and put in place wherever possible.

The Group centrally maintains a wide range of insurance to cover major identified insurable risks, including (but not limited to) those relating to product liability, business interruption, damage to property and equipment, motor trading, fleet operation and employment.

As noted in the Going Concern section on page 3, the risk profile of the Company has increased significantly in the past year due to the effects of the current recession. This is evidenced through downturn in sales, significant volatility in our sales cycle, funding pressure and greater risk of loss of key suppliers. This has made optimisation of inventory levels more challenging and has resulted in higher levels of inventory than would be ideal.

Whilst it is not possible to either completely record or to quantify every individual risk the Company faces, below is a summary of the risks the directors believe are most significant to the Company's business and future performance.

Reliance on suppliers

The Company relies on suppliers for all key components for the TX4 other than the vehicle chassis, fuel tank and body panels which we manufacture in Coventry. The Company is often reliant on a single supplier for its requirement for a particular component placing the Company at risk of product delays. This is probably the most significant risk the Company currently faces due to failure of suppliers during the current economic conditions and it is not therefore entirely in our control. The Company has insurance against loss of supply from key suppliers due to natural disasters / events and seeks to mitigate the remaining risks by seeking alternative supply from China and keeping higher raw material stocks from at-risk suppliers. As this might not always be possible we are required to seek solutions with receivers/administrators in the event of supplier failure.

Funding risk

The Company relies on the continued availability of its existing bank borrowing facilities and asset financing facilities. The continuing provision of these facilities has been agreed by the parent company with concessions on security. Given the prevailing economic climate, our financial performance and banking situation, this risk has risen significantly over the past year. The directors monitor the utilisation of facilities and detailed cash flow forecasts on a daily basis to identify any potential liquidity issues and to implement actions to mitigate any such issues.

Markets

The demand for taxis is affected by general prevailing economic sentiments and conditions, particularly those in London. The current prevailing sentiment is that global and UK vehicle sales will be lower in 2009 than 2008. This expectation is built into our financial plans. This risk cannot be fully mitigated, although increased export sales, innovative marketing plans and cost savings supporting a lower cost vehicle can go some way to reducing this risk.

Competition

In all markets the Company competes with a variety of alternative vehicles. The performance of the Company will continue to be very closely linked to the success of the TX4, which we believe will remain the market leader.

Technical change

In order to remain competitive and meet regulatory hurdles the Company must commit regular investment in internal and external research and development. This will increasingly become relevant as the Company seeks to produce more environmentally friendly derivatives of existing and new products. This funding has become constrained as the Company's operation is managed for cash and such projects (other than Euro V emission regulation which will be required by 2012 and is included in our financial planning) will require UK government, EU and/ or regional partner support.

LTI Limited

Directors' report (continued)

Principal risks (continued)

Regulatory

Taxis operating in London must currently comply with the Conditions of Fitness laid down by Transport for London's Public Carriage Office. Outside of London the regulation of taxis in the UK is controlled by local authorities, some of whom have voluntarily adopted the Conditions of Fitness requirements. If new requirements are imposed on the way in which taxis are regulated, or amendments are made to the existing Conditions of Fitness, this could have a material impact. The Company mitigates this risk through investment in our vehicles, lobbying for the benefits of our vehicle and through maintaining our relationship with key regulatory bodies.

Product quality and liability

The Company is exposed to certain product liability risks. The Company seeks to mitigate this risk through selection of the highest quality suppliers, maintenance of demanding quality systems in our assembly and service operations and through quality accreditation. The Company maintains insurance for public and product liability claims and self insures against the risk of product warranty. The Company will continue to seek redress for the costs of the TX4 recall during 2009.

Raw material / utility prices

The nature of the Company's business means that fluctuations in raw material prices, particularly steel and energy, can have significant impacts on profitability. The Company seeks to mitigate this fluctuation through competitive tender and through seeking longer term supply. The threatened loss of key suppliers, administration processes and the financial losses of small UK automotive suppliers have led to pricing increases which have to date offset savings we have been able to achieve from Chinese supply. We have not planned for this situation to continue through 2009 as Chinese cost saving starts to impact more significantly.

Disruption to production

The Company could be impacted through loss of production in our main facility in Coventry through equipment malfunction, theft of key equipment, strike or natural events such as fire, flooding, and wind. The Company has controls in place to mitigate these risks, however, in the event of failure, the Company's insurance provides cover for business interruption.

Chinese component supply

The Company will become increasingly reliant on components imported from China and these will need to meet the Company's exacting standards. This supply will increase the Company's working capital requirement which will be met within our existing facilities. In addition the Company's international sales will be increasingly dependent on the quality of product exported from China. The Company's parent company is seeking to manage this through significant investment in facilities, high quality personnel and tooling as well as through appointing high quality suppliers. The Company's parent company is also seeking to utilise its UK quality systems in the Shanghai facility.

Foreign exchange risk

Whenever possible, foreign exchange risk of a transactional nature is hedged using forward foreign exchange contracts. This is a particular exposure for the Company, where the single highest cost, other than payroll, is the cost of engines which are charged in euros. The devaluation of sterling against the euro had a major impact on 2008 results and we expect this situation to remain in 2009.

Transactional exposure will increase exponentially when component supply increases significantly from Shanghai and international sales commence from Shanghai in the second half of 2009. We are looking to limit this exposure through purchase and sale of taxis in US dollars, which will limit exposure to the profit element.

People

Due to the economic climate we have made significant redundancies, there have been periods of short-time working, and a 10% pay abatement has been applied to all employees. These factors have contributed to much lower levels of employee satisfaction which is being managed by an experienced management team.

LTI Limited

Directors' report (continued)

Directors

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

M Fryer
J Russell
P Shillcock

Employee consultation

The Company places considerable value on keeping employees informed on matters affecting them and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and a company newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Company is committed to providing equal opportunities and opposes all forms of unfair or unlawful discrimination. Employees will not be discriminated against because of race, colour, nationality, ethnic origin, disability, sex or sexual orientation, marital status or age.

The employee bonus scheme is open to all salaried staff and encourages employees to contribute towards the achievement of individual and Company-defined objectives. The recognition of extraordinary effort is further rewarded through the Company's Reward and Recognition Scheme.

All employees are encouraged to raise genuine concerns about possible improprieties in the conduct of our business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way.

The impact of the economic downturn on production has inevitably impacted upon staffing levels. Notwithstanding this, underlying employee turnover has increased only marginally during the year.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Training and development

Our business is increasingly knowledge-based. Employing the right people and encouraging the continuous development of the skills of our employees is key to developing a successful business. Accordingly, the development of individuals at all levels is encouraged with the objective of maximising the overall performance of the business. This is achieved through a combination of work-based learning together with the provision of development opportunities and external training, supported by a formal programme of coaching and mentoring.

Health and safety

The directors are committed to ensuring that the Company's activities do not result in injury or illness to any employee, contractor or member of the public and strive hard to prevent work-related incidents, illnesses and injuries.

All operating units must comply with our health and safety policies in addition to meeting requirements specific to their businesses, for example, the Control of Substances Hazardous to Health ('COSHH'), as well as customers' expectations. The directors are committed to ensuring that these principles are articulated to all employees and that they are effectively implemented.

The Company's insurers, QBE, review existing systems and audit the health and safety performance, making recommendations accordingly.

Each of our businesses maintains accident reporting systems. These systems are used to identify trends with a view to developing strategies for reducing the number of reportable as well as non-reportable accidents and near misses.

LTI Limited

Directors' report (continued)

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. Trade creditors at 31 December 2008 were equivalent to 63 days (2007: 50 days) purchases.

Donations

The Company made donations for charitable purposes during the year ended 31 December 2008 of £12,692 (17 months ended 31 December 2007: £13,092). No political donations were made (17 months ended 31 December 2007: nil)

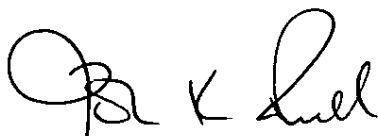
Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



John Russell

Director
29 October 2009

LTI Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

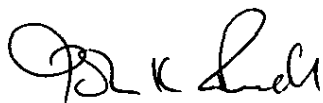
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

By order of the Board



John Russell

Director

29 October 2009

Independent auditors' report to the members of LTI Limited

We have audited the financial statements of LTI Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Cash flow Statement and the related notes 1 to 29. 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

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

As explained in Note 3 to the financial statements, the Company, in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

30 October 2009

LTI Limited

Income statement for the year ended 31 December 2008

| | Note | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|---|------|--|--|
| Revenue | 5 | 75,400,763 | 142,200,810 |
| Cost of sales – including exceptional income of £949,373 (17 months ended 31 December 2007: £4,542,324 costs) | 7 | (69,635,664) | (127,494,364) |
| Gross profit | | 5,765,099 | 14,706,446 |
| Distribution costs | | (4,581,438) | (5,542,655) |
| Administrative expenses – including exceptional costs of £1,841,044 (17 months ended 31 December 2007: £48,964) | 7 | (6,229,041) | (10,939,044) |
| Operating loss | | (5,045,380) | (1,777,253) |
| Investment revenues | 5 | - | 174,152 |
| Finance costs | 10 | (545,405) | (573,801) |
| Loss before tax | | (5,590,785) | (2,174,902) |
| Tax credit | 11 | 976,426 | 1,034,560 |
| Loss for the period | 8 | (4,614,359) | (1,140,342) |

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

The accompanying notes form an integral part of these financial statements.

LTI Limited

Balance sheet

as at 31 December 2008

| | | As at 31 December 2008 £ | As at 31 December 2007 £ |
|---|-------------|-----------------------------------|-----------------------------------|
| Non-current assets | Note | | |
| Other intangible assets – development costs | 12 | 1,457,727 | 1,640,826 |
| Property, plant and equipment | 13 | 5,835,495 | 9,217,490 |
| Investments | 14 | 716,746 | 2,508,104 |
| Deferred tax asset | 15 | 1,494,925 | 502,752 |
| Total non-current assets | | 9,504,893 | 13,869,172 |
| Current assets | | | |
| Inventories | 16 | 19,134,832 | 16,068,385 |
| Trade and other receivables | 17 | 5,420,142 | 5,672,586 |
| Cash and cash equivalents | | 23,080 | 7,346,924 |
| Derivative financial instruments | 19 | 852,230 | - |
| Total current assets | | 25,430,284 | 29,087,895 |
| Total assets | | 34,935,177 | 42,957,067 |
| Current liabilities | | | |
| Trade and other payables | 21 | (22,681,086) | (22,439,253) |
| Current tax liabilities | | (106,580) | - |
| Obligations under finance leases | 20 | - | (123,494) |
| Borrowings | 18 | (8,912,154) | (7,042,007) |
| Provisions | 22 | (2,082,188) | (2,599,632) |
| Total current liabilities | | (33,782,008) | (32,204,386) |
| Non-current liabilities | | | |
| Provisions | 22 | (1,029,154) | (6,377,798) |
| Total non-current liabilities | | (1,029,154) | (6,377,798) |
| Total liabilities | | (34,811,162) | (38,582,184) |
| Net assets | | 124,015 | 4,374,883 |

LTI Limited

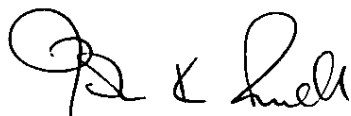
Balance sheet

as at 31 December 2008 (continued)

| | | As at 31 December 2008 £ | As at 31 December 2007 £ |
|----------------------------|-------------|---|---|
| Equity | Note | | |
| Share capital | 23 | 1,200,000 | 1,200,000 |
| Share premium account | 24 | 2,412,671 | 2,412,671 |
| Hedging reserve | 24 | 504,849 | 3 |
| Translation reserve | 24 | - | 14,444 |
| Retained earnings | 24 | (3,993,505) | 747,765 |
| Shareholders' funds | | 124,015 | 4,374,883 |

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

The financial statements of LTI Limited, registered number 382553, were approved and authorised for issue by the Board of Directors on 29 October 2009 and signed on its behalf by:



John Russell

Director

29 October 2009

LTI Limited

Statement of recognised income and expense for the year ended 31 December 2008

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|-------------------------------------|--|---|
| Loss for the financial period | (4,614,359) | (1,140,342) |
| Gain on cash flow hedges | 504,849 | 43,960 |
| Exchange differences | - | 3,260 |
| Tax on items taken direct to equity | (141,358) | |
| Opening shareholders' funds | <u>4,374,883</u> | <u>5,468,005</u> |
| Closing shareholders' funds | <u>124,015</u> | <u>4,374,883</u> |

LTI Limited

Cash flow statement for the year ended 31 December 2008

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|--|--|
| Operating activities | | |
| Operating loss from continuing operations | (5,045,380) | (1,775,253) |
| Depreciation of property, plant and equipment | 2,346,955 | 4,126,614 |
| Impairment loss on property, plant and equipment | 497,458 | - |
| Amortisation of intangible assets | 432,469 | 553,698 |
| Impairment loss on investments | 1,834,496 | - |
| Loss on disposal of property, plant and equipment | 44,395 | 3,845 |
| Operating cash flows before movements in working capital | 110,393 | 2,908,904 |
| (Increase)/decrease in inventories | (2,570,197) | 1,312,171 |
| Decrease in receivables | 214,408 | 2,232,018 |
| (Decrease)/increase in payables | (5,984,125) | 3,097,439 |
| Cash (used in)/generated by operations | (8,229,521) | 9,550,532 |
| Interest paid | (545,405) | (573,801) |
| Net cash (used in)/from operating activities | (8,774,926) | 8,976,731 |
| Investing activities | | |
| Interest received | - | 174,152 |
| Proceeds on disposal of property, plant and equipment | 564,556 | 359,968 |
| Purchases of intangible assets | (249,370) | (1,096,054) |
| Purchases of property, plant and equipment | (567,619) | (2,637,535) |
| Investment in subsidiary | (43,138) | (532,350) |
| Net cash used in investing activities | (295,571) | (3,731,819) |
| Financing activities | | |
| Repayments of obligations under finance leases | (123,494) | (379,641) |
| Increase/(decrease) in stocking loan | 1,870,147 | (2,108,413) |
| Net cash from/(used in) financing activities | 1,746,653 | (2,488,054) |
| Net (decrease)/increase in cash and cash equivalents | (7,323,844) | 2,756,858 |
| Cash and cash equivalents at beginning of period | 7,346,924 | 4,595,878 |
| Effect of foreign exchange rates | - | (5,812) |
| Cash and cash equivalents at end of period | 23,080 | 7,346,924 |

The accompanying notes form an integral part of these financial statements.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

1. General information

LTI Limited is a company incorporated in the UK under the Companies Act 1985. The address of the registered office is Holyhead Road, Coventry, CV5 8JJ. The nature of the Company's operations and its principle activities are set out in the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Adoption of new and revised standards

In the current year, the Company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital (see note 27).

Six interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC10 Interim Financial Reporting and Impairment; IFRIC 11 IFRS 2 - Group and Treasury Share Transactions; and IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these interpretations has not led to any changes in the Company's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

| | |
|-----------------------------------|---|
| IFRS 1 (amended)/IAS 27 (amended) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| IFRS 2 (amended) | Share-based Payment - Vesting Conditions and cancellations |
| IFRS 3 (revised 2008) | Business combinations |
| IFRS 7 (amended) | Improving Disclosures about Financial Instruments |
| IFRS 8 | Operating segments |
| IAS 1 (revised 2007) | Presentation of Financial Statements |
| IAS 23 (revised 2007) | Borrowing costs |
| IAS 27 (revised 2008) | Consolidated and Separate Financial Statements |
| IAS 32 (amended)/IAS 1 (amended) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| IAS 39 (amended) | Embedded Derivatives |
| IFRIC 9 (amended) | Embedded Derivatives |
| IFRIC 12 | Service Concession Arrangements |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 15 | Agreements for the Construction of Real Estate |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRIC 17 | Distributions of Non-Cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers |

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the financial statements of the Company.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's). The financial statements have also been prepared in accordance with IFRS's adopted by the European Union and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared under the historical cost convention.

Basis of preparation

A detailed consideration of going concern and principal risks is provided in the Directors' Report on pages 3 to 5.

Current economic conditions create uncertainty particularly over the level of demand for the Company's products. For these reasons, a sensitivity analysis has been performed on the Company's forecasts and projections, to take account of reasonably possible changes in trading performance. This analysis shows that the Company will be able to operate within the level of its borrowing facilities. As a consequence, and after making relevant other enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Revenue recognition

The Company principally derives its revenue from the sale and servicing of new and used taxi cabs. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Sale of goods and services are recognised when the goods are delivered or service is provided in accordance with the terms and conditions of sale.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Exceptional items

Exceptional items are those items of income and expenditure that by reference to the Company are material in size and unusual in nature or incidence, that, in the judgement of the directors, should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Company's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the directors for designation as exceptional items include, but are not limited to, such items as warranty recall costs, restructuring costs, write-downs or impairments of current and non-current assets, and gains or losses on disposal of businesses, investments or individual assets.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as Lessee

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies (continued)

Foreign currencies

For the purpose of the financial statements, the results and financial position of the company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statement of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies (continued)

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, which are periodically reviewed by the directors, are:

Plant and equipment, including motor vehicles – three to fifteen years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's product development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The cost of separately acquired intangible assets, including the cost of licensing vehicles for use as taxis and computer software costs, comprises the purchase price and any directly attributable costs of preparing the asset for use. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost over the estimated useful life, normally five to ten years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first-in-first-out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Included within inventories, are finished vehicles held by Company and also non-Company dealers, which are financed through a stocking loan facility. The related stocking loan liability is included within bank borrowings.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are measured at cost, including transaction costs, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impaired.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Bank borrowings

Interest bearing bank loans, stocking loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other financial liabilities

Other financial liabilities, including trade payables, accruals, and other creditors, are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge its foreign currency exposure. The Company does not use derivative financial instruments for speculative purposes. For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign exchange movements on the Company's operations.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

3. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Warranty provision

In quantifying the outstanding liability as at the balance sheet date for future vehicle warranty costs, and amounts that may be recoverable from suppliers under supplier warranty agreements, management has made a judgement that historical trends in warranty costs over the three-year warranty life cycle will continue, and that amounts recoverable from suppliers as a percentage of total warranty costs will remain in line with that experienced during the twelve months to 31 December 2008.

In quantifying the outstanding liability as at the balance sheet date for product recall costs, included in the warranty provision, management has made its best estimate of the probable recovery of costs from third parties based on discussions with those third parties and the probable costs to complete the product actions based on costs incurred from the commencement of the recall to 31 December 2008.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which the investment relates. The value in use calculation requires the entity to estimate future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present values.

As the level of revenue expected to be generated by the CGU to which the investment relates, London Taxis North America Holdings Incorporated, has declined due to the current market environment, the value in use of the CGU is negative, and an impairment loss of £1,834,496 has, therefore, been recognised in the year. Details of the impairment calculation are provided in note 14.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

5. Revenue

An analysis of the Company's revenue is as follows:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|------------------------------|--|--|
| Continuing operations | | |
| Sale of goods | 75,019,825 | 140,535,366 |
| Rendering of services | 380,938 | 1,665,444 |
| | <u>75,400,763</u> | <u>142,200,810</u> |
| Investment revenues – Group | - | 174,152 |
| | <u>-</u> | <u>174,152</u> |
| Total revenue | <u>75,400,763</u> | <u>142,374,962</u> |

6. Business and geographical segments

All revenue, operating loss, finance charges and resulting loss before tax, as well as net assets and cash flow, arise from activities conducted within the UK.

Geographical segments

An analysis of revenue by destination is shown below:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|----------------|--|--|
| United Kingdom | 72,089,905 | 141,169,452 |
| Rest of Europe | 256,250 | 462,338 |
| Asia | 702,097 | 371,270 |
| Rest of world | 2,352,511 | 197,750 |
| Total revenue | <u>75,400,763</u> | <u>142,200,810</u> |

Business segments

No secondary segmental information is reported as the directors consider that substantially all of the Company's operations relate to a single activity, that of selling or leasing of purpose built taxis and associated parts.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

7. Exceptional items

| | | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|------|--|--|
| | Note | | |
| Cost of sales | | | |
| TX4 recall (income)/costs | a) | (2,068,083) | 4,542,324 |
| Redundancy and severance pay | | 376,252 | - |
| Impairment loss on property, plant and equipment (see note 13) | | 497,458 | - |
| Used vehicle stock write-down | | 245,000 | - |
| | | <u>(949,373)</u> | <u>4,542,324</u> |
| Administrative expenses | | | |
| Impairment of investments (see note 14) | | 1,834,496 | - |
| Redundancy and severance pay | | 6,548 | 48,964 |
| | | <u>1,841,044</u> | <u>48,964</u> |
| Total exceptional items | | <u>(891,671)</u> | <u>4,591,288</u> |

- a) On 26 September 2008, the Company announced a product recall, following 12 under bonnet fires in early production models of the TX4 taxi. The product actions include modifications to the emission control equipment, the heat management system and under bonnet insulation. The initial estimated cost of the recall relating to all TX4's built up to 31 December 2007 of £4,542,324 was expensed in the 17-month period ended 31 December 2007. The full cost of the recall is now estimated to be £3,764,664 and £777,660 has, therefore, been credited to the income statement during the year.

In addition, the Company has made good progress with a number of parties to mitigate this expense, leading to an exceptional income of £1,290,423.

Following advice from the Company's lawyers, no provision has been made for any compensation or consequential loss claims from drivers as the directors believe that payment of claims by the Company is not probable.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

8. Loss for the period

Loss for the period has been arrived at after charging:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|--|--|
| Net foreign exchange losses | 1,065,640 | 112,550 |
| Research and development costs | 580,393 | 915,663 |
| Depreciation of property, plant and equipment | 2,346,955 | 4,126,614 |
| Impairment of property, plant and equipment (see note 13) | 497,458 | - |
| Amortisation of intangible assets | 432,469 | 553,698 |
| Impairment of investments (see note 14) | 1,834,496 | - |
| Cost of inventories recognised as expense | 49,016,278 | 85,929,154 |
| Write downs of inventories recognised as expense – including exceptional costs of £245,000 (17 months ended 31 December 2007: nil) | 411,973 | 49,491 |
| Staff costs (see note 9) | 16,471,402 | 23,236,458 |
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 48,000 | 45,370 |

There were no fees payable to the Company's auditors in either period for other services to the Company.

9. Staff costs

The average number of employees (excluding Messrs Fryer, Russell and Shillcock) was:

| | Year ended 31 December 2008 | 17 months ended 31 December 2007 |
|----------------|-----------------------------------|---|
| Management | 11 | 11 |
| Administration | 181 | 183 |
| Production | 223 | 272 |
| | <u>415</u> | <u>466</u> |

Their aggregate remuneration comprised:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|-----------------------------------|--|--|
| Wages and salaries | 14,267,044 | 20,538,117 |
| Social security costs | 1,340,640 | 2,118,865 |
| Other pension costs | 480,918 | 530,512 |
| Redundancy and severance payments | 382,800 | 48,964 |
| | <u>16,471,402</u> | <u>23,236,458</u> |

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

10. Finance costs

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|----------------------|--|--|
| Interest payable on: | | |
| Group loans | 19,211 | - |
| Stocking loan | 523,501 | 531,922 |
| Finance contracts | 2,693 | 41,879 |
| | <u>545,405</u> | <u>573,801</u> |

11. Tax

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|--|--|
| Current tax | | |
| UK corporation tax | 106,580 | (139,209) |
| Adjustments relating to prior periods | 50,525 | (498,060) |
| | <u>157,105</u> | <u>(637,269)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (1,117,535) | (485,879) |
| Adjustments relating to prior periods | (15,996) | 88,588 |
| | <u>(976,426)</u> | <u>(1,034,560)</u> |
| Total tax credit | | |

UK corporation tax is calculated at 28.5% (17 months ended 31 December 2007: 30%) of the estimated assessable result for the period.

The impact of the change introduced in the Finance Act 2007 regarding the reduction in the corporation tax rate from April 2008 from 30% to 28% has been incorporated into the Company's tax credit and deferred tax asset held. The tax rate of 28.5%, used above, is therefore a blended rate.

The tax credit for the period can be reconciled to the loss as follows:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|--|--|
| Loss before tax | <u>(5,590,785)</u> | <u>(2,174,902)</u> |
| Corporation tax thereon at 28.5% (17 months ended 31 December 2007: 30%) | (1,593,374) | (652,471) |
| Adjustment in respect to prior periods | 34,529 | (409,472) |
| Tax effect of expenses that are non-deductible in determining taxable profit | 562,492 | (8,756) |
| Tax effect of deferred tax rate differences | 19,927 | 36,139 |
| | <u>(976,426)</u> | <u>(1,034,560)</u> |
| Tax credit for the current period | | |

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

12. Other intangible assets

| | Development costs £ | Licences £ | Total £ |
|-----------------------------------|---------------------------|---------------|------------|
| Cost: | | | |
| At 1 August 2006 | 667,893 | - | 667,893 |
| Additions | 1,005,482 | 90,572 | 1,096,054 |
| Transfers in from tangible assets | 1,044,156 | - | 1,044,156 |
| | <hr/> | <hr/> | <hr/> |
| At 1 January 2008 | 2,717,531 | 90,572 | 2,808,103 |
| Additions | 249,370 | - | 249,370 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | 2,966,901 | 90,572 | 3,057,473 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated amortisation: | | | |
| At 1 August 2006 | 613,579 | - | 613,579 |
| Charge for the period | 532,563 | 21,135 | 553,698 |
| | <hr/> | <hr/> | <hr/> |
| At 1 January 2008 | 1,146,142 | 21,135 | 1,167,277 |
| Charge for the year | 409,928 | 22,541 | 432,469 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | 1,556,070 | 43,676 | 1,599,746 |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount: | | | |
| At 31 December 2007 | 1,571,389 | 69,437 | 1,640,826 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | 1,410,831 | 46,896 | 1,457,727 |
| | <hr/> | <hr/> | <hr/> |

Development costs are amortised over the expected life of the product to which they relate, normally between five and ten years. The additions of £249,370 relate to development costs of a low emission derivative of the TX4.

The transfers in from tangible assets in the 17-month period ended 31 December 2007 of £1,044,156 relate to TX4 test and development vehicles, which were held within plant and equipment at 31 July 2006 when they were assets under construction.

The net book value of development costs comprises of TX4 £1,161,469 (2007: £1,571,389) and low emission TX4 £249,370 (2007: nil).

Licenses are amortised over the remaining life of the asset to which they relate, normally between five and ten years.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

13. Property, plant and equipment

| | Plant and equipment £ |
|---|--------------------------------------|
| Cost: | |
| At 1 August 2006 | 41,372,904 |
| Additions | 2,919,198 |
| Disposals | (3,213,202) |
| Transfers out to other Group companies | (93,196) |
| Transfers out to intangible assets | (1,044,156) |
| | <hr/> |
| At 1 January 2008 | 39,941,548 |
| Additions | 567,619 |
| Disposals | (834,896) |
| Transfers out to inventory | (1,153,983) |
| | <hr/> |
| At 31 December 2008 | 38,520,288 |
| | <hr/> |
| Accumulated depreciation and impairment: | |
| At 1 August 2006 | 29,540,029 |
| Charge for the period | 4,126,614 |
| Disposals | (2,942,585) |
| | <hr/> |
| At 1 January 2008 | 30,724,058 |
| Charge for the year | 2,346,955 |
| Impairment loss | 497,458 |
| Disposals | (225,945) |
| Transfers out to inventory | (657,733) |
| | <hr/> |
| At 31 December 2008 | 32,684,793 |
| | <hr/> |
| Carrying amount: | |
| At 31 December 2007 | 9,217,490 |
| | <hr/> |
| At 31 December 2008 | 5,835,495 |
| | <hr/> |

The transfers out to intangible assets in the 17-month period ended 31 December 2007 of £1,044,156 relate to TX4 test and development vehicles, which were classified as intangible assets on completion of the test and development programme.

The transfers out to inventory in the year relate to the fleet of taxis owned by the Company's London dealership. Following a downturn in fleet rentals, and a drop in used vehicle values, an impairment loss of £497,458 has been recognised in the year, reducing the net book value of the fleet to current market value. These vehicles have been transferred to inventory, at a net book value of £496,250, for subsequent sale as used vehicles.

At 31 December 2008 the Company had no contractual commitments for the acquisition of property, plant and equipment (2007: £396,778).

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

14. Investments

| | £ |
|-------------------------------------|-----------|
| Cost: | |
| At 1 August 2006 | 2,135,321 |
| Additions | 372,783 |
| | <hr/> |
| At 1 January 2008 | 2,508,104 |
| Additions | 43,138 |
| | <hr/> |
| At 31 December 2008 | 2,551,242 |
| | <hr/> |
| Impairment: | |
| At 1 August 2006 and 1 January 2008 | - |
| Impairment loss | 1,834,496 |
| | <hr/> |
| At 31 December 2008 | 1,834,496 |
| | <hr/> |
| Carrying amount: | |
| At 31 December 2007 | 2,508,104 |
| | <hr/> |
| At 31 December 2008 | 716,746 |
| | <hr/> |

| Name of undertaking | Country of incorporation and operation | Activities | Holding |
|--|--|---|---------|
| London Taxis North America Incorporated | United States of America | Taxi retailing and leasing, and wrap advertising | 99% |

During the year the Company further increased its investment in London Taxis North America Holdings Incorporated to 99% at a cost of £43,138.

Investments are assessed for indicators of impairment at each balance sheet date. Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impaired.

Determining whether investments are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which the investment relates. The value in use calculation requires the entity to estimate future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present values.

The CGU to which the investment relates is London Taxis North America Holdings Incorporated.

The recoverable amounts of the CGU are determined from value in use calculations, based on a discounted cash flow forecast incorporating the most recent approved financial budgets extrapolated to 2016. The rate used to discount the forecast cash flow is the Manganese Bronze Holdings Group's weighted average cost of capital of 7.73 per cent.

As the level of revenue expected to be generated by the CGU to which the investment relates, London Taxis North America Holdings Incorporated, has declined due to the current market environment, the value in use of the CGU is negative, and an impairment loss of £1,834,496 has, therefore, been recognised in the year. This leaves the carrying amount of the investment at 31 December 2008 broadly in line with the CGU's net asset value excluding amounts owed to other Manganese Bronze Holdings Group companies.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

15. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the financial period.

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|-------------------------------------|--|--|
| At the beginning of the period | 502,752 | 105,461 |
| Credit to income | 1,133,531 | 397,291 |
| Tax on items taken direct to equity | (141,358) | - |
| At the end of the period | <u>1,494,925</u> | <u>502,752</u> |

The elements of deferred taxation are as follows:

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Accelerated capital allowances | 1,484,343 | 258,253 |
| Other short term timing differences | 10,582 | 11,132 |
| Trade losses | - | 233,367 |
| Deferred tax asset | <u>1,494,925</u> | <u>502,752</u> |

At the balance sheet date the Company has no unused tax losses (2007: £833,454) available for offset against future profits.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

16. Inventories

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|------------------|-----------------------------------|-----------------------------------|
| Raw materials | 3,711,300 | 3,328,394 |
| Work in progress | 2,031,993 | 1,914,163 |
| Finished goods | 13,391,539 | 10,825,828 |
| | <u>19,134,832</u> | <u>16,068,385</u> |

17. Other financial assets

Trade and other receivables

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|------------------------------------|-----------------------------------|-----------------------------------|
| Trade receivables | 2,917,975 | 2,805,830 |
| Allowance for doubtful debts | (76,501) | (95,617) |
| | <u>2,841,474</u> | <u>2,710,213</u> |
| Amounts owed by Group undertakings | 681,760 | 687,539 |
| Corporation tax recoverable | - | 139,209 |
| Other debtors | 850,580 | 1,048,517 |
| Prepayments | 1,046,328 | 1,087,108 |
| | <u>5,420,142</u> | <u>5,672,586</u> |

The average credit period taken on sale of goods is 12 days (2007: 8 days). Trade and other receivables are non-interest bearing. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and knowledge of specific customers' financial circumstances.

Included in the Company's trade receivable balances are debtors with a carrying value of £129,467 (2007: £220,618) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 73 days (2007: 67 days).

Ageing of past due but not impaired receivables

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|-------------|-----------------------------------|-----------------------------------|
| 30-60 days | 10,024 | 134,493 |
| 60-90 days | 119,443 | 51,497 |
| 90-120 days | - | 7,222 |
| 120+ days | - | 27,406 |
| Total | <u>129,467</u> | <u>220,618</u> |

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

17. Other financial assets (continued)

Movement in the allowance for doubtful debts

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--|--|--|
| Balance at the beginning of the period | 95,617 | 177,462 |
| Impairment losses recognised | 133,063 | 165,328 |
| Amounts written off as uncollectible | (22,258) | (159,199) |
| Amounts recovered during the period | (129,921) | (87,974) |
| Balance at the end of the period | <u>76,501</u> | <u>95,617</u> |

In determining the recoverability of trade receivables the Company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The credit risk on trade receivables is limited as the majority of revenue transactions are settled immediately and are, therefore, not on a credit basis.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

18. Borrowings

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|-----------------|-----------------------------------|-----------------------------------|
| Bank overdrafts | 483,904 | - |
| Stocking loan | 8,428,250 | 7,042,007 |
| | <u>8,912,154</u> | <u>7,042,007</u> |

Bank overdrafts are payable on demand or within one year and are part of the parent company's Group banking facility, details of which can be found in the Group's annual report. The parent company charges interest on overdrafts at 1% above bank base rate.

The Company's stocking loan facility of £13,000,000 (2007: £13,400,000) is provided by the Lloyds Banking Group PLC and attracts interest linked to the Finance House Base Rate. The stocking loan is secured on the vehicles within finished goods.

At 31 December 2008 the Company had available £4,571,750 (2007: £6,357,993) of undrawn committed stocking loan facilities in respect of which all conditions precedent had been met. This can only be drawn down provided the Company has suitable assets to offer as security.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

18. Borrowings (continued)

The weighted average interest rates paid were as follows:

| | Year ended 31 December 2008 % | 17 months ended 31 December 2007 % |
|---------------|--|--|
| Stocking loan | 6.81 | 6.51 |

The directors consider that the carrying amount of borrowings approximate to their fair value.

19. Derivative financial instruments

Derivatives that are designated and effective as hedging instruments carried at fair value.

| | As at 31 December 2008 | As at 31 December 2007 |
|------------------------------------|------------------------------|------------------------------|
| Forward foreign currency contracts | 852,230 | - |

The fair value of currency derivatives that are designated and effective as cash flow hedges has been deferred in equity.

Further details of derivative financial instruments are provided in note 27.

20. Obligations under finance leases

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|-----------------------------------|-----------------------------------|---|-----------------------------------|
| | As at 31 December 2008 £ | As at 31 December 2007 £ | As at 31 December 2008 £ | As at 31 December 2007 £ |
| Amounts payable under finance leases: | | | | |
| Within one year | - | 129,918 | - | 123,494 |
| In the second to fifth years inclusive | - | - | - | - |
| | - | 129,918 | - | 123,494 |
| Less future finance charges | - | (6,424) | - | - |
| Present value of lease obligations | - | 123,494 | - | - |
| Less amount due for settlement within 12 months (shown under current liabilities) | | | - | 123,494 |
| Amount due for settlement after 12 months | | | - | - |

At the balance sheet date the Company had no obligations under finance leases.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

21. Other financial liabilities

Trade and other payables

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|--|-----------------------------------|-----------------------------------|
| Trade creditors | 11,849,929 | 11,067,640 |
| Amounts owed to Group undertakings | 7,217,172 | 8,768,959 |
| Social security, payroll and other taxes | 2,144,129 | 400,048 |
| Deferred/contingent consideration | - | 45,431 |
| Other creditors | 342,228 | 576,556 |
| Accruals | 1,127,628 | 1,580,619 |
| | <u>22,681,086</u> | <u>22,439,253</u> |
| Amounts due for settlement within 12 months (shown within current liabilities) | <u>22,681,086</u> | <u>22,439,253</u> |

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 63 days (2007: 50 days). For most suppliers no interest is charged on the trade payables if payment is made within the pre-agreed credit terms, thereafter, interest may be charged on the outstanding balance at various interest rates.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Other financial liabilities are expected to mature within three months of the balance sheet date.

22. Provisions

| | Warranty £ |
|-------------------------------------|--------------------|
| At 31 December 2007 | 8,977,430 |
| Charge to profit and loss account | 909,998 |
| Utilised in year | <u>(6,776,086)</u> |
| At 31 December 2008 | <u>3,111,342</u> |
| Included in current liabilities | 2,082,188 |
| Included in non-current liabilities | 1,029,154 |

The warranty provision represents management's best estimate of the Company's liability under three year or 100,000 mile (whichever occurs sooner) warranties granted on new vehicles sold, based on past experience and known product improvements. The charge to profit and loss account in the year includes a credit of £2,068,083 (17 months ended 31 December 2007: charge £4,542,324) relating to the recall of TX4's announced on 26 September 2008.

It is expected that the majority of this expenditure will be incurred in the next year and that all will be incurred within three years of the balance sheet date.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

23. Share capital

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|---|-----------------------------------|-----------------------------------|
| Authorised, called up, allotted and fully paid: | | |
| 1,100,000 ordinary shares of £1 each (2007: 1,100,000 ordinary shares of £1 each) | 1,100,000 | 1,100,000 |
| 100,000 deferred shares of £1 each (2007: 100,000 deferred shares of £1 each) | 100,000 | 100,000 |
| | <u>1,200,000</u> | <u>1,200,000</u> |

The Company has two classes of ordinary shares, neither of which carry rights to fixed income. The deferred shares do not carry voting rights.

24. Reserves

| | Hedging reserves £ | Translation reserves £ | Share premium account £ | Retained earnings £ |
|-------------------------------------|--------------------------|------------------------------|----------------------------------|---------------------------|
| At 1 August 2006 | (43,957) | 11,184 | 2,412,671 | 1,888,107 |
| Loss for the period | - | - | - | (1,140,342) |
| Gains on cash flow hedges | 43,960 | - | - | - |
| Exchange differences | - | 3,260 | - | - |
| | <u>3</u> | <u>14,444</u> | <u>2,412,671</u> | <u>747,765</u> |
| At 1 January 2008 | 3 | 14,444 | 2,412,671 | 747,765 |
| Loss for the year | - | - | - | (4,614,359) |
| Gains on cash flow hedges | 504,849 | - | - | - |
| Tax on items taken direct to equity | - | - | - | (141,358) |
| Transfer to retained earnings | (3) | (14,444) | - | 14,447 |
| | <u>504,849</u> | <u>-</u> | <u>2,412,671</u> | <u>(3,993,505)</u> |
| At 31 December 2008 | 504,849 | - | 2,412,671 | (3,993,505) |

Nature and purpose of other reserves

Share premium account

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Hedging reserve

This reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

25. Operating lease arrangements

The Company as lessee

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|---|--|--|
| Minimum lease payments under operating leases recognised in income for the period | 972,842 | 1,163,944 |

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|--|-----------------------------------|-----------------------------------|
| Within one year | 868,959 | 784,121 |
| In the second to fifth years inclusive | 755,138 | 983,393 |
| After five years | - | 4,142 |
| | 1,624,097 | 1,771,656 |

The Company has entered into commercial leases on certain land and buildings. These leases are generally subject to periodic rent reviews. Some leases have renewal options. These are at the option of the Company, sometimes subject to a minimum notice period. In some cases rent escalations are set out in the lease contract. There are no material contingent rents payable. No significant restrictions are placed on the Company by entering into these leases.

26. Retirement benefit schemes

The Company is a member of the Manganese Bronze Holdings PLC pension schemes. The Group operates a defined contribution pension plan (Account Plus) which is open to employees of Group companies, and a defined benefit scheme (Manganese Bronze Group Pension Scheme) in which members have ceased to accrue additional pensionable service but benefits continue to be linked to salary or Limited Price Indexation (LPI). Under the projected unit method the current service cost will increase as members approach retirement age.

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 contribution scheme.

Defined contribution scheme (Account Plus)

The pension costs charged in the income statement for the year were £480,918 (17 months ended 31 December 2007: £530,512).

Defined benefit scheme (Manganese Bronze Group Pension Scheme)

The valuation position of the defined benefit scheme, which was closed in 1995, was assessed at 31 December 2008 by a qualified independent actuary using a set of assumptions which are commensurate with the guidance given under IAS19. Although the scheme primarily provides defined benefits, it also has a small defined contribution section.

Contributions of £1,200,000 (17 months ended 31 December 2007: £1,700,000) were paid into the scheme by the parent company during the year. Contributions to the scheme for the year to 31 December 2009, payable by the parent company, are likely to be in the region of £1,200,000.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

26. Retirement benefit schemes (continued)

Defined benefit scheme (Manganese Bronze Group Pension Scheme) (continued)

Key assumptions used in the valuation:

| | | Valuation at | |
|----------------------------------|--|---|---|
| | | 31 December 2008 | 31 December 2007 |
| Discount rate | | 6.2% | 5.6% |
| Expected return on scheme assets | | 4.7% | 5.7% |
| Salary increases | | 2.7% | 4.0% |
| Inflation | | 2.7% | 3.5% |
| Mortality rates: | | | |
| Pre-retirement | | PA92 C2006 with medium cohort adjustment | PA92 C2006 with medium cohort adjustment |
| Post-retirement Deferreds | | PA92 C2015 with medium cohort adjustment | PA92 C2015 with medium cohort adjustment |
| Post-retirement Pensioners | | PA92 C2006 With medium cohort adjustment | PA92 C2006 With medium cohort adjustment |

Rate of increase of pensions in payment were allowed for at the rates set out in the scheme rules, which range between nil and 5%.

The deficit in the Group's defined benefit pension scheme is as follows:

| | As at 31 December 2008 £ | As at 31 December 2007 £ |
|--|---|---|
| Present value of defined benefit obligations | (30,947,000) | (34,074,000) |
| Fair value of scheme assets | 29,392,000 | 29,978,000 |
| Deficit in scheme | <u>(1,555,000)</u> | <u>(4,096,000)</u> |

Movements in the present value of defined benefit obligations were as follows:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--------------------------------|--|---|
| At the beginning of the period | 34,074,000 | 33,474,000 |
| Interest cost | 1,859,000 | 2,380,000 |
| Actuarial (gains)/losses | (3,207,000) | 709,000 |
| Benefits paid | <u>(1,779,000)</u> | <u>(2,489,000)</u> |
| At the end of the period | <u>30,947,000</u> | <u>34,074,000</u> |

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

26. Retirement benefit schemes (continued)

Defined benefit scheme (Manganese Bronze Group Pension Scheme) (continued)

Movements in the fair value of the scheme assets were as follows:

| | Year ended 31 December 2008 £ | 17 months ended 31 December 2007 £ |
|--------------------------------|--|--|
| At the beginning of the period | 29,978,000 | 28,800,000 |
| Expected return on assets | 1,541,000 | 1,964,000 |
| Actuarial (losses)/gains | (1,548,000) | 3,000 |
| Employer contributions | 1,200,000 | 1,700,000 |
| Benefits paid | (1,779,000) | (2,489,000) |
| At the end of the period | 29,392,000 | 29,978,000 |

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

| | Expected return | | Fair value of assets | |
|----------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31 December 2008 % | As at 31 December 2007 % | As at 31 December 2008 £ | As at 31 December 2007 £ |
| Equities | 6.7 | 7.9 | 9,808,000 | 9,767,000 |
| Gilts | 3.7 | 4.6 | 19,369,000 | 19,487,000 |
| Cash | 3.7 | 4.6 | 215,000 | 724,000 |
| | | | 29,392,000 | 29,978,000 |

The expected rate of return on each asset class has been determined on the basis of market expectations for the rate of return on each asset class over the life of the related obligation, at the balance sheet date.

Additional disclosures regarding the defined benefit pension scheme are provided in the notes to the financial statements of Manganese Bronze Holdings PLC which does not form part of this report.

27. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its parent company through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, and retained earnings as disclosed in notes 23 and 24.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

27. Financial instruments (continued)

Financial risk management objectives

Treasury policy seeks to reduce the risks arising from the currency and maturity of the Company's financial instruments. The main risks arising from the Company's financial instruments are currency risk, interest rate risk and liquidity risk. Speculation, including the use of complex financial derivative products, is not part of the Company's treasury activities. Financial instruments are sterling denominated where possible. Material foreign currency commitments are hedged for up to 12 months ahead using forward contracts. Borrowings and, where they arise, deposits are fixed for periods of up to one year. The functional currency of the Company is sterling.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, resulting in exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|-----------|------------------------------|------------------------------|------------------------------|------------------------------|
| | As at 31 December 2008 | As at 31 December 2007 | As at 31 December 2008 | As at 31 December 2007 |
| | £ | £ | £ | £ |
| Euro | 2,809,214 | 1,947,077 | 651,093 | 1,150,486 |
| US dollar | 75,393 | 30,289 | 680,760 | 680,760 |

Foreign currency sensitivity analysis

The Company is mainly exposed to the currency of Europe (euro currency) and the United States of America (US dollar currency).

The following table details the Company's sensitivity to a 10 per cent increase and decrease in sterling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in the foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or borrower. A positive number below indicates an increase in profit and other equity where sterling strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances would be negative.

| | Euro impact | | US dollar impact | |
|----------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | As at 31 December 2008 | As at 31 December 2007 | As at 31 December 2008 | As at 31 December 2007 |
| | £ | £ | £ | £ |
| Profit or loss | 196,193 | 72,417 | 6,854 | 2,754 |
| Other equity | - | - | (61,887) | (61,887) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure represents a point in time and does not reflect the total exposure during the year.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

27. Financial instruments (continued)

Forward foreign exchange contracts

The Company utilises currency derivatives to hedge significant future transactions and cash flows. The Company's main currency exposure is to the euro, a consequence of the purchase of taxi components. Forward contracts are used to hedge this exposure. The following table details the forward foreign currency contracts outstanding as at 31 December 2008 (2007: nil):

Outstanding contracts

| | Average exchange rate | Foreign currency euros | Contract value £ | Fair value £ |
|-------------------------|--------------------------|------------------------------|------------------------|-----------------|
| Cash flow hedges | | | | |
| Buy euros | | | | |
| Less than three months | 1.25 | 2,250,000 | 1,800,000 | 347,381 |
| Three to six months | 1.28 | 1,500,000 | 1,172,150 | 255,367 |
| Six to nine months | 1.28 | 1,500,000 | 1,174,659 | 249,482 |
| | | | | <hr/> 852,230 |

The Company has entered into contracts to purchase components denominated in euros from European based suppliers. The Company has entered into forward foreign exchange contracts (for terms not exceeding 12 months) to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges.

As at 31 December 2008, the aggregate amount of gains under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future purchase transactions is £504,849 (2007: nil). It is anticipated that the purchases will take place during the first 9 months of the next financial year at which stage the amount deferred in equity will be included in the carrying amount of the components. It is anticipated that the components will be converted into inventory and sold within 6 months after purchase at which stage the amount deferred in equity will impact profit or loss.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds from its parent company, on which interest is charged at a rate of 1% above bank base rate, and from Lloyds Banking Group PLC, on which interest is charged at a rate linked to the Finance House Base Rate (see note 18). The Company seeks to minimise interest rate risk by minimising overall borrowing requirements.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1 per cent increase or decrease is used when reporting interest rate risk.

If interest rates had been 1 per cent higher/lower and all variable were held constant, the Company's loss for the year ended 31 December 2008 would increase/decrease by £89,122 (17 months ended 31 December 2007: £99,762). This is mainly attributable to the Company's exposure to interest rates on the stocking loan facility.

The Company's sensitivity to interest rates has increased during the current year mainly due to a higher utilisation of funding facilities.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

27. Financial instruments (continued)

Credit risk management

The Company's principal financial assets are bank deposits and trade receivables. The credit risk on trade receivables is limited as the majority of revenue transactions are settled immediately and are, therefore, not on a credit basis. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. These ratings are closely monitored.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Company manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows. Included in note 18 is a description of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

28. Events after the balance sheet date

On 26 June 2009, the Company's parent company, Manganese Bronze Holdings PLC, raised £9,400,000 net of expenses following the successful placing of £5.3 million new ordinary shares. During 2010 the Company plans to issue further shares, for cash, to its parent company, which will significantly strengthen the Company's balance sheet.

29. Related party transactions

Transactions between related parties are disclosed below:

Trading transactions

| | Purchase of goods | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|-----------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | Year ended 31 December 2008 | 17 months ended 31 December 2007 | Year ended 31 December 2008 | 17 months ended 31 December 2007 | Year ended 31 December 2008 | 17 months ended 31 December 2007 |
| | £ | £ | £ | £ | £ | £ |
| Manganese Bronze Property Services Ltd | 442,000 | 349,167 | - | - | 437,127 | 419,240 |
| Manganese Bronze Holdings PLC | 640,000 | 5,250,000 | - | - | 6,613,808 | 8,183,482 |
| Manganese Bronze Services Ltd | - | - | 1,000 | 5,759 | - | - |
| London Taxis North America Holdings Inc | - | - | 680,760 | 681,780 | - | - |
| LTI America Inc | - | - | - | - | 166,237 | 166,237 |

Manganese Bronze Holdings PLC is the Company's parent, and Manganese Bronze Property Services Limited and Manganese Bronze Services Limited are wholly owned subsidiaries of the parent.

The Company owns 99% of the issued share capital of London Taxis North America Holdings incorporated and 100% of LTI America incorporated.

LTI Limited

Notes to the financial statements for the year ended 31 December 2008

29. Related party transactions (continued)

Trading transactions (continued)

Purchase of goods from related parties were made at market value.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Remuneration of key management personnel

The remuneration of Messrs Fryer, Russell and Shillcock, 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.

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 Holyhead Road, Coventry, CV5 8JJ.