

ARTHUR ANDERSEN

LTI Limited

Financial statements for the year ended 31 July 1999
together with directors' and auditors' reports

Registered number: 382553



Contents

	Page
Directors and Officers	1
Directors' report	2
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Directors and Officers

Directors

GRJ Borwick	Chairman
E Osmond	
I Pickering	
J Thorpe	
B Widdowson	Managing Director

Secretary

A Walker

Registered office

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Bankers

HSBC
Poultry & Princes Street
London
EC2P 2BX

Auditors

Arthur Andersen
20 Old Bailey
London
EC4M 7AN

Directors' report

For the year ended 31 July 1999

Financial Statements

The directors present their report and financial statements, together with the auditors' report for the year ended 31 July 1999.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activities, business review and future developments

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

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

Results and dividends

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

Out of the profit for the year of £3,409,816 (1998: loss of £386,202), the directors paid a dividend of £2,400,000 (1998: £nil).

Directors' report (continued)

Directors

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

GRJ Borwick	Chairman
B Widdowson	Managing Director
E Osmond	
AC Peake	(resigned 23 March 1999)
I Pickering	
J Thorpe	(appointed 5 February 1999)

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

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

At 31 July 1999 E Osmond and AC Peake held respectively 21,000 (1998: 21,000) and 4,000 (1998: 4,000) options to purchase shares in Manganese Bronze Holdings PLC.

Employee participation

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

Employment of disabled persons

The Company always gives sympathetic consideration to applications for employment from disabled persons and if existing employees become disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

Supplier payment policy

It is the Company's policy to agree payment terms with its suppliers at the outset of a transaction, and to abide by these terms, subject to satisfactory performance by the supplier and the timely presentation of an accurate invoice. Amounts owed to suppliers are generally settled by the end of the month following the receipt of invoice. At the year-end, the amount owed to trade suppliers was equivalent to 48 days credit (1998: 66 days).

Year 2000

The Company has completed the review of its critical business and computer systems to assess their ability to deal with the change of date from 1999 to 2000. Any necessary remedial work has been undertaken in conjunction with the normal maintenance of and investment in those systems. Given the complexity of the problem, it is impossible to state with certainty that no problems will occur as we move into the next century. The Directors are, however, confident that the Company has prepared properly for the date change and is ready to deal with any unforeseen problems that may arise. The cost of remedial work to existing systems has been charged to the profit and loss account as incurred.

Directors' report (continued)

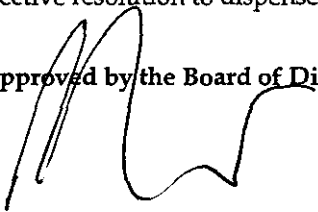
Donations

The Company made donations for charitable purposes during the year ended 31 July 1999 of £7,684 (1998 £5,283). No political donations were made (1998 £nil).

Elective regime

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

Approved by the Board of Directors and signed on behalf of the Board on 29th October 1999.

A handwritten signature in black ink, appearing to be 'Amanda Walker', written over a horizontal line.

Amanda Walker

Secretary

London

Auditors' report

To the Shareholders of LTI Limited

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the Company's state of affairs at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

20 Old Bailey

London

EC4M 7AN

29 October 1999

Profit and loss account

For the year ended 31 July 1999

	Notes	1999 £	1998 £
Turnover	2	86,584,987	77,241,592
Cost of sales		<u>(73,619,810)</u>	<u>(65,150,531)</u>
Gross profit		12,965,177	12,091,061
Distribution costs		(2,621,682)	(3,527,219)
Administrative expenses		<u>(6,348,061)</u>	<u>(7,907,785)</u>
Operating profit	3	3,995,434	656,057
Interest payable	5	<u>(555,154)</u>	<u>(419,253)</u>
Profit on ordinary activities before taxation		3,440,280	236,804
Tax on profit on ordinary activities	7	<u>(30,464)</u>	<u>(623,006)</u>
Profit/(loss) on ordinary activities after taxation		3,409,816	(386,202)
Dividends paid	6	<u>(2,400,000)</u>	<u>-</u>
Retained profit/(loss) for the financial year	15	<u>1,009,816</u>	<u>(386,202)</u>

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

Statement of total recognised gains and losses

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

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

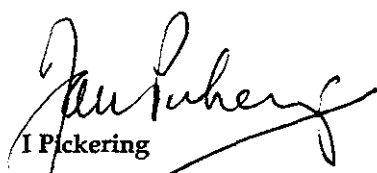
Balance Sheet

As at 31 July 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	8	18,568,355	18,529,074
Current assets			
Stocks	9	10,674,806	12,808,459
Debtors	10	2,498,602	6,194,736
Cash at bank and in hand		-	1,675,864
		<u>13,173,408</u>	<u>20,679,059</u>
Creditors: Amounts falling due within one year	11	<u>(23,764,821)</u>	<u>(32,008,449)</u>
Net current liabilities		<u>(10,591,413)</u>	<u>(11,329,390)</u>
Total assets less current liabilities		7,976,942	7,199,684
Creditors: Amounts falling due after more than one year	12	(26,064)	-
Provisions for liabilities and charges	13	<u>(2,634,403)</u>	<u>(2,893,026)</u>
Net assets		<u>5,316,475</u>	<u>4,306,658</u>
Capital and reserves			
Called up share capital	14	1,200,000	1,200,000
Share premium account	15	2,412,671	2,412,671
Profit and loss account	15	<u>1,703,804</u>	<u>693,987</u>
Equity shareholders' funds	16	<u>5,316,475</u>	<u>4,306,658</u>

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

The financial statements on pages 6 to 16 were approved by the board of directors on 29 October 1999. Signed on its behalf by


I Pickering
Director

Notes to the financial statements (continued)

1 Accounting policies

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

a) *Accounting convention*

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

b) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	10% to 25%
---------------------	------------

c) *Research and development*

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

d) *Product tooling*

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

e) *Stocks*

Stocks are valued consistently at the lower of cost and net realisable value on a first in, first out basis. Finished goods and work in progress are valued at the cost of raw materials content and labour plus attributable overheads. Appropriate provisions are made for slow moving and obsolete items. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

f) *Operating leases*

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

g) *Taxation*

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

Provision is made, using the liability method, on all timing differences, except to the extent that the directors consider that a liability will not arise in the foreseeable future.

Directors' report (continued)

1 Accounting policies (continued)

h) Foreign currencies

Export sales and imported goods invoiced in a foreign currency are translated into sterling at the amounts received or paid when the remittances to complete the transaction are exchanged for sterling. Assets and liabilities denominated in foreign currencies at the year end are translated into sterling at the rates ruling at the balance sheet date.

Consequential gains or losses arising from movements in exchange rates are dealt with in the profit and loss account.

i) Warranties

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

j) Pension costs

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

k) Cash flow statement

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

l) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Directors' report (continued)

2 Analysis of results

	1999 £	1998 £
All turnover arises through sales of motor vehicles and parts		
Geographical analysis:		
United Kingdom	86,269,204	76,619,739
Asia	217,501	-
Western Europe	98,282	503,774
Other	-	118,079
	<u>86,584,987</u>	<u>77,241,592</u>

3 Operating profit is stated after charging:

	1999 £	1998 £
Auditors' remuneration	40,400	35,000
Hire of plant and equipment	365,536	46,613
Operating lease rentals	514,352	591,682
Depreciation	2,792,469	2,346,250
Research and development	829,870	450,289

4 Staff numbers and cost

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

	Number	Number
Management	17	22
Administration and sales	155	152
Production	343	370
	<u>515</u>	<u>544</u>

Directors' report (continued)

The aggregate remuneration of these persons was as follows:

	1999 £	1998 £
Wages and salaries	11,194,571	12,655,598
Social security costs	1,082,466	1,240,938
Redundancy and severance payments	450,003	19,760
Other pension costs	411,917	466,253
	<u>13,138,957</u>	<u>14,382,549</u>

The remuneration of the directors of the company was:

Emoluments	134,018	128,733
Pension contributions	<u>15,512</u>	<u>14,849</u>
	<u>149,530</u>	<u>143,582</u>

The emoluments of GJR Borwick, B Widdowson, and I Pickering who are also directors of Manganese Bronze Holdings PLC, are disclosed in that company's financial statements. The above mentioned pension contributions were paid into a money purchase scheme in respect of two of the company's directors

Directors' report (continued)

5 Interest payable

	1999 £	1998 £
To Group undertakings	273,611	244,350
Other interest payable	281,543	174,903
	<u>555,154</u>	<u>419,253</u>

6 Dividends

	1999 £	1998 £
Final dividend paid	<u>2,400,000</u>	<u>-</u>

7 Taxation

	1999 £	1998 £
Based on profit for the year		
UK Corporation tax at 30.7% (1998: 31%)	825,768	(253,500)
Deferred tax	(653,251)	715,813
Adjustments in respect of prior years		
UK Corporation tax	(504,053)	160,693
Deferred tax	<u>362,000</u>	<u>-</u>
	<u>30,464</u>	<u>623,006</u>

Directors' report (continued)

8 Tangible fixed assets – Plant and Machinery

	Total £
Cost	
At 1 August 1998	25,361,007
Additions	2,833,476
Reclassified	8,470
Disposals	(427,939)
Group transfer	14,000
At 31 July 1999	27,789,014
Depreciation	
At 1 August 1998	6,831,933
Provision for the year	2,792,469
Reclassified	3,030
Disposals	(392,981)
Group transfer	(13,792)
31 July 1999	9,220,659
Net book value	
At 31 July 1999	18,568,355
At 31 July 1998	18,529,074

9 Stocks

	1999 £	1998 £
Raw materials and consumables	3,464,701	4,942,843
Work-in-progress	1,867,071	1,432,868
Finished goods	5,343,034	6,432,748
	10,674,806	12,808,459

Directors' report (continued)

10 Debtors

	1999 £	1998 £
Trade debtors	1,788,385	2,130,522
Amounts owed by Group undertakings	471	3,295,347
Other debtors	410,428	417,809
Prepayments & accrued income	299,318	351,058
	<u>2,498,602</u>	<u>6,194,736</u>

11 Creditors: Amounts falling due within one year

	1999 £	1998 £
Stocking facilities with finance houses	2,925,398	4,414,338
Bank overdrafts	301,868	-
Trade creditors	10,088,853	12,674,953
Amounts owed to Group undertakings	7,625,285	11,515,074
Other taxes and social security	746,875	1,129,446
Corporation tax	632,395	936,175
Other creditors	673,026	682,170
Accruals and deferred income	771,121	656,293
	<u>23,764,821</u>	<u>32,008,449</u>

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

12 Creditors Amounts falling due after more than one year

	1999 £	1998 £
Finance leases - due between one and two years	26,064	-
	<u>26,064</u>	<u>-</u>

13 Provision for liabilities and charges

	Deferred Taxation £	Provision For future warranty Costs £	Total £
At 1 August 1998	1,315,639	1,577,387	2,893,026
Transfer from profit and loss account	(291,251)	32,628	(258,623)
At 31 July 1999	<u>1,024,388</u>	<u>1,610,015</u>	<u>2,634,403</u>

Directors' report (continued)

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

	1999 £	1998 £
Accelerated capital allowances	915,023	1,341,748
Short term timing differences	(44,555)	(26,109)
	<u>870,468</u>	<u>1,315,639</u>

14 Called up share capital

	1999 £	1998 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	1,100,000	1,100,000
Deferred shares of £1 each	100,000	100,000
	<u>1,200,000</u>	<u>1,200,000</u>

15 Reserves

	Share Premium Account £	Profit and loss Account £
At 1 August 1998	2,412,671	693,987
Profit for the year	-	1,009,816
At 31 July 1999	<u>2,412,671</u>	<u>1,703,804</u>

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit/(loss) for the financial year	3,409,816	(386,202)
Dividends	(2,400,000)	-
Net addition/(reduction) to shareholders' funds	1,009,816	(386,202)
Opening shareholders' funds	4,306,658	4,692,860
Closing shareholders' funds	<u>5,316,475</u>	<u>4,306,658</u>

Notes to the financial statements (continued)

17 Capital commitments

	1999 £	1998 £
The following expenditure has been authorised at 31 July		
Contracted	<u>49,900</u>	<u>811,076</u>

18 Financial commitments

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

	1999 £	1998 £
Within one year	46,006	57,110
In the second to fifth year	362,376	520,986
Over five years	<u>480,505</u>	<u>228,401</u>
	<u>888,887</u>	<u>806,497</u>

19 Pensions

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

20 Contingent liability note

The company has given a guarantee to its bankers in respect of any amounts outstanding on the Group borrowing facilities. At 31 July 1999, the relevant Group net borrowings amount to £2,901,991 (1998: £nil).

21 Ultimate parent undertaking

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

As a subsidiary undertaking of Manganese Bronze Holdings PLC, the company has taken advantage of the exemption in *Financial Reporting Standard 8: Related Party Disclosures* from disclosing transactions with other members of the group headed by Manganese Bronze Holdings PLC.