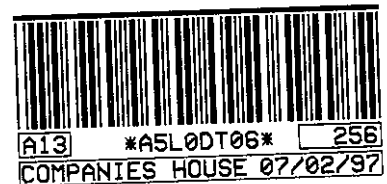


LTI LIMITED
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
for the year ended 31 July 1996

Company number 382553



BINDER HAMLYN

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DIRECTORS

GRJ Borwick
GRW Gillespie
E Osmond
AC Peake
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

DIRECTORS' REPORT
for the year ended 31 July 1996

FINANCIAL STATEMENTS

The directors present their annual report and the audited financial statements for the year ended 31 July 1996.

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

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

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 4.

Out of the profit for the year of £2,479,388 (1995: £933,120), the directors propose a dividend of £1,000,000 (1995 : £Nil). £1,479,388 has been transferred to reserves.

DIRECTORS' REPORT
for the year ended 31 July 1996**DIRECTORS**

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

GRJ Borwick - (Chairman)
B Widdowson - (Managing Director)
GRW Gillespie
E Osmond
AC Peake - (Appointed 7 December 1995)

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.

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.

As at 31 July 1996 the following directors held options to purchase shares in Manganese Bronze Holdings PLC:

	Number	Exercise Price	Date Granted
E Osmond	49,000	103.0p	7 January 1991
	21,000	87.5p	29 March 1993
A C Peake	3,000	87.5p	29 March 1993
	3,000	113.0p	6 November 1993

The options are exercisable between three and ten years of the date of grant. On 10 October 1996 Mr Osmond exercised options in respect of 49,000 shares at a exercise price of 103.0p per share. On 18 November 1996 Mr Peake exercised all of his options.

FIXED ASSETS

The movement on tangible fixed assets is set out in note 7 to the financial statements.

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 for disabled persons and if existing employees become disabled every effort is made to find them appropriate work and training where it is needed.

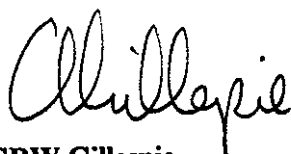
DIRECTORS' REPORT (continued)
for the year ended 31 July 1996

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

15th January 1997



GRW Gillespie
Director

BINDER HAMLYN

20 Old Bailey
London EC4M 7BH

AUDITORS' REPORT to the shareholders of LTI Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Chartered Accountants and Registered Auditors

4 February 1997

LTI LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 1996

	Notes	1996	1995
		£	£
TURNOVER			
Continuing operations		60,349,233	45,245,887
Discontinued operations		-	5,765,337
Total turnover	2	60,349,233	51,011,224
Cost of sales		(48,449,317)	(41,764,771)
Gross profit	2	11,899,916	9,246,453
Distribution costs		(1,901,054)	(1,749,097)
Administrative expenses		(6,782,391)	(5,051,811)
Operating profit			
Continuing operations		3,216,471	2,871,645
Discontinued operations		-	(426,100)
Total operating profit	2,3	3,216,471	2,445,545
Exceptional item - loss on disposal		-	(400,879)
		3,216,471	2,044,666
Interest payable	5	(183,487)	(132,771)
Profit on ordinary activities before taxation		3,032,984	1,911,895
Tax on profit on ordinary activities	6	(553,596)	(978,775)
Profit on ordinary activities after taxation		2,479,388	933,120
Dividends proposed		(1,000,000)	-
Retained profit for the financial year	16	1,479,388	933,120

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

LTI LIMITED

BALANCE SHEET
as at 31 July 1996

	Notes	1996	1995
		£	£
FIXED ASSETS			
Tangible assets	7	6,892,232	2,415,685
Investments	8	3,605,019	3,605,019
		10,497,251	6,020,704
CURRENT ASSETS			
Stocks	9	7,981,154	7,562,701
Debtors	10	11,600,898	11,341,910
Cash at bank and in hand		48,238	5,279,984
		19,630,290	24,184,595
CREDITORS: amounts falling due within one year	11	(24,835,313)	(25,454,153)
Net current liabilities		(5,205,023)	(1,269,558)
Total assets less current liabilities		5,292,228	4,751,146
CREDITORS: amounts falling due after more than one year	12	-	(777,500)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,161,205)	(1,322,011)
Net assets		4,131,023	2,651,635
CAPITAL AND RESERVES			
Called up share capital	15	1,200,000	1,200,000
Share premium account	16	2,412,671	2,412,671
Profit and loss account	16	518,352	(961,036)
SHAREHOLDERS' FUNDS	17	4,131,023	2,651,635
Attributable to equity shareholders		4,131,023	2,651,635
Attributable to non-equity shareholders		-	-
		4,131,023	2,651,635

The financial statements on pages 5 to 16 were approved by the Board on 15th January 1997

GRW Gillespie
Director

Gillespie

NOTES TO THE FINANCIAL STATEMENTS

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 and which prepares consolidated accounts.

Accounting convention

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

Depreciation

Fixed assets are depreciated over their estimated useful lives on a straight line basis at annual rates varying as follows:

Plant and machinery 4% to 33 1/3%

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 amortised 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 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.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES *continued* AcctPol2**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 financial period end, are still eligible for warranty repair under LTI Limited's conditions of sale.

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.

2 ANALYSIS OF RESULTS

	1996 £	1995 £
Analysis of turnover:		
Sales to third parties	60,349,233	50,989,213
Sales to group companies	-	22,011
	60,349,233	51,011,224

All turnover arises through sales of motor vehicles and parts.

Geographical analysis:

United Kingdom	58,366,711	50,667,970
Asia	742,308	169,519
Western Europe	995,820	173,735
Other	244,394	-
	60,349,233	51,011,224

NOTES TO THE FINANCIAL STATEMENTS

2 ANALYSIS OF RESULTS *continued*

Analysis of continuing and discontinued operations:

	1996	1995		
	Continuing	Continuing	Discontinued	Total
	£	£	£	£
Turnover	60,349,233	45,245,887	5,765,337	51,011,224
Cost of sales	(48,449,317)	(36,439,103)	(5,325,668)	(41,764,771)
Gross profit	11,899,916	8,806,784	439,669	9,246,453
Net operating expenses:				
Distribution costs	(1,901,054)	(1,553,279)	(195,818)	(1,749,097)
Administrative expenses	(6,782,391)	(4,381,860)	(669,951)	(5,051,811)
Operating profit/(loss)	3,216,471	2,871,645	(426,100)	2,445,545

3 OPERATING PROFIT

is stated after charging:

	1996	1995
	£	£
Auditors' remuneration	35,000	35,000
Hire of plant and equipment	113,141	49,814
Operating lease rentals	374,297	354,969
Depreciation	693,074	693,150
Research and development	1,495,504	909,592

4 STAFF NUMBERS AND COSTS

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

	Number	Number
Management	23	24
Administration and sales	142	145
Production	298	292
	463	461

NOTES TO THE FINANCIAL STATEMENTS

4 STAFF NUMBERS AND COST *continued*

	1996	1995
	£	£
(2) The aggregate remuneration of these persons was as follows:		
Wages and salaries	9,203,214	8,123,613
Social security costs	928,484	725,525
Redundancy and severance payments	23,500	11,722
Other pension costs	302,349	376,005
	10,457,547	9,236,865

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

Emoluments (including pension contributions and benefits in kind)	128,612	83,930
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Directors' emoluments disclosed above (excluding pension contributions) are as follows:

Chairman	-	-
Highest paid director	82,036	78,503

	1996 Number	1995 Number
£0 - £5,000	2	2
£30,001 - £35,000	1	-

The emoluments of directors who are also directors of Manganese Bronze Holdings PLC are disclosed in that company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5 INTEREST PAYABLE

	1996 £	1995 £
To group undertakings	15,093	27,600
Finance leases	-	2,389
Other interest payable	168,394	102,782
	183,487	132,771

6 TAXATION

Based on profit for the year		
UK Corporation tax at 33% (1995: 33%)	833,260	919,998
Deferred tax	49,500	108,900
Adjustments in respect of prior years		
UK Corporation tax	(329,164)	(50,123)
	553,596	978,775

Of the tax credit above, £Nil (1995: £40,000) relates to exceptional items.

NOTES TO THE FINANCIAL STATEMENTS

7 TANGIBLE FIXED ASSETS

	Lease improvements £	Plant and machinery £	Plant and Machinery under development £	Total £
Cost				
At 1 August 1995	382,191	5,674,202	375,000	6,431,393
Additions	73,820	890,324	4,242,391	5,206,535
Disposals	-	(465,839)	-	(465,839)
Group transfer	-	17,778	-	17,778
At 31 July 1996	456,011	6,116,465	4,617,391	11,189,867
Depreciation				
At 1 August 1995	52,500	3,963,208	-	4,015,708
Provision for the year	45,158	647,916	-	693,074
Disposals	-	(415,549)	-	(415,549)
Group transfer	-	4,402	-	4,402
31 July 1996	97,658	4,199,977	-	4,297,635
Net book value				
At 31 July 1996	358,353	1,916,488	4,617,391	6,892,232
At 31 July 1995	329,691	1,710,994	375,000	2,415,685

The net book value of plant and machinery includes £Nil (1995: £17,382) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

8 INVESTMENTS IN SUBSIDIARIES

	1996 £	1995 £
Shares in UK subsidiaries at cost	3,605,019	3,605,019

The principal subsidiary undertakings are listed below:

Name of Company	Country of registration	Nature of business	Company holding (%)
LTI Retail Limited	England and Wales	Dormant	100
LTI Carbodies Limited	England and Wales	Dormant	100
Cross Street Garage Limited	Scotland	Dormant	100*
Fairway Midlands Limited	England and Wales	Dormant	100*
London Taxis International Limited	England and Wales	Dormant	100
Mann & Overton Limited	England and Wales	Dormant	100*

* indicates shares held indirectly via another wholly owned subsidiary.

9 STOCKS

	1996 £	1995 £
Raw materials and consumables	2,349,317	2,507,894
Work-in-progress	1,251,364	1,074,885
Finished goods	4,380,473	3,979,922
	7,981,154	7,562,701

10 DEBTORS

Trade debtors	1,863,500	1,810,570
Amounts owed by group undertakings, less provision	9,196,336	8,965,217
Amount owed by associated undertaking	-	56,000
Other debtors	321,042	276,796
Prepayments and accrued income	220,020	233,327
	11,600,898	11,341,910

Included in other debtors is deferred tax of £Nil (1995 : £49,500) which is recoverable after more than one year.

NOTES TO THE FINANCIAL STATEMENTS

11	CREDITORS: amounts falling due within one year	1996 £	1995 £
	Stocking facilities with finance houses	3,646,923	3,656,482
	Unsecured loan stock (note 13)	78,000	156,500
	Bank overdrafts	-	3,593,705
	Obligations under finance leases	-	33,562
	Trade creditors	7,391,150	7,261,077
	Amounts owed to group undertakings	10,657,266	8,450,824
	Other taxes and social security	413,569	775,790
	Other creditors	400,866	234,761
	Corporation tax	934,675	568,844
	Accruals and deferred income	1,312,864	722,608
		24,835,313	25,454,153

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

Unsecured loan stock owed to group undertaking (see note 13)	-	777,500
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13 UNSECURED LOAN STOCK

Amount owed to group Company and payable in four equal instalments between 1996 and 1997	-	700,000
Amount owed to group Company and repayable in six-monthly instalments of £78,000 by 31 January 1997	78,000	234,000
	78,000	934,000

The above loan stock is charged interest at 2% above Midland Bank Base Lending Rate.

NOTES TO THE FINANCIAL STATEMENTS

14 PROVISION FOR LIABILITIES AND CHARGES

	Provision for future closure costs £	Provision for future warranty costs £	Total £
1 August 1995	201,753	1,120,258	1,322,011
Transfer (to)/from profit and loss account	(201,753)	40,947	(160,806)
31 July 1996	-	1,161,205	1,161,205

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

	1996 £	1995 £
Accelerated capital allowances	419,869	-
Short term timing differences	(171,822)	-
	248,047	-

15 CALLED UP SHARE CAPITAL

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

16 RESERVES

	Share premium account £	Profit and loss account £
At 1 August 1995	2,412,671	(961,036)
Profit for the year	-	1,479,388
At 31 July 1996	2,412,671	518,352

NOTES TO THE FINANCIAL STATEMENTS

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	2,479,388	933,120
Dividends	(1,000,000)	-
Net addition to shareholders' funds	1,479,388	933,120
Opening shareholders' funds	2,651,635	1,718,515
Closing shareholders' funds	4,131,023	2,651,635

18 CAPITAL COMMITMENTS

The following expenditure has been authorised at 31 July:

Contracted	5,470,578	10,000
Not contracted	878,071	48,970

19 FINANCIAL COMMITMENTS

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

	1996 £	1995 £
Within one year	22,415	12,020
In the second to fifth year	170,692	181,553
Over five years	390,832	390,832
	583,939	584,405

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

21 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 Company Secretary, 1 Love Lane, London, EC2V 7HJ.