

LTI Limited

Financial statements for the year ended 31 July 2001
together with directors' and auditors' reports

Registered number: 382553



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DIRECTORS AND ADVISERS

Directors

GRJ Borwick

RA McMaster

I Pickering

J Thorpe

Secretary

M Durham

Registered office

Holyhead Road

Coventry

West Midlands

CV5 8JJ

Bankers

HSBC

Poultry & Princes Street

London

EC2P 2BX

Auditors

Arthur Andersen

180 Strand

London

WC2R 1BL

DIRECTORS' REPORT

The directors present their report and financial statements, together with the auditors' report for the year ended 31 July 2001.

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 7.

The loss for the year after taxation amounted to £2,052,068 (2000: profit £2,786,915). The directors do not propose a dividend for the year (2000: £2,500,000).

DIRECTORS' REPORT (continued)

Directors

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

GRJ Borwick	
RA McMaster	(appointed 18 April 2001)
E Osmond	(resigned 8 February 2001)
I Pickering	
J Thorpe	
B Widdowson	(resigned 8 January 2001)

GRJ Borwick, I Pickering, and B Widdowson were directors of Manganese Bronze Holdings PLC for either part of or for the whole year 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 2001 J Thorpe and R McMaster held options over 100,000 (2000: 100,000) and 25,000 (2000: 25,000) shares respectively 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 56 days credit (2000: 56 days).

Donations

The Company made donations for charitable purposes during the year ended 31 July 2001 of £17,787 (2000: £2,002). No political donations were made (2000: £nil).

DIRECTORS' REPORT (continued)

Elective regime

The Companies Act 1985 introduced the elective regime in order to simplify the conduct of private companies. On 25 April 1991 the Company passed elective resolutions to dispense with the holding of annual general meetings and the laying of financial statements 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 28 January 2002.

A handwritten signature in black ink, appearing to read 'M Durham', with a stylized, flowing script.

M Durham

Secretary

AUDITORS' REPORT

To the Shareholders of LTI Limited

We have audited the financial statements of LTI Limited for the year ended 31 July 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and the related Notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

AUDITORS' REPORT (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 July 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand

London

WC2R 1BL

28 January 2002

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2001

	Notes	2001 £	2000 £
Turnover	2	78,475,659	97,321,767
Cost of sales		<u>(69,475,822)</u>	<u>(83,114,994)</u>
Gross Profit		8,999,837	14,206,773
Distribution costs		(3,654,469)	(3,193,550)
Administrative expenses		<u>(7,278,840)</u>	<u>(6,927,020)</u>
Operating (Loss)/Profit	4	(1,933,472)	4,086,203
Finance charge – net	5	<u>(634,144)</u>	<u>(215,175)</u>
(Loss)/Profit on Ordinary Activities before Taxation		(2,567,616)	3,871,028
Tax on (loss)/profit on ordinary activities	7	<u>515,548</u>	<u>(1,084,113)</u>
(Loss)/Profit for the Financial Year after Taxation		(2,052,068)	2,786,915
Dividends - paid and proposed	8	<u>-</u>	<u>(2,500,000)</u>
Retained (Loss)/Profit for the Financial Year	17	<u>(2,052,068)</u>	<u>286,915</u>

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

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

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

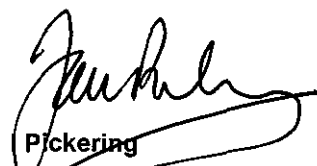
BALANCE SHEET at 31 July 2001

	Notes	2001 £	2000 £
Fixed Assets			
Tangible assets	9	15,982,254	17,293,148
Current Assets			
Stocks	10	19,732,536	13,043,271
Debtors	11	2,168,040	2,039,494
Cash at bank and in hand		304,509	2,511,241
		<u>22,205,085</u>	<u>17,594,006</u>
Creditors Amounts falling due within one year	12	<u>(31,059,681)</u>	<u>(26,059,126)</u>
Net Current Liabilities		<u>(8,854,596)</u>	<u>(8,465,120)</u>
Total assets less current liabilities		7,127,658	8,828,028
Creditors Amounts falling due after more than one year	13	(540,933)	(330,828)
Provisions for Liabilities and Charges	15	<u>(3,035,403)</u>	<u>(2,893,810)</u>
Net Assets		<u>3,551,322</u>	<u>5,603,390</u>
Capital and Reserves			
Called up share capital	16	1,200,000	1,200,000
Share premium account	17	2,412,671	2,412,671
Profit and loss account	17	<u>(61,349)</u>	<u>1,990,719</u>
Equity Shareholders' Funds	18	<u>3,551,322</u>	<u>5,603,390</u>

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

The financial statements on pages 7 to 18 were approved by the board of directors on 28 January 2002.

Signed on its behalf by


Pickering
 Director

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

Basis of accounting

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

The directors consider it appropriate to prepare the financial statements on a going concern basis, as if required the ultimate parent company, Manganese Bronze Holdings PLC, will provide financial support for at least twelve months from the date these financial statements are signed.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Manganese Bronze Holdings PLC which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

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%
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Research and development

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

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.

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.

Pension costs

The cost of the Company's defined benefit pension arrangements are charged to the profit and loss account so as to spread the expected long term cost of pensions over the remaining 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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 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.

3 ANALYSIS OF RESULTS

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

An analysis of turnover by destination is shown below:

	2001 £	2000 £
United Kingdom	76,766,204	96,819,207
Asia	1,375,633	267,864
Western Europe	269,640	234,696
Other	64,182	-
	<u>78,475,659</u>	<u>97,321,767</u>

4 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/ (crediting):

	2001 £	2000 £
Depreciation of tangible fixed assets – owned	3,326,441	3,118,710
– finance leases and hire purchase	26,089	-
Research and development	1,930,517	936,575
Auditors' remuneration – audit	44,600	42,622
Hire of plant and equipment	521,042	484,769
Operating lease rentals	1,073,290	1,191,883
Aggregate rentals receivable in respect of operating leases	<u>(172,000)</u>	<u>-</u>

5 FINANCE CHARGE - NET

	2001 £	2000 £
Net Group interest payable	187,349	11,485
Other interest payable	446,795	203,690
Net payable	<u>634,144</u>	<u>215,175</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 STAFF NUMBERS AND COSTS

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

	2001 Number	2000 Number
Management	16	18
Administration and sales	180	179
Production	329	348
	<u>525</u>	<u>545</u>

The aggregate remuneration of these employees was as follows:

	2001 £	2000 £
Wages and salaries	12,607,201	13,172,961
Social security costs	1,317,574	1,249,138
Other pension costs	528,884	441,416
Redundancy and severance payments	219,958	110,828
	<u>14,673,617</u>	<u>14,974,343</u>

The remuneration of the directors of the company was:

	2001 £	2000 £
Aggregate emoluments	266,993	79,643
Pension contributions	25,707	9,406
Compensation for loss of office	132,500	-
	<u>425,200</u>	<u>89,049</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAXATION

	2001 £	2000 £
UK Corporation Tax	(516,164)	1,123,968
Deferred taxation	(176,236)	171,000
Adjustments relating to prior years:		
UK Corporation tax	2,256	(210,855)
Deferred taxation	174,596	-
Total taxation (credit)/ charge	<u>(515,548)</u>	<u>1,084,113</u>

8 DIVIDENDS - PAID AND PROPOSED

	2001 £	2000 £
Final dividend £nil (2000: Interim dividend paid of 227.3p per Ordinary Share)	<u>-</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TANGIBLE FIXED ASSETS

	Plant and Machinery £
Cost	
At 1 August 2000	29,561,690
Additions	2,698,614
Disposals	(854,596)
Group transfer	(94,066)
At 31 July 2001	31,311,642
Depreciation	
At 1 August 2000	12,268,542
Charge for the year	3,352,530
Disposals	(269,503)
Group transfer	(22,181)
At 31 July 2001	15,329,388
Net book value at 31 July 2001	15,982,254
Net book value at 31 July 2000	17,293,148

The net book value of fixed assets held under finance leases or hire purchase is £764,527 (2000 £352,557). The gross amount of assets held for use in operating leases is £791,000 (2000 £353,000). The related accumulated depreciation charge is £26,089 (2000 £nil).

10 STOCKS

	2001 £	2000 £
Raw materials and consumables	3,109,222	3,527,416
Work in progress	1,305,280	1,361,073
Finished goods	15,318,034	8,154,782
	19,732,536	13,043,271

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEBTORS

	2001 £	2000 £
Trade debtors	1,174,217	1,266,249
Other debtors	602,281	399,961
Prepayments	391,542	373,284
	<u>2,168,040</u>	<u>2,039,494</u>

Note:

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

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Stocking loan	12,166,982	4,217,100
Obligations under hire purchase and finance leases	217,663	22,332
Trade creditors	9,068,317	11,322,742
Amounts owed to Group undertakings	6,265,275	6,537,771
Other taxes and social security	889,704	1,324,119
Corporation Tax	612,277	972,316
Other creditors	643,071	620,632
Accruals	1,196,392	1,042,114
	<u>31,059,681</u>	<u>26,059,126</u>

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

13 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Obligations under hire purchase and finance leases – due between two and five years	540,933	330,828
	<u>540,933</u>	<u>330,828</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 FINANCIAL COMMITMENTS

At 31 July 2001 the Company had annual commitments under operating leases that expire:

	2001 £	2000 £
Within one year	62,037	25,767
In more than one but no more than two years	697,306	485,265
In more than two but no more than five years	-	520,000
	<u>759,343</u>	<u>1,031,032</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £	Warranty Costs £	Total £
At 1 August 2000	1,195,388	1,698,422	2,893,810
Transfer (to)/ from profit and loss account	(1,640)	143,233	141,593
At 31 July 2001	<u>1,193,748</u>	<u>1,841,655</u>	<u>3,035,403</u>

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

	2001 £	2000 £
Accelerated capital allowances	<u>487,333</u>	<u>713,733</u>

16 CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted, called up and fully paid		
1,100,000 Ordinary shares of £1 each	1,100,000	1,100,000
100,000 Deferred shares of £1 each	100,000	100,000
	<u>1,200,000</u>	<u>1,200,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 RESERVES

	Share premium account £	Profit and loss account £
At 1 August 2000	2,412,671	1,990,719
(Loss) for the year	-	(2,052,068)
At 31 July 2001	2,412,671	(61,349)

18 SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds

	2001 £	2000 £
(Loss)/Profit for the financial year	(2,052,068)	2,786,915
Dividends – paid and proposed	-	(2,500,000)
Net (reduction)/addition to Shareholders' Funds	(2,052,068)	286,915
Opening Shareholders' Funds	5,603,390	5,316,475
Closing Shareholders' Funds	3,551,322	5,603,390

19 CAPITAL COMMITMENTS

	2001 £	2000 £
The following expenditure has been authorised at 31 July:		
Contracted, but not provided for	1,027,000	952,043

20 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 schemes is included in the financial statements of Manganese Bronze Holdings PLC.

21 CONTINGENT LIABILITY

The Company has given a guarantee to its bankers in respect of any amounts outstanding on the Group's borrowing facilities. At 31 July 2001 the relevant Group net borrowings amounted to £1m (2000 £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 PARENT UNDERTAKING

The ultimate parent undertaking of the largest and smallest group in which the company is consolidated is Manganese Bronze Holdings PLC, a company registered in England and Wales, whose financial statements may be obtained from the Company Secretary at 1 Love Lane, London, EC2V 7HJ.

As a subsidiary undertaking of Manganese Bronze Holdings PLC, the Company has taken advantage of the exemption in *FRS 8: Related Party Disclosures*, from disclosing transactions with other members of the Group.