

LTI LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

for the year ended 31 July 1994

Company number 382553



BINDER HAMLYN

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DIRECTORS

GRJ Borwick
GRW Gillespie
E Osmond
B Widdowson

SECRETARY

AL Scott

REGISTERED OFFICE

Holyhead Road
Coventry
West Midlands
CV5 8JJ

BANKERS

Midland Bank plc
London
EC2P 2BX

AUDITORS

Binder Hamlyn
20 Old Bailey
London
EC4M 7BH

FINANCIAL STATEMENTS

The directors present their annual report and the audited financial statements for the year ended 31 July 1994.

STATEMENT OF 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 as at the end of the financial year and the profit or loss 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The directors consider the results for the year to be satisfactory. As part of a group reorganisation the company had the net assets and trade of several group companies transferred to it on 1 February 1994. A list of these companies is in note 10.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5. The loss for the year of £1,382,380 (1993: £123,635) has been deducted from reserves.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY

The directors of the company who served during the year are as follows:

GRJ Borwick - appointed 13 May 1994
B Widdowson - (Managing Director)
GRW Gillespie - appointed 13 May 1994
E Osmond
BP Canning - resigned 13 May 1994
WM Edwards - resigned 13 May 1994
P Wildgoose - resigned 13 May 1994
BG Woodford - resigned 13 May 1994

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.

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

FIXED ASSETS

The movement on tangible fixed assets is set out in note 9 to the financial statements.

POST BALANCE SHEET EVENTS

On 16 September 1994, the company disposed of a trading division, LTI Homer, in return for the issue by the purchasing company of variable rate cumulative preference shares and loan stock.

The company which acquired the business of LTI Homer has subsequently been placed into receivership and the receivers have disposed of the business to another party. The loan stock has now been repaid in full to LTI Limited but the variable rate cumulative preference shares are now considered to be of no value. The potential unprovided loss to the company is estimated to be approximately £250,000.

EMPLOYEE PARTICIPATION

The company has continued its policy of providing its employee 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 for disabled persons and if existing employees become disabled every effort is made to find them appropriate work and training where it is needed.

DIRECTORS' REPORT
for the year ended 31 July 1994

ELECTIVE REGIME

The Companies Act 1985 introduced the elective regime in order to simplify the conduct of private companies. On 10 January 1994 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

26th September 1995

Director



BINDER HAMLYN

20 Old Bailey
London EC4M 7BH

AUDITORS' REPORT **to the members of LTI Limited**

We have audited the financial statements on pages 5 to 18 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of 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.

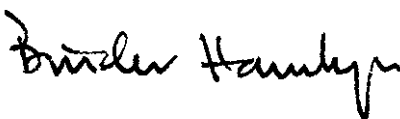
Basis of opinion

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 state of the company's affairs as at 31 July 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

29 September 1995

LTI LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 1994

	Notes	1994	1993 Restated
		£	£
TURNOVER			
Continuing operations		25,912,754	
Acquisitions		3,635,255	
		29,548,009	
Discontinued operation		5,480,165	
Total turnover	3	35,028,174	22,611,279
Cost of sales		(31,440,973)	(20,201,111)
Gross profit		3,587,201	2,410,168
Distribution costs		(1,179,096)	(1,182,213)
Administrative expenses		(3,454,183)	(1,285,247)
Other operating income		1,100,704	-
Operating profit			
Continuing operations		1,272,277	
Acquisitions		(709,184)	
		563,093	
Discontinued operations		(508,467)	
Total operating profit/(loss)	4	54,626	(57,292)
Exceptional item	6	(1,771,000)	-
		(1,716,374)	(57,292)
Dividend income		58,750	-
Interest receivable	7	2,675	-
Interest payable and similar charges	7	(99,484)	(35,803)
Loss on ordinary activities before taxation		(1,754,433)	(93,095)
Tax on loss on ordinary activities	8	372,053	(30,540)
Loss for the financial year	18	(1,382,380)	(123,635)

BALANCE SHEET
as at 31 July 1994

	Notes	1994	1993 Restated
		£	£
FIXED ASSETS			
Tangible assets		2,443,897	4,920,163
Investments	10	3,605,019	100
		6,048,916	4,920,263
CURRENT ASSETS			
Stocks	11	7,423,020	5,908,791
Debtors	12	13,954,817	5,721,569
Cash at bank and in hand		872,468	1,666
		22,250,305	11,632,026
CREDITORS: amounts falling due within one year	13	(18,870,383)	(11,872,901)
Net current assets/(liabilities)		3,379,922	(240,875)
Total assets less current liabilities		9,428,838	4,679,388
CREDITORS: amounts falling due after more than one year	14	(6,860,575)	(700,000)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(849,748)	(878,493)
Net assets		1,718,515	3,100,895
CAPITAL AND RESERVES			
Called up share capital	17	1,200,000	1,200,000
Share premium account	18	2,412,671	2,412,671
Revaluation reserve	18	-	983,052
Profit and loss account	18	(1,894,156)	(1,494,828)
SHAREHOLDERS' FUNDS	19	1,718,515	3,100,895
Attributable to equity shareholders		1,618,515	3,000,895
Attributable to non-equity shareholders		100,000	100,000
		1,718,515	3,100,895

The financial statements on pages 5 to 18 were approved by the Board on 26th September 1995

Director



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 1994

	1994	1993
	£	£
Loss for the financial year	(1,382,380)	(123,635)
Surplus on revaluation written back	-	76,164
Total recognised gains and losses relating to the year	(1,382,380)	(47,471)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 July 1994

	1994	1993
	£	£
Loss on ordinary activities before taxation	(1,754,433)	(93,095)
Differences between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	10,631	6,040
Historical cost profit on ordinary activities before taxation	(1,743,802)	(87,055)
Historical cost profit for the year retained after taxation, minority interests, extraordinary items and dividends	(1,393,011)	(117,595)

1 ACCOUNTING POLICIES

Consolidated financial statements

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Depreciation

No depreciation is provided on freehold land. All other fixed assets are depreciated over the estimated useful lives on a straight line basis at annual rates varying as follows:

Freehold property	As advised by members of the Royal Institution of Chartered Surveyors.
Plant and machinery	4% to 33⅓%

Research and development

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

Stocks

Stocks are valued consistently at the lower of cost and net realisable value on a first in, first out basis. Finished goods and work in progress are valued at cost of raw materials content and labour plus attributable overheads. Appropriate provisions are made for slow moving and obsolete items.

Operating leases

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

Deferred taxation

Provision is made, using the liability method, for taxation deferred by capital allowances on tangible fixed assets and by other timing differences, except to the extent that the directors consider that a liability will not arise in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES *continued***Warranties**

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

Pension costs

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Variations from regular cost arising from periodic actuarial valuations are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

Finance leases

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets and as an obligation to pay future rentals. Finance charges are allocated to accounting periods so as to approximate to a constant periodic rate of charge on the outstanding obligation.

2 RESTATEMENT OF COMPARATIVE FIGURES

The company has adopted the relevant provisions of Financial Reporting Standard 5 under which stocks of new taxis held by dealers are included in the balance sheet within finished goods, together with the related stocking loan finance disclosed within creditors. The comparative figures for 1993 have accordingly been restated. The effect on the comparative figures for 1993 is to reduce turnover by £214,361 and profit before taxation by £42,341. Finished stocks are increased by £2,804,360 and stocking loan finance by £3,161,797. The balance of profit attributable to this change of £315,096 has been charged against the reserves brought forward at 31 July 1992.

3 TURNOVER

	1994	1993
	£	£
Motor vehicles and parts:		
Sales to third parties	28,800,649	11,958,505
Sales to group companies	6,227,525	10,652,774
	35,028,174	22,611,279

NOTES TO THE FINANCIAL STATEMENTS

3	TURNOVER <i>continued</i>	1994 £	1993 £
	Geographical analysis:		
	United Kingdom	34,663,430	22,002,036
	Asia	204,043	31,980
	Western Europe	120,283	560,775
	Other	40,418	16,488
		35,028,174	22,611,279

Analysis of continuing and discontinuing operations:

	Continuing 1994 £	Discontinued 1994 £	Total 1994 £
Turnover	29,548,009	5,480,165	35,028,174
Cost of sales	26,167,179	5,273,794	31,440,973
Gross profit	3,380,830	206,371	3,587,201
Net operating expenses:			
Distribution costs	1,030,870	148,226	1,179,096
Administrative expenses	2,866,153	588,030	3,454,183
Other operating income	1,079,286	21,418	1,100,704
Operating profit/(loss)	563,093	(508,467)	54,626

The total figures for continuing operations in 1994 include the following amount relating to acquisitions: Cost of sales £3,202,629, gross profit £432,626 and net operating expenses £1,141,810.

The activities of the discontinued operations were transferred to the company from 1 August 1993. There were no amounts included in the prior year relating to the discontinued operation.

4	OPERATING LOSS is stated after charging:	1994 £	1993 £
	Auditors' remuneration	29,920	15,500
	Hire of plant and equipment	56,728	49,067
	Operating lease rentals	443,261	207,430
	Depreciation	657,364	564,985
	Research and development	573,913	425,936

NOTES TO THE FINANCIAL STATEMENTS

5 STAFF NUMBERS AND COSTS

(1) The average number of persons employed by the company during the year was as follows:

	1995 Number	1994 Number
Management	6	6
Administration and sales	136	74
Production	338	193
	480	273

(2) The aggregate remuneration of these persons was as follows:

	£	£
Wages and salaries	8,745,742	4,428,999
Social security costs	754,915	342,409
Redundancy and severance payments	43,175	34,139
Other pension costs	392,142	126,276
	9,935,974	4,931,823

(3) The emoluments of the directors of the company were:

Emoluments (including pension contributions and benefits in kind)	191,015	169,292
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Directors' emoluments disclosed above (excluding pension contributions) include amounts paid to:

Chairman	-	-
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Highest paid director	53,357	54,535
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Other directors' emoluments (excluding pension contributions) were in the following ranges:

	Number	Number
£0 - £5,000	2	2
£15,001 - £20,000	1	-
£25,001 - £30,000	1	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1

NOTES TO THE FINANCIAL STATEMENTS

6	EXCEPTIONAL ITEM	1994	1993
		£	£
	Provision for diminution in value of LTI Homer assets	1,771,000	-
<hr/>			
7	INTEREST RECEIVABLE AND PAYABLE		
	(1) Interest receivable		
	Other interest receivable	2,675	-
<hr/>			
	(2) Interest payable		
	To group undertakings (including bank interest)	43,137	-
	Finance leases	1,285	-
	Other interest payable	55,062	35,803
		99,484	35,803
<hr/>			
8	TAXATION		
	Based on loss for the year		
	UK Corporation tax at 33% (1993: 33%)	(145,776)	-
	Transfer (from)/to deferred tax	(274,210)	50,000
	Tax credits on franked investment income	11,750	-
	Adjustment in respect of prior years		
	UK Corporation tax	36,183	(19,460)
		(372,053)	30,540
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Of the 1994 tax credit above, £227,000 relates to exceptional items.

NOTES TO THE FINANCIAL STATEMENTS

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Lease improve- ments £	Plant and machinery £	Total £
Cost or valuation				
At 1 August 1993	2,566,028	-	5,314,981	7,881,009
Additions	7,235	260,000	511,986	779,221
Disposals	-	-	(303,888)	(303,888)
Group transfer	(2,573,263)	-	1,274,201	(1,299,062)
At 31 July 1994	-	260,000	6,797,280	7,057,280
Depreciation				
At 1 August 1993	-	-	2,960,846	2,960,846
Provision for the year	39,010	-	618,354	657,364
Disposals	-	-	(159,900)	(159,900)
Provision for permanent diminution in value	-	-	607,000	607,000
Group transfer	(39,010)	-	587,083	548,073
31 July 1994	-	-	4,613,383	4,613,383
Net book value				
At 31 July 1994	-	260,000	2,183,897	2,443,897
At 31 July 1993	2,566,028	-	2,354,135	4,920,163

The net book value of plant and machinery includes £167,815 (1993: £186,673) in respect of assets held under finance leases.

The amount of revalued freehold land and buildings as determined according to historical cost accounting rules is:

	1994 £	1993 £
Cost	-	2,184,521
Depreciation	-	(608,573)
Net book value	-	1,575,948

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENTS IN SUBSIDIARIES

	1994 £	1993 £
Shares in UK subsidiaries at cost	3,605,019	100

Name of company	Country of incorporation	Nature of business	Company holding (%)
LTI Carbodies Limited	England and Wales	Dormant	100
Acquisitions during the year:			
Capital Taxifone Limited	England and Wales	Dormant	100*
Cross Street Garage Limited	Scotland	Dormant	100*
Fairway Midlands Limited	England and Wales	Dormant	100*
Frontreturn Limited	England and Wales	Dormant	100*
London Taxis International Limited	England and Wales	Dormant	100
LTI Homer Limited	England and Wales	Dormant	100*
LTI Retail Limited	England and Wales	Dormant	100*
Mann & Overton Limited	England and Wales	Dormant	100*
Taxicraft (Sales) Limited	England and Wales	Dormant	100*

* indicates shares held indirectly via another wholly owned subsidiary.

With the exception of LTI Homer Limited, the assets and trade of all the above companies were transferred to the company at book value on 1 February 1994. The trade and net assets of LTI Homer Limited were transferred to the company on 1 August 1993.

11 STOCKS

	1994 £	1993 £
Raw materials and consumables	2,952,540	2,010,801
Work-in-progress	930,520	1,042,530
Finished goods (see note 2)	3,539,960	2,855,460
	7,423,020	5,908,791

NOTES TO THE FINANCIAL STATEMENTS

12 DEBTORS	1994 £	1993 £
Trade debtors	2,510,585	1,618,752
Amounts owed by group undertakings, less provision	9,979,534	3,678,064
Amount owed by associated undertaking	17,328	-
Other debtors	301,749	217,282
Group relief	572,411	-
Prepayments and accrued income	573,210	137,020
Corporation tax recoverable	-	70,451
	13,954,817	5,721,569

Amounts falling due after more than one year
and included in the debtors above are:

Amounts owed to group undertakings	2,378,077	3,630,000
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Included within prepayments and accrued income is a deferred tax asset of £272,166 (1993: £Nil) which relates to short term timing differences.

13 CREDITORS: amounts falling due within one year

Stocking facilities with finance houses (see note 2)	3,719,960	3,161,797
Unsecured loan stock (note 15)	331,000	-
Bank overdrafts	3,981,248	2,959,239
Obligations under finance leases	56,461	-
Trade creditors	6,914,588	4,830,672
Amounts owed to group undertakings	1,513,088	359,510
Other taxes and social security	414,476	190,264
Other creditors	1,391,233	188,116
Corporation tax	9,688	-
Accruals and deferred income	538,641	183,303
	18,870,383	11,872,901

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

14 CREDITORS: amounts falling due after more than one year

Unsecured loan stock owed to group undertaking (see note 15)	759,000	700,000
Amounts owed to group undertakings	6,101,575	-
	6,860,575	700,000

NOTES TO THE FINANCIAL STATEMENTS

15 UNSECURED LOAN STOCK	1994 £	1993 £
Amount owed to group company and repayable in four equal instalments between 1994 and 1997	700,000	700,000
Amount owed to group company and repayable in six-monthly instalments of £78,000 by 31 January 1996	390,000	-
	1,090,000	700,000

Each of the above loans are charged interest at 2% above Midland Bank Base Lending Rate.

Analysis of loan repayments:

Unsecured loan stock:

Within one year or on demand	331,000	-
Between one and two years	331,000	175,000
Between two and five years	428,000	525,000
	1,090,000	700,000

16 PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax £	Provision for future warranty costs £
1 August 1993	50,000	828,493
Intra group transfers	-	-
Transfer from/(to) profit and loss account	(50,000)	21,255
31 July 1994	-	849,748

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

	1994 £	1993 £
Accelerated capital allowances	88,203	172,856
Short term timing differences	(55,598)	(27,443)
	32,605	145,413

NOTES TO THE FINANCIAL STATEMENTS

17 CALLED UP SHARE CAPITAL	1994	1993
	£	£
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
	1,200,000	1,200,000

18 RESERVES	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1 August 1993			
- as previously reported	2,412,671	983,052	(1,137,391)
- prior year adjustment (note 2)	-	-	(357,437)
- as restated	2,412,671	983,052	(1,494,828)
Loss for the year	-	-	(1,382,380)
Transfer	-	(10,631)	10,631
Realisation on transfer of assets to fellow group company	-	(972,421)	972,421
At 31 July 1994	2,412,671	-	(1,894,156)

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1994	1993
	£	£
Loss for the financial year	(1,382,380)	(123,635)
Other recognised gains and losses relating to the year (net)	-	76,164
Net deduction from shareholders' funds	(1,382,380)	(47,471)
Opening shareholders' funds	3,100,895	3,148,366
Closing shareholders' funds	1,718,515	3,100,895

20 CAPITAL COMMITMENTS

The following expenditure has been authorised and contracted for	213,000	68,673
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21 FINANCIAL COMMITMENTS

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

	£
Within one year	305,637
In the second to fifth year	1,053,744
	<hr/> 1,359,381 <hr/>

Any potential liabilities arising from the revaluation of land and buildings are expected to be covered by available capital losses.

22 PENSION SCHEME

The company is a member of the Manganese Bronze Holdings PLC defined benefit group pension scheme. 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.

23 POST BALANCE SHEET EVENTS

On 16 September 1994, the company disposed of a trading division, LTI Homer, in return for the issue by the purchasing company of variable rate cumulative preference shares and loan stock.

The company which acquired the business of LTI Homer has subsequently been placed into receivership and the receivers have disposed of the business to another party. The loan stock has now been repaid in full to LTI Limited but the variable rate cumulative preference shares are now considered to be of no value. The potential unprovided loss to the company is estimated to be approximately £250,000.

24 ULTIMATE PARENT UNDERTAKING

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