Company Registration No. 382553

LTI Limited

Report and Financial Statements

for the year ended 31 December 2009

LTI Limited

Report and financial statements
for the year ended 31 December 2009

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Report and financial statements for the year ended 31 December 2009

Officers and professional advisers

Directors

M Fryer (resigned 13 August 2010)
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

Mazars LLP
Chartered Accountants and Registered Auditors
45 Church Street
Birmingham, B3 2RT
United Kingdom

LTI Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009 The financial statements have been prepared in accordance with International Financial Reporting Standards

Principal activities

The principal activity of the Company is the design, assembly, 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 operating division

Along with most of our automotive peers, the Company has had another very challenging year with a further downturn in vehicle sales and margins in all markets but particularly our core London market The impact of sales discounting and incentives, in the region of 5% of sales, together with price increases from fragile UK suppliers, has resulted in an operating loss of £8,643,155 (2008 £5,045,380) Operating results have also been adversely impacted by higher warranty spend, mainly related to the now resolved TX4 radiator rectifications, costs to support the start of production at Shanghai LTI ("SLTI"), the parent company's joint venture with Geely Automobile Holdings Limited, and commencement of international sales

In the year to 31 December 2009, 1,724 new vehicles were sold in the UK (2008 1,951) UK sales benefited from support from the UK scrappage incentive under which 223 vehicles were sold However, as reported for the past two years, UK sales performance continues to be challenging as drivers' confidence to commit themselves to the purchase of a new taxi remains weak due to uncertainty about the general state of the economy Overseas sales were 209 vehicles (2008 173), and included the remaining 100 vehicles of a 200 order for Bahrain Revenue reduced to £72,100,374 (2008 £75,400,763), primarily reflecting the volume reductions and higher levels of discounting, partly offset by increases in used vehicle sales and the sale of engines to SLTI

During periods of economic uncertainty when dealer service activities are performing less well, there is a greater likelihood of increased, but valid, warranty claims, and this has been our experience This, together with the now resolved TX4 radiator rectifications, has increased vehicle warranty costs Further cost increases have been incurred as a result of the devaluation of Sterling against the Euro and the impact of almost £1,000 of additional component and paint costs per vehicle in 2009, which has arisen through our fragile UK single source supply base which, in turn, is suffering during the recession and which has sought to offset lower volume and higher costs Short term increases have also been seen from current suppliers as an impact of our stated desire to procure more parts from China Price increases have certainly had the impact of making sourcing more cost effective from China

Good progress continues to be made at SLTI, which offers considerable opportunity to expand, and internationalise, the Company's product offering In addition to business expansion, the procurement of parts from SLTI will afford a greater opportunity to return the Company to profitability During the year, STADCO, the Companies e-coat paint supplier, announced its intention to cease production during August 2010 The Company has been unable to locate an alternative supplier of this vital service within the UK, and, as the cost to build an e-coat facility would not be economic, manufacture and e-coating of body panels and chassis in Coventry ceased in August 2010 The consultation process is now complete and has resulted in approximately 60 redundancies in the Coventry manufacturing operations The cost of these redundancies was approximately £1 0 million and these will be charged to the income statement in 2010 In addition there will be a write off TX4 tooling and presses with an exceptional impairment of £2 5 million Going forward the Company will import a kit of bodies and panels from SLTI for assembly in Coventry into a ready-for-sale TX4 The cost saving from implementation of this change in operation is expected to save the Company up to £2 4 million on an annualised basis The Company will seek to minimise the environmental impacts of this change in operation through optimised logistics, the use of re-usable containers, and recyclable packaging

LTI Limited

Directors' report (continued)

Business review (continued)

Due to the declining sales, other cost reduction measures have been instigated While the move to assembly is the most significant manufacturing saving, the most substantial retail saving announced in mid 2009 was the change to our LTI UK franchise network with twelve months notice to end its contracts with all independent main dealers The Company will now concentrate on developing a direct sales operation, with an improved aftersales network This change was initiated in response to the current economic environment and the continuing evolution of the UK taxi market A major initiative is planned with the Company's service dealer network to improve the quality of aftersales care given to our customers Progress on implementation of the desired milestones on this project has been to plan and the change is expected to implement annualised savings of almost £2 million from mid 2010

The savings from rationalising UK manufacturing and improved parts margin from direct sale are not sufficient, at the current levels of sales discounting and sales, to generate acceptable UK profits Other cost savings have largely centred on seeking to offset the impact of almost £1,000 of additional component and paint costs per vehicle by procuring parts for Coventry production from China The Company is now saving in excess of £1,500 per vehicle on Chinese sourced parts

Other cost savings during the year have included reduced headcount, reductions in fixed costs, short time working, reduced daily output, and a pay reduction for all employees and directors throughout most of 2009 In January 2010 pay levels were returned to the January 2008 rates

In August 2009, London Taxis North America Incorporated ("LTNA") was closed following average annualised losses, before exceptional items, in excess of £1 million As a result, the Company has incurred exceptional costs of £1,390,506 relating to the impairment of its investment in LTNA, and the establishment of a doubtful debt provision against amounts due from LTNA

As a result of the reduced sales volumes, higher discounting, exceptional costs and various cost increases described above, the Company made an operating loss for the year of £8,643,155 (2008 £5,045,380) Net interest costs were £491,962 (2008 £545,405), leaving a loss before tax of £9,135,117 (2008 £5,590,785)

With a tax credit for the year of £508,688 (2008 £976,426), the Company made a loss for the year after taxation of £8,626,429 (2008 £4,614,359)

The Company's net assets increased by £6,812 to £130,827 (2008 £124,015) During the year the Company raised £9,000,000 from the issue of 3,000,000 ordinary shares of £1 each, at £3 per share, to the Company's parent company, Manganese Bonze Holdings PLC The cash impact of the share issue was largely offset by the operating loss and capital investment, with the Company ending the year with cash and cash equivalents of £1,707,206 (2008 £23,080) and borrowings of £7,782,161 (2008 £8,912,154)

Investment in tangible and intangible assets in the year was £812,423 (2008 £816,989), including £579,678 relating to the Euro V emission compliant taxi scheduled for introduction by 1 January 2012

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 (2008 nil)

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Directors' report (continued)

Going concern

The risk profile of the Company has worsened in the past year due to the effects of the current recession Together with the marked reduction in sales, the Company has experienced a tightening in the credit terms offered by its suppliers, which has resulted in lower trade creditors and higher working capital than was originally planned This, together with sales volatility, has made optimisation of inventory levels far more challenging and the Company has 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 The Company's relationships with the parent company's bankers, HSBC and Lloyds, remain good

The restriction of credit from suppliers does have a marked effect on the Company's working capital This arises both from credit insurers restricting insurance to the automotive industry as well as suppliers not utilising credit insurance in an effort to better manage their own funding position The availability of finance to customers to fund vehicle sales has been a major issue for the Company in international markets and this has curtailed international sales growth

Another negative consequence of the current economic climate has been 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 The Company has contingency plans in place, including procurement from China, but some components are more complex to resource than others This will be resolved by bringing in full kits of components from China

The Company's parent company is compliant with all terms of finance facilities and these facilities have been renewed The Company has management plans in place to seek to mitigate financial risks and these have been stress tested

The Company's most significant risk is, therefore, dependence on counterparties, particularly suppliers, most particularly Geely, and in most instances contingency plans are in place to manage this risk The significant risks to the business are detailed further below

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 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 Report and Financial Statements for the year ended 31 December 2009

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 above, the risk profile of the Company has worsened 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

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Directors' report (continued)

Principal risks (continued)

Reliance on suppliers

The Company relies on suppliers for all key components for the TX4 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 the Company's 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 the Company may be 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, the 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 sentiment and conditions, particularly those in London The current prevailing sentiment is not positive This expectation is built into the 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 the directors believe will remain the UK 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 become increasingly 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

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 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

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Directors' report (continued)

Principal risks (continued)

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 The Company has not planned for this situation to continue through 2010 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 extreme weather 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

Relationship with Geely

The Company will become increasingly exposed to the operation of SLTI and its partner Geely Geely is itself controlled by Mr Li Shufu, the Chairman and Executive Director of Geely The ongoing success of SLTI will be reliant on the parent company's continued good relations with Geely and Mr Li Shufu in particular

China

SLTI is based in Shanghai, China The Company, therefore, will increase its exposure to new business practices and methods of working and will need to adapt accordingly SLTI will also require the commitment of key staff which is being managed through appointment of staff both internally and externally who are either Chinese Nationals or who are experienced in working in China The Company remains exposed to the extent to which the Peoples' Republic of China's government regulates the automobile industry and the pace of economic liberalisation

Chinese vehicle/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 The complex logistics and shipping arrangements of supply from China will require close control in order to minimise freight costs and increases in inventory levels whilst ensuring a continuous supply of components for assembly 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 At present the funding facilities will not accommodate hedging forward more than six months The Company therefore intends to investigate the use of currency options, although these can be prohibitively expensive 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 the 2009 results, and we expect this situation to remain in 2010

Transactional exposure will increase when component supply increases significantly from Shanghai, as well as when international sales increase The Company will limit this exposure through the purchase and sale of taxis in US dollars, although exposure to the profit element will need to be limited

People

Due to the economic climate, the Company hase made further redundancies, there have been periods of short-time working, and a 10% pay abatement was applied to all employees, including Directors These factors have contributed to low employee satisfaction, which is being managed by an experienced management team

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Directors' report (continued)

Directors

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

M Fryer (resigned 13 August 2010)
J Russell
P Shillcock

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors to the extent permitted by applicable law and the Company's Articles of Association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company or any of its subsidiaries The Company has insurance cover in place for this risk

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 is reflected in a sharp downturn in employee turnover 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 regulations, 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

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 This process is carried out in conjunction with the parent company's insurers, QBE, by means of an annual review

Environment

The Company's operations strive to achieve continuous improvements in environmental performance and seek to prevent, mitigate, reduce or offset the environmental impact of our activities With the Company sourcing more components through SLTI, the consequent environmental impacts of packing and shipping product to the plant in Coventry are becoming a key component of the Company's risk management strategy

The directors continue to monitor the level of environmental incidents and workplace accidents

By raising awareness of energy usage amongst the management team, the Company aims to develop and maintain an effective energy management strategy in order to achieve reductions in the levels of energy consumed and cost savings During the year, a combination of lower production in response to the economic downturn and fixed energy costs resulted in an increase in energy consumption per vehicle

Community

The Company recognises the importance of engaging with the communities in which it operates It encourages operating units to develop their own corporate social involvement plans in consultation with stakeholders in order to identify programmes with tangible and sustainable community benefits in line with our corporate social involvement policy

During the year, two separate projects were developed under the auspices of the West Midlands CBI's 'Business in the Classroom' initiative, which was launched in September 2008 with the aim of promoting sustainable partnerships between businesses and schools The first of these projects focused on marketing and involved the production of a video concerning the accessibility of the taxi whilst the second project explored public perceptions and expectations of using taxis

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 2009 were equivalent to 73 days (2008 63 days) purchases

Donations

The Company made donations for charitable purposes during the year ended 31 December 2009 of £6,707 (2008 £12,692), principally to local charities serving the communities in which the Company operates No political donations were made (2008 nil)

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Directors' report (continued)

Auditors

As required by section 418 of the Companies Act 2006, each director serving at the date of approval of the financial statements confirms that

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006

Following a review of audit services during the year, Deloitte LLP retired as auditors and Mazars LLP were appointed in their place

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

John Russell

Director
29 September 2010

LTI Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 are required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company s transactions and 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 2006 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

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Independent auditors' report to the members of LTI Limited

We have audited the financial statements of LTI Limited for the year ended 31 December 2009 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 3 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB") In our opinion the financial statements comply with IFRSs as issued by the IASB

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of LTI Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mazars LLP, Chartered Accountants (Statutory auditor)
Paul Lucas (Senior Statutory Auditor),
Birmingham

29 September 2010

LTI Limited

Income statement
for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Revenue	5	72,100,374	75,400,763
Cost of sales – including exceptional items of nil (2008 £949,373 income)	7	(71,713,712)	(69,635,664)
Gross profit		386,662	5,765,099
Distribution costs		(3,583,509)	(4,581,438)
Administrative expenses – including exceptional costs of £1,390,506 (2008 £1,841,044)	7	(5,446,308)	(6,229,041)
Operating loss	8	(8,643,155)	(5,045,380)
Finance costs	10	(491,962)	(545,405)
Loss before tax		(9,135,117)	(5,590,785)
Tax credit	11	508,688	976,426
Loss for the year		(8,626,429)	(4,614,359)

Statement of comprehensive income
for the year ended 31 December 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loss for the year	(8,626,429)	(4,614,359)
(Loss)/gain on cash flow hedges	(509,388)	504,849
Other comprehensive income	(509,388)	504,849
Tax relating to components of other comprehensive income	142,629	(141,358)
Other comprehensive income for the year	(366,759)	363,491
Total comprehensive income for the year attributable to equity holders of the Company	(8,993,188)	(4,250,868)

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

The accompanying notes form an integral part of these financial statements

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Statement of financial position
as at 31 December 2009

	Notes	As at 31 December 2009 £	As at 31 December 2008 £
Non-current assets			
Other intangible assets – development costs	12	1,025,260	1,457,727
Property, plant and equipment	13	4,797,846	5,835,495
Investments	14	-	716,746
Deferred tax asset	15	2,095,191	1,494,925
Total non-current assets		7,918,297	9,504,893
Current assets			
Inventories	16	18,718,575	19,134,832
Trade and other receivables	17	5,467,657	5,420,142
Cash and cash equivalents		1,707,206	23,080
Derivative financial instruments	19	-	852,230
Total current assets		25,893,438	25,430,284
Total assets		33,811,735	34,935,177
Current liabilities			
Trade and other payables	20	(22,300,832)	(22,681,086)
Current tax liabilities		-	(106,580)
Borrowings	18	(7,782,161)	(8,912,154)
Provisions	21	(2,392,705)	(2,082,188)
Derivative financial instruments	19	(4,539)	-
Total current liabilities		(32,480,237)	(33,782,008)
Non-current liabilities			
Provisions	21	(1,200,671)	(1,029,154)
Total non-current liabilities		(1,200,671)	(1,029,154)
Total liabilities		(33,680,908)	(34,811,162)
Net assets		130,827	124,015

LTI Limited

Statement of financial position
as at 31 December 2009 (continued)

	Notes	As at 31 December 2009 £	As at 31 December 2008 £
Equity			
Share capital	22	4,200,000	1,200,000
Share premium account	23	8,412,671	2,412,671
Hedging reserve	23	(4,539)	504,849
Retained earnings		(12,477,305)	(3,993,505)
Attributable to equity holders		130,827	124,015

The financial statements of LTI Limited, registered number 382553, were approved and authorised for issue by the Board of Directors on 29 September 2010 and signed on its behalf by

John Russell

Director

29 September 2010

The accompanying notes form an integral part of this statement of financial position

LTI Limited

Statement of changes in equity
as at 31 December 2009

	Share capital £	Share premium account £	Hedging reserves £	Translation reserves £	Retained earnings £	Total equity £
At 1 January 2008	1,200,000	2,412,671	3	14,444	747,765	4,374,883
Total comprehensive income for the year	-	-	504,846	(14,444)	(4,741,270)	(4,250,868)
At 31 December 2008	1,200,000	2,412,671	504,849	-	(3,993,505)	124,015
Total comprehensive income for the year	-	-	(509,388)	-	(8,483,800)	(8,993,188)
Issue of share capital	3,000,000	6,000,000	-	-	-	9,000,000
At 31 December 2009	4,200,000	8,412,671	(4,539)	-	(12,477,305)	130,827

The accompanying notes form an integral part of this statement of changes in equity

LTI Limited

Cash flow statement

for the year ended 31 December 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Operating activities		
Operating loss from continuing operations	(8,643,155)	(5,045,380)
Depreciation of property, plant and equipment	1,842,605	2,346,955
Impairment loss on property, plant and equipment	-	497,458
Amortisation of intangible assets	432,467	432,469
Impairment loss on investments	716,746	1,834,496
(Profit)/loss on disposal of property, plant and equipment	(2,498)	44,395
Operating cash flows before movements in working capital	(5,653,835)	110,393
Decrease/(increase) in inventories	416,257	(2,570,197)
(Increase)/decrease in receivables	(148,688)	214,408
Increase/(decrease) in payables	494,805	(5,984,125)
Cash used in operations	(4,891,461)	(8,229,521)
Interest paid	(491,962)	(545,405)
Net cash used in operating activities	(5,383,423)	(8,774,926)
Investing activities		
Proceeds on disposal of property, plant and equipment	9,965	564,556
Purchases of intangible assets	-	(249,370)
Purchases of property, plant and equipment	(812,423)	(567,619)
Investment in subsidiary	-	(43,138)
Net cash used in investing activities	(802,458)	(295,571)
Financing activities		
Repayments of obligations under finance leases	-	(123,494)
Proceeds on issue of shares	9,000,000	-
(Decrease)/increase in bank overdrafts	(483,904)	483,904
(Decrease)/increase in stocking loan	(646,089)	1,386,243
Net cash from financing activities	7,870,007	1,746,653
Net increase/(decrease) in cash and cash equivalents	1,684,126	(7,323,844)
Cash and cash equivalents at beginning of year	23,080	7,346,924
Cash and cash equivalents at end of year	1,707,206	23,080

The accompanying notes form an integral part of this cash flow statement

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

1. General information

LTI Limited is a company incorporated in England and Wales under registration number 382553 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 IAS 1 (revised 2007) Presentation of Financial Statements

The adoption of IAS1 (Revised 2007) does not effect the financial position or results of the Company, but gives rise to additional disclosures The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged IAS 1 (Revised 2007) introduces a "Statement of comprehensive income" and, in accordance with the new standard, the entity does not present a "Statement of recognised income and expense", as was presented in the 2008 financial statements Further, a "Statement of changes in equity" is presented

In addition, the following new, amended and revised Standards and Interpretations have been adopted in the current year The adoption of these Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements, nor has it led to any significant changes in the Company's accounting policies

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 7 (amended)	Financial Instruments Disclosures
IFRS 8	Operating segments
IAS 23 (amended)	Borrowing costs
IAS 32 (amended)/IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 (amended)	Financial Instruments Recognition and measurement
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
Annual improvements to IFRSs (May 2008)	

2. Adoption of new and revised Standards (continued)

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 (revised/amended)	First time adoption of IFRSs
IFRS 2 (amended)	Share-based Payments
IFRS 3 (revised)	Business combinations
IFRS 9	Financial Instruments Classification and measurement
IAS 24 (revised)	Related party transactions
IAS 27 (revised)	Consolidated and Separate Financial Statements
IAS 28 (amended)	Investments in Associates
IAS 31 (amended)	Interests in Joint Ventures
IAS 32 (amended)	Financial Instruments Presentation
IAS 39 (amended)	Financial Instruments Recognition and measurement
IFRIC 12 (amended)	Service Concession Arrangements
IFRIC 14 (amended)	Prepayments on a Minimum Funding Requirement
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements to IFRSs (April 2009)	

The directors do not expect that the adoption of these Standards and Interpretations in future years will have a material impact on the financial statements of the Company

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards The financial statements have also been prepared in accordance with IFRSs 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 The principal accounting policies are set out below

Basis of preparation

A detailed consideration of going concern and principal risks is provided in the Directors' Report on pages 4 to 6

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

3. Significant accounting policies (continued)

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 Sales of goods and services are recognised when the goods are delivered or service is provided in accordance with the terms and conditions of sale

Sale of goods

Revenue for the sale of goods is recognised when all the following conditions are satisfied

- the Company has transferred to the buyer the significant risks and rewards of the ownership of the goods,
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

For the sale of goods to overseas customers, the first two points above will be determined by reference to the terms of the specific supply contract, which determines the point at which title to, and/or risk for, the goods passes from seller to buyer

Rendering of services

Revenue for the rendering of services is recognised when the service has been provided in accordance with the terms and conditions, and the amount of revenue can be measured reliably

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably 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 on initial recognition

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 2009

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 year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the year end 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 year end 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 statement of financial position 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 year end 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 2009

3. Significant accounting policies (continued)

Property, plant and equipment

Plant and equipment are stated at cost, including any directly attributable borrowing costs, 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 as 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 year end 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 2009

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 statement of financial position 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 the income statement 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 year end 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

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 the income statement 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 year 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

3. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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 year end date, and are discounted to present value where the effect is material

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from these assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods

Critical judgements in applying the Company's accounting policies

Apart from critical judgements involving estimations, which are dealt with separately below, there are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end 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

Warranty provision

In quantifying the outstanding liability as at the year end 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 year ended 31 December 2009 Whilst adjustments are made to historic trends for defects for which a resolution has been implemented, no adjustment is made for unknown defects which may yet occur The gross warranty provision at the year end date was £3,593,376 (2008 £3,111,342) Further details are given in note 21

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

5. Revenue

An analysis of the Company's revenue is as follows

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Continuing operations		
Sale of goods	71,670,357	75,019,825
Rendering of services	430,017	380,938
Total revenue	72,100,374	75,400,763

6. Operating segment information

Business segments

No operating segmental information is reported as the directors consider that substantially all of the Company's operations relate to a single activity, that of the assembly and retailing of new purpose-built taxis, along with the sale of used vehicles taken in part exchange, parts and vehicle maintenance

Geographical information

The Company's operations are located in the United Kingdom and China

The following table provides an analysis of the Company's sales by geographical location and by origin

	Sales by origin		Sales by location	
	Year ended 31 December 2009 £	Year ended 31 December 2008 £	Year ended 31 December 2009 £	Year ended 31 December 2008 £
United Kingdom	66,017,251	75,400,763	62,059,546	72,089,905
Rest of Europe	4,543,833	-	646,369	256,250
Asia	1,539,290	-	6,481,569	702,097
Rest of world	-	-	2,912,890	2,352,511
Total revenue	72,100,374	75,400,763	72,100,374	75,400,763

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

7 Exceptional items

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Cost of sales			
TX4 recall provision movements		-	(2,068,083)
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
		-	(949,373)
Administrative expenses			
Impairment of investments (see note 14)	a)	716,746	1,834,496
Redundancy and severance pay		-	6,548
Provision for doubtful debt	b)	673,760	-
		1,390,506	1,841,044
Total exceptional items		1,390,506	891,671

a) Following the closure in August 2009 of London Taxis North America Holdings Incorporated ("LTNA"), the Company's US based taxi servicing and advertising business, the Company's investment in LTNA has been fully impaired (see note 14)

b) The doubtful debt provision relates to amounts due from LTNA, considered irrecoverable following its closure in August 2009

Notes to the financial statements for the year ended 31 December 2009

8. Operatıng loss for the year

Operatıng loss for the year has been arrıved at after chargıng/(credıtıng)

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Net foreıgn exchange (gaıns)/losses	(3,755)	1,065,640
Research and development costs	475,262	580,393
Depreciatıon of property, plant and equıpment	1,842,605	2,346,955
Impaırment of property, plant and equıpment (see note 13)	-	497,458
Amortısatıon of ıntangıble assets	432,467	432,469
Impaırment of ınvestments (see note 14)	716,746	1,834,496
Cost of ınventorıes recognısed as expense	52,336,547	49,016,278
Wrıte downs of ınventorıes recognısed as expense – ıncludıng exceptıonal costs of nıl (2008 £245,000)	105,747	411,973
Staff costs (see note 9)	11,174,933	16,471,402
Fees payable to the Company's audıtors for the audıt of the Company's annual accounts	29,000	48,000

The amounts shown for the year ended 31 December 2008 relate to fees paıd to Deloıtte LLP, the Company's prevıous audıtors

There were no fees payable to the Company's audıtors ın eıther perıod for other servıces to the Company

9. Staff costs

The average number of employees (excludıng dırectors) was

	Year ended 31 December 2009	Year ended 31 December 2008
Management	10	11
Admınıstratıon	172	181
Productıon	185	223
	367	415

Theır aggregate remuneratıon comprısed

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Wages and salarıes	9,907,774	14,267,044
Socıal securıty costs	1,038,142	1,340,640
Other pensıon costs	114,316	480,918
Redundancy and severance payments	114,701	382,800
	11,174,933	16,471,402

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

10. Fmance costs

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Interest payable on		
Bank overdraft and loans	25,215	-
Group loans	155,135	19,211
Stockmg loan	311,612	523,501
Fmance contracts	-	2,693
	491,962	545,405

11 Tax

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Current tax		
UK corporation tax	-	106,580
Adjustments relatmg to pnor years	(51,051)	50,525
	(51,051)	157,105
Deferred tax		
Ongmation and reversal of tımıng dıfferences	(512,215)	(1,117,535)
Adjustments relatmg to pnor years	54,578	(15,996)
	(457,637)	(1,133,531)
Total tax credıt	(508,688)	(976,426)

UK corporation tax ıs calculated at 28% (2008 28 5%) of the estımated assessable result for the year

The tax credıt for the year can be reconcıled to the loss as follows

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loss before tax	(9,135,117)	(5,590,785)
Corporatıon tax thereon at 28% (2008 28 5%)	(2,557,833)	(1,593,374)
Adjustment ın respect to pnor years	3,527	34,529
Tax effect of expenses that are non-deductıble ın determınıng taxable profit	436,958	562,492
Tax effect of deferred tax rate dıfferences	-	19,927
Tax effect of losses not recognısed as a deferred tax asset	1,608,660	-
Tax credıt for the year	(508,688)	(976,426)

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

12. Other intangible assets

	Development costs £	Licences £	Total £
Cost:			
At 1 January 2008	2,717,531	90,572	2,808,103
Additions	249,370	-	249,370
At 1 January 2009	2,966,901	90,572	3,057,473
Disposals	(667,893)	-	(667,893)
At 31 December 2009	2,299,008	90,572	2,389,580
Accumulated amortisation:			
At 1 January 2008	1,146,142	21,135	1,167,277
Charge for the year	409,928	22,541	432,469
At 1 January 2009	1,556,070	43,676	1,599,746
Charge for the year	409,927	22,540	432,467
Disposals	(667,893)	-	(667,893)
At 31 December 2009	1,298,104	66,216	1,364,320
Carrying amount:			
At 31 December 2008	1,410,831	46,896	1,457,727
At 31 December 2009	1,000,904	24,356	1,025,260

Development costs are amortised over the expected life of the product to which they relate, normally between five and ten years

The disposals in the year of £667,893 relate to the development costs of the TXII, which had reached the end of its finite life and had no carrying value

The net book value of development costs comprises TX4 £751,534 (2008 £1,161,461) and low emission TX4 £249,370 (2008 £249,370)

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

Notes to the financial statements for the year ended 31 December 2009

13. Property, plant and equipment

	Plant and equipment £
Cost:	
At 1 January 2008	39,941,548
Additions	567,619
Disposals	(834,896)
Transfers out to inventory	(1,153,983)
At 1 January 2009	38,520,288
Additions	812,423
Disposals	(23,717)
At 31 December 2009	39,308,994
Accumulated depreciation and impairment:	
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)
At 1 January 2009	32,684,793
Charge for the year	1,842,605
Disposals	(16,250)
At 31 December 2009	34,511,148
Carrying amount:	
At 31 December 2008	5,835,495
At 31 December 2009	4,797,846

The transfers out to inventory in the year ended 31 December 2008 related 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 was recognised in the year ended 31 December 2008 These vehicles were transferred to inventory, at a net book value of £496,250, for subsequent sale as used vehicles

During the year the Company spent £812,423 on plant and equipment, including £579,678 relating to the Euro V emission compliant taxi scheduled for introduction by 1 January 2012

At 31 December 2009 the Company had contractual commitments for the acquisition of property, plant and equipment of £1,637,819 (2008 nil) This relates to the Euro V emission compliant taxi

Notes to the financial statements for the year ended 31 December 2009

14. Investments

	£
Cost:	
At 1 January 2008	2,508,104
Additions	43,138
At 1 January 2009 and 31 December 2009	2,551,242
Impairment:	
At 1 January 2008	-
Impairment loss	1,834,496
At 1 January 2009	1,834,496
Impairment loss	716,746
At 31 December 2009	2,551,242
Carrying amount:	
At 31 December 2008	716,746
At 31 December 2009	-

Name of undertaking	Country of incorporation and operation	Activities	Holding
London Taxis North America Incorporated	United States of America	Taxi servicing and advertising	99%

Investments are assessed for indicators of impairment at each year end 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 ("LTNA"), the Company's US based taxi servicing and advertising business

Following the closure of LTNA in August 2009, the Company's investment in LTNA has been fully impaired

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

15. Deferred tax

The followıng are the major deferred tax assets recognısed by the Company and movements thereon durıng the financıal year

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
At the begınnıng of the year	1,494,925	502,752
Credıt to ıncome	457,637	1,133,531
Tax on ıtems taken dırect to equıty	142,629	(141,358)
At the end of the year	2,095,191	1,494,925

The elements of deferred taxatıon ıncluded ın non-current assets are as follows

	As at 31 December 2009 £	As at 31 December 2008 £
Accelerated capıtal allowances	2,077,457	1,484,343
Other short term tımıng dıfferences	17,734	10,582
Deferred tax asset	2,095,191	1,494,925

At the year end date the Company has unused tax losses of £5,745,214 (2008 nıl) avaılable for offset agaınst future profits No deferred tax asset has been recognısed ın respect of these losses due to the unpredıctabılıty of future taxable profit streams

16. Inventorıes

	As at 31 December 2009 £	As at 31 December 2008 £
Raw materıals	4,033,380	3,711,300
Work ın progress	2,403,119	2,031,993
Fınıshed goods	12,282,076	13,391,539
	18,718,575	19,134,832

All classes of ınventory are held at cost

Durıng the year ended 31 December 2009 ınventory wrıte downs of £105,747 (2008 £411,973) were recognısed as an expense

Fınıshed goods wıth a carryıng value of £7,547,759 (2008 £8,161,457) are pledged as securıty for the parent company's stockıng loan facılıty (see note 18)

Notes to the financial statements for the year ended 31 December 2009

17. Other financial assets

Trade and other receivables

	As at 31 December 2009 £	As at 31 December 2008 £
Trade receivables	4,177,569	2,917,975
Allowance for doubtful debts	(25,686)	(76,501)
	4,151,883	2,841,474
Amounts owed by Group undertakings	4,094	681,760
Other debtors	916,222	850,580
Prepayments	395,458	1,046,328
	5,467,657	5,420,142

The average credit period taken on sale of goods is 18 days (2008 12 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 £64,271 (2008 £129,467) 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 110 days (2008 73 days)

Ageing of past due but not impaired receivables

	As at 31 December 2009 £	As at 31 December 2008 £
30-60 days	11,885	10,024
60-90 days	12,650	119,443
90-120 days	8,611	-
120+ days	31,125	-
Total	64,271	129,467

Movement in the allowance for doubtful debts

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Balance at the beginning of the year	76,501	95,617
Impairment losses recognised	21,125	133,063
Amounts written off as uncollectible	(13,030)	(22,258)
Amounts recovered during the year	(58,910)	(129,921)
Balance at the end of the year	25,686	76,501

17. Other financial assets (continued)

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 2009 £	As at 31 December 2008 £
Bank overdrafts	-	483,904
Stocking loan	7,782,161	8,428,250
	7,782,161	8,912,154

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 Group's banking facilities are secured by a debenture comprising fixed and floating charges over all the Company's assets and undertakings The parent company charges interest on overdrafts at 1% above bank base rate

The Company's stocking loan facility of £12,195,000 (2008 £13,000,000) 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

Since the year end date the Company has agreed an additional £2,000,000 stocking loan facility to fund used vehicle stocks

At 31 December 2009 the Company had available £4,412,839 (2008 £4,571,750) 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 taxis to offer as security

The weighted average interest rates paid were as follows

	Year ended 31 December 2009 %	Year ended 31 December 2008 %
Bank overdrafts	1 50	5 38
Stocking loan	3 40	6 81

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

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

19. Derivative financial instruments

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

	As at 31 December 2009	As at 31 December 2008
Forward foreign currency contracts	(4,539)	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 26

20. Other financial liabilities

Trade and other payables

	As at 31 December 2009 £	As at 31 December 2008 £
Trade payables	13,327,813	11,849,929
Amounts owed to Group undertakings	7,682,084	7,217,172
Social security, payroll and other taxes	463,766	2,144,129
Other payables	251,221	342,228
Accruals	575,948	1,127,628
Amounts due for settlement within 12 months (shown within current liabilities)	22,300,832	22,681,086

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 73 days (2008 63 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 year end date

21. Provisions

	Warranty £
At 1 January 2009	3,111,342
Included in current liabilities	2,082,188
Included in non-current liabilities	1,029,154
	3,111,342
Additional provision in the year	4,864,240
Utilisation of provision	(4,382,206)
At 31 December 2009	3,593,376
Included in current liabilities	2,392,705
Included in non-current liabilities	1,200,671

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

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 year end date

22. Share capital

	As at 31 December 2009 £	As at 31 December 2008 £
Authorised, called up, allotted and fully paid·		
4,100,000 ordinary shares of £1 each (2008 1,100,000 ordinary shares of £1 each)	4,100,000	1,100,000
100,000 deferred shares of £1 each (2008 100,000 deferred shares of £1 each)	100,000	100,000
	4,200,000	1,200,000

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

During the year the Company issued a further 3,000,000 ordinary shares of £1 each, at a value of £3 per share These shares were purchased by the Company's parent company

The proceeds will be used to develop new markets internationally for the London taxi, develop a new Euro V compliant engined London taxi, develop technological and environmental updates for the London taxi, and support business rationalisation

23. Other reserves

	Hedging reserves £	Translation reserves £	Share premium account £	Total other reserves £
At 1 January 2008	3	14,444	2,412,671	2,427,118
Other comprehensive income	504,846	(14,444)	-	490,402
At 1 January 2009	504,849	-	2,412,671	2,917,520
Other comprehensive income	(509,388)	-	-	(509,388)
Issue of share capital	-	-	6,000,000	6,000,000
At 31 December 2009	(4,539)	-	8,412,671	8,408,132

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

24. Operating lease arrangements

The Company as lessee

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Minimum lease payments under operating leases recognised as an expense in the year	889,513	972,842

At the year end 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 2009 £	As at 31 December 2008 £
Within one year	745,585	868,959
In the second to fifth years inclusive	569,046	755,138
	1,314,631	1,624,097

The Company has entered into commercial leases on certain land and buildings, motor vehicles and items of plant and equipment Land and building 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

25. 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 total cost charged to income for the year was £114,316 (2008 £480,918) As at 31 December 2009, contributions of £31,043 (2008 £38,994) due in respect of the current reporting period had not been paid over to the scheme

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 2009 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 (2008 £1,200,000) were paid into the scheme by the parent company during the year The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £1,200,000

Key assumptions used in the valuation

		Valuation at	
		31 December 2009	**31 December 2008**
Discount rate		5 80%	6 20%
Expected return on scheme assets		5 90%	4 70%
Salary increases		3 75%	2 70%
Inflation		3 75%	2 70%
Mortality rates			
Pre-retirement		PNA00 MC YoB	PA92 C2006
Post-retirement	Deferreds	PNA00 MC YoB	PA92 C2015
Post-retirement	Pensioners	PNA00 MC YoB	PA92 C2006

The rates 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 2009 £	**As at 31 December 2008 £**
Present value of defined benefit obligations	(34,083,000)	(30,947,000)
Fair value of scheme assets	31,139,000	29,392,000
Deficit in scheme	(2,944,000)	(1,555,000)

Notes to the financial statements for the year ended 31 December 2009

25. Retirement benefit schemes (continued)

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

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
At 1 January	30,947,000	34,074,000
Interest cost	1,865,000	1,859,000
Actuarial losses/(gains)	3,032,000	(3,207,000)
Benefits paid	(1,761,000)	(1,779,000)
At 31 December	34,083,000	30,947,000

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
At 1 January	29,392,000	29,978,000
Expected return on assets	1,198,000	1,541,000
Gains/(losses)	1,110,000	(1,548,000)
Employer contributions	1,200,000	1,200,000
Benefits paid	(1,761,000)	(1,779,000)
At 31 December	31,139,000	29,392,000

The analysis of the scheme assets and the expected rate of return at the year end date was as follows

	Expected return		Fair value of assets	
	As at 31 December 2009 %	As at 31 December 2008 %	As at 31 December 2009 £	As at 31 December 2008 £
Equities	7 5	6 7	10,246,000	9,808,000
Bonds				
- Gilts	4 5	3 7	10,376,000	9,685,000
- Corporate	5 8	3 7	10,306,000	9,684,000
Cash	4 5	3 7	211,000	215,000
			31,139,000	29,392,000

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 year end 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

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

26. 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 the statement of changes in equity and notes 22 and 23

The Company continually reviews its cash requirements, utilising rolling annual forecasts and long range plans, to ensure that sufficient funding is available to support working capital requirements and future business developments, whilst minimise borrowing costs

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

Categories of financial instruments

	As at December 2009 £	As at 31 December 2008 £
Financial assets		
Cash and bank balances	1,707,206	23,080
Derivative instruments in designated hedge accounting relationships	-	852,230
Loans and receivables	5,068,105	3,692,054
	6,775,311	4,567,364
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	4,539	-
Other	25,418,337	26,359,782
	25,422,876	26,359,782

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 six months ahead using forward contracts The functional currency of the Company is sterling

26. Financial instruments (continued)

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, resulting in exposure to exchange rate fluctuations 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 2009	As at 31 December 2008	As at 31 December 2009	As at 31 December 2008
	£	£	£	£
Euro	4,144,141	2,809,214	445,928	651,093
US dollar	1,236,295	75,393	3,528,706	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 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 2009	As at 31 December 2008	As at 31 December 2009	As at 31 December 2008
	£	£	£	£
Profit or loss	336,201	196,193	(208,401)	6,854
Other equity	-	-	-	(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

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 2009 and 2008

26. Financial instruments (continued)

Outstanding contracts

	Average exchange rate	Foreign currency euros	Contract value £	Fair value £
Cash flow hedges				
As at 31 December 2009				
Buy euros				
Less than three months	1 11	388,978	350,000	(4,539)
				(4,539)
As at 31 December 2008				
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
				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 2009, the aggregate amount of losses under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future purchase transactions is £4,539 (2008 £504,849 gains) It is anticipated that the purchases will take place during the first three months (2008 nine 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 three months (2008 six months) after purchase at which stage the amount deferred in equity will impact comprehensive income

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 year end date The analysis is prepared assuming the amount of liability outstanding at the year end 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 2009 would increase/decrease by £77,822 (2008 £89,122) 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 reduced during the current year mainly due to the proceeds from the share issue and reduced utilisation of the stocking loan facility resulting from lower levels of finished stocks

LTI Limited

Notes to the financial statements for the year ended 31 December 2009

26. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Company 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 For international sales, the Company has a policy of ensuring that either sufficient funding is in place in the form of letters of credit, or credit guarantee insurance cover is available, prior to the despatch of goods to the customer

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics The Company defines counterparties as having similar characteristics if they are related entities

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

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed payment periods The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay The table includes both interest and principal cash flows The contractual maturity is based on the earliest date on which the Company may be required to pay

	Weighted average effective interest rate %	Less than one month £	1 to 3 months £	3 months to 1 year £	1 to 5 years £	Total £
31 December 2009						
Non-interest bearing	-	6,650,992	8,151,228	1,662,705	1,200,671	17,665,596
Variable interest rate instruments	3 25	2,486,313	5,295,848	-	-	7,782,161
		9,137,305	13,447,076	1,662,705	1,200,671	25,447,757

26. Financial instruments (continued)

Liquidity and interest risk tables (continued)

The following table details the Company's expected maturity for its non-derivative financial assets The table has been drawn up based on undiscounted contractual maturities of the financial assets, none of which attract interest The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis

	Less than one month £	1 to 3 months £	3 months to 1 year £	1 to 5 years £	Total £
31 December 2009					
Non-interest bearing	4,273,394	2,501,917	-	-	6,775,311
	4,273,394	2,501,917	-	-	6,775,311

The Company has access to financing facilities as described in note 18, of which £4,412,839 were unused at the year end date (2008 £4,571,750) The Company expects to meet its other obligations from operating cash flows

27. Events after the year end date

On 16 August 2010, following the announcement by Stadco, the Company's e-coat paint supplier, of its intension to cease production, the Company ceased the manufacture and e-coating of body panels and chassis in Coventry and commenced assembly in Coventry of kits of bodies and components supplied by Shanghai LTI Automobile Company Limited, the parent company s joint venture with Chinese car manufacturer Geely Automobile Holdings Limited This has resulted in a total of 60 redundancies at a cost of £1 0 million together with an impairment loss of £2 5 million relating to certain TX4 tooling and presses These costs will be included in the Company's 2010 financial results This restructuring is expected to save the Company up to £2 4 million on an annualised basis

Notes to the financial statements for the year ended 31 December 2009

28. Related party transactions

Transactions between related parties are disclosed below

Trading transactions

	Sale of goods		Purchase of goods and services	
	Year ended 31 December 2009 £	Year ended 31 December 2008 £	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Manganese Bronze Property Services Ltd	-	-	442,000	442,000
Manganese Bronze Holdings PLC	-	-	1,140,000	640,000
Shanghai LTI	6,481,569	-	-	-
Shanghai Maple Automobile Company Ltd	-	-	2,815,000	-
	6,481,569	-	4,397,000	1,082,000

	Amounts owed by related parties		Amounts owed to related parties	
	As at 31 December 2009 £	As at 31 December 2008 £	As at 31 December 2009 £	As at 31 December 2008 £
Manganese Bronze Property Services Ltd	-	-	538,946	437,127
Manganese Bronze Holdings PLC	-	-	6,976,901	6,613,808
Manganese Bronze Services Ltd	4,094	1,000	-	-
London Taxis North America Holdings Inc	-	680,760	-	-
LTI America Inc	-	-	166,237	166,237
Shanghai LTI	2,862,224	-	-	-
Shanghai Maple Automobile Company Ltd	-	-	1,204,354	-
	2,866,318	681,760	8,886,438	7,217,172

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

Shanghai LTI is a related party of the Company because the Company's parent company has a 48% shareholding in Shanghai LTI

Shanghai Maple Automobile Company Ltd is a related party of the Company because it is 90% owned by Geely Holding, which is wholly owned by Mr Li Shu Fu and his associates Mr Li Shu Fu is Chairman of Geely Automobile Holdings Ltd, the parent company's 51% joint venture partner in Shanghai LTI

Sale of goods to, and purchase of goods and services 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 No provisions have been made for doubtful debts in respect of the amounts owed by related parties

Notes to the financial statements for the year ended 31 December 2009

28. Related party transactions (continued)

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