

Manganese Bronze Services Limited

Financial statements for the year ended 31 July 2002
together with directors' and independent auditors' reports

Registered number: 1022107



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DIRECTORS AND ADVISERS

Directors

ED Chadwick

M Fryer

MIJ McRedmond

I Pickering

Secretary

T Waterhouse

Registered Office

1 Love Lane

London

EC2V 7HJ

Bankers

HSBC Bank PLC

Poultry & Princes Street

London

EC2P 2BX

Auditors

Deloitte and Touche

London

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 July 2002.

Directors' responsibilities

United Kingdom 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 at the end of the financial year and of the profit or loss of the Company for that period. In preparing the 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; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 activities of the Company continued to be that of providing services associated with the taxi market, including the making of arrangements for hire purchase and loan transactions undertaken by related companies. During the year the Company also invested in the development of an automated hailing system for the taxi market.

The directors regard the performance for the year as satisfactory and are confident of future profitability.

Results and dividends

The loss for the year after taxation amounted to £488,818 (2001: £1,138,353 profit). The directors do not propose a dividend for the year (2001: £900,000).

Directors and directors' interests

The following have served as directors of the Company during the year and subsequently:

ED Chadwick	(resigned 19 September 2002)
M Fryer	(appointed 2 January 2002)
MIJ McRedmond	
I Pickering	

DIRECTORS' REPORT (continued)

Directors and directors' interests (continued)

The directors of the Company held options over the shares of Manganese Bronze Holdings Plc as follows:

	Held at 1 August 2001 and 31 July 2002	Exercise Price (pence)	Date from which first exercisable	Expiry date
ED Chadwick	3,000	360.5	11 October 1996	10 October 2006
	5,000	229.0	23 September 1999	23 September 2009
MIJ Mc Redmond	25,000	229.0	23 September 1999	23 September 2009

The market price of the Company's shares at 31 July 2002 was 86p and the range during the year ended 31 July 2002 was 60.5p to 151p.

I Pickering and M Fryer are also directors of Manganese Bronze Holdings PLC and their interests are disclosed in the report and financial statements of that Company.

No other directors had any notifiable interest in the share capital of the Company or any of the subsidiaries of its ultimate parent Company.

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.

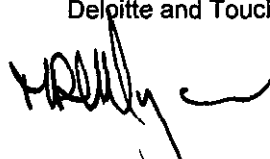
Donations

The Company made no donations for charitable purposes during the year ended 31 July 2002 (2001: £nil). No political donations were made during the year (2001: £nil).

Elective regime

The Companies Act 1989 introduced into the Companies Act 1985 the elective regime in order to simplify the conduct of private companies. On 6 May 1994 the Company passed elective resolutions to dispense with:

1. The holding of annual general meetings;
2. The laying of financial statements and reports before the Company in general meetings; and
3. The appointment of auditors annually. The auditors have changed during the year from Arthur Andersen to Deloitte and Touche.



By order of the Board

M Fryer Director¹

17 December 2002

¹ Signed on behalf of the Company Secretary pursuant to Companies Act 1985 section 283(3)

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT to the Members of Manganese Bronze Services Limited

We have audited the financial statements of Manganese Bronze Services Limited for the year ended 31 July 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

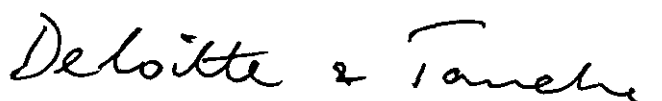
Basis of opinion

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 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte and Touche

London

Chartered Accountants and Registered Auditors

17 December 2002

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2002

	Notes	2002 £	2001 £
Turnover		2,509,312	2,504,127
Cost of sales		(6,669)	(210,945)
Gross Profit		2,502,643	2,293,182
Administrative expenses		(3,290,863)	(736,004)
Operating (Loss)/Profit	2	(788,220)	1,557,178
Finance charges – net	3	54,173	93,933
(Loss)/Profit on Ordinary Activities before Taxation		(734,047)	1,651,111
Tax on (loss)/profit on ordinary activities	5	245,229	(512,758)
(Loss)/Profit for Financial Year after Taxation		(488,818)	1,138,353
Dividends – paid	6	-	(900,000)
Transfer (from)/to Reserves	12	(488,818)	238,353

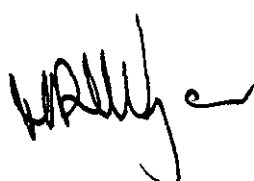
All of the Company's results are derived from continuing operations.

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

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

BALANCE SHEET at 31 July 2002

	Notes	2002 £	2001 £
Fixed Assets			
Tangible assets	7	1,458,598	25,814
Current Assets			
Debtors	8	1,245,648	242,727
Cash at bank and in hand		3,150,196	2,409,711
		<u>4,395,844</u>	<u>2,652,438</u>
Creditors Amounts falling due within one year	9	<u>(4,992,965)</u>	<u>(1,555,400)</u>
Net Current (Liabilities)/Assets		<u>(597,121)</u>	<u>1,097,038</u>
Total Assets less Current (Liabilities)/Assets		861,477	1,122,852
Provisions for Liabilities and Charges	10	<u>(227,443)</u>	<u>-</u>
Net Assets		<u>634,034</u>	<u>1,122,852</u>
Capital and Reserves			
Called up share capital	11	268,218	268,218
Profit and loss account	12	365,816	854,634
Shareholders' Funds	13	<u>634,034</u>	<u>1,122,852</u>
Analysis of Shareholders' Funds			
Equity interests		634,028	1,122,846
Non equity interests		<u>6</u>	<u>6</u>
		<u>634,034</u>	<u>1,122,852</u>



Approved by the Board
M Fryer Director
 17 December 2002

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002

1 ACCOUNTING POLICIES

Basis of accounting

- (i) The financial statements are prepared under the historical cost convention.
- (ii) The financial statements have been prepared in accordance with applicable accounting standards.
- (iii) The Company has taken advantage of the exemption from preparing a cash flow statement 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.
- (iv) 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.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated on a straight line basis at rates calculated to write down the cost to residual value over the estimated useful life of the asset. The estimated useful lives are:

- (i) Plant and equipment - 4 years.

No depreciation has been charged on certain equipment acquired during the year but not in use at the year end.

Taxation

Current tax, including UK corporation and foreign 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. FRS19 (Deferred Tax) is effective for the current financial year. Deferred tax is the tax attributable to timing differences arising from the inclusion of gains and losses in one period for tax purposes and another for financial accounting. The major timing difference arises on fixed assets, with tax deductible capital allowances exceeding depreciation on a year-on-year basis due to an ongoing programme of capital investment. In previous years provision for deferred tax was only made to the extent that these timing differences were likely to reverse. FRS19 now requires full provision to be made on such items.

Research and development

Revenue expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects.

Pensions

The cost of the Group's defined benefit pension arrangements has been 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.

Turnover

Turnover is derived in the United Kingdom from the provision of financial services and is net of value added tax.

Finance contracts

Finance leases and hire purchase contracts (together "finance contracts") 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred.

2 OPERATING (LOSS)/PROFIT

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

	2002 £	2001 £
Auditors' remuneration – audit	16,000	5,000
– other	-	3,950
Research and development	2,411,118	299,278
Directors' remuneration (note 4)	182,388	175,670
Depreciation of tangible fixed assets – owned	19,945	13,312
Operating lease rentals	36,465	-

3 FINANCE CHARGES – NET

	2002 £	2001 £
Net Group interest receivable	95,362	93,933
Other interest receivable	14,579	-
Payable on Bank overdraft and loans	(55,768)	-
Net Receivable	54,173	93,933

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

4 STAFF NUMBERS AND COSTS

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

	2002 Number	2001 Number
Management	7	2
Administration and sales	20	7
	<u>27</u>	<u>9</u>

The aggregate remuneration of these employees was as follows:

	2002 £	2001 £
Wages and salaries	1,279,596	349,715
Social security costs	95,346	39,004
Pension costs	57,691	21,093
	<u>1,432,633</u>	<u>409,812</u>

The directors' remuneration was as follows:

	2002 £	2001 £
Aggregate remuneration	165,742	160,415
Pension contributions to money purchase scheme	16,646	15,255
	<u>182,388</u>	<u>175,670</u>

The emoluments of I Pickering and M Fryer, who were also directors of Manganese Bronze Holdings PLC for all or part of the year, are disclosed in that Company's financial statements. The above mentioned pension contributions were paid into a money purchase scheme in respect of ED Chadwick and MIJ Redmond.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

5 TAX (CREDIT)/CHARGE ON LOSS/PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge which is based on the (loss)/profit for the year comprises:

	2002 £	2001 £
UK Corporation Tax	(454,787)	513,060
Adjustments relating to prior years – current taxation	(17,885)	(302)
	<u>(472,672)</u>	<u>512,758</u>
Deferred tax	236,986	-
Adjustments relating to prior years – deferred taxation	(9,543)	-
	<u>(245,229)</u>	<u>512,758</u>
Total taxation (credit)/ charge		

Tax reconciliation:

	2002 £	2001 £
(Loss)/Profit on ordinary activities before taxation	<u>(734,047)</u>	<u>1,651,111</u>
Corporation tax thereon at 30%	(220,214)	495,333
Sundry disallowed expenses	2,413	19,379
Timing differences	(236,986)	(1,652)
Adjustments to prior years	(17,885)	(302)
	<u>(472,672)</u>	<u>512,758</u>
Total taxation (credit)/charge		

6 DIVIDENDS - PAID

	2002 £	2001 £
Equity – Ordinary Shares of £1 each		
Interim dividend – £nil (2001: 335.6p)	<u>-</u>	<u>900,000</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

7 TANGIBLE FIXED ASSETS

	Furniture Fittings and Equipment £
Cost:	
1 August 2001	166,574
Additions	1,452,729
31 July 2002	1,619,303
Depreciation:	
1 August 2001	140,760
Charge for the year	19,945
31 July 2002	160,705
Net book value at 31 July 2002	1,458,598
Net book value at 31 July 2001	25,814

The net book value of fixed assets held under finance leases or hire purchase is £223,566 (2001: £nil). The related accumulated depreciation charge is £nil (2001: £nil).

8 DEBTORS

	2002 £	2001 £
Other debtors	242,492	217,749
Prepayments	93,645	15,761
Amounts owed by Group undertakings	909,511	9,217
	1,245,648	242,727

Note:

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Short term loan	3,000,000	-
Finance contracts	135,637	-
Trade creditors	524,831	5,770
Amounts owed to Group undertakings	737,995	740,791
Corporation Tax	350,212	800,339
Other creditors	21,181	-
Accruals	223,109	8,500
	<u>4,992,965</u>	<u>1,555,400</u>

The short term loan is secured on freehold properties, within the group.

10 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax
At 1 August 2001	-
Transfer from profit and loss account	<u>227,443</u>
At 31 July 2002	<u>227,443</u>

The elements of deferred taxation are as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>227,443</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

11 CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised Share Capital:		
300,000 Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Called up, allotted and fully paid:		
10% participating non-cumulative preference shares of £1 each	6	6
268,212 Ordinary shares of £1 each	<u>268,212</u>	<u>268,212</u>
Total called up share capital as at 31 July 2002	<u>268,218</u>	<u>268,218</u>

The 10% participating non-cumulative preference shares of £1 each entitle the holder to receive a non-cumulative preferential dividend in priority to any payment of non-preferential dividend at the rate of 10% on the paid up capital and the right to a return of paid up capital on either a winding up or a repayment of capital. The Preference Shares carry no redemption rights and do not entitle the holders to any further or other participation in the profits or assets of Manganese Bronze Services Limited.

12 RESERVES

	Profit and loss account £
At 1 August 2001	854,634
Transfer to profit and loss account	<u>(488,818)</u>
At 31 July 2002	<u>365,816</u>

13 SHAREHOLDERS' FUNDS

Reconciliation of Movements in Shareholders' Funds

	2002 £	2001 £
(Loss)/Profit for the financial year	(488,818)	1,138,353
Dividends – paid	<u>-</u>	<u>(900,000)</u>
Net (Reduction)/Addition to Shareholders' Funds	(488,818)	238,353
Opening Shareholders' Funds	<u>1,122,852</u>	<u>884,499</u>
Closing Shareholders' funds	<u>634,034</u>	<u>1,122,852</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

14 CAPITAL COMMITMENTS

	2002 £	2001 £
The following expenditure has been authorised and contracted at 31 July:	<u>173,454</u>	<u>-</u>

15 FINANCIAL COMMITMENTS

At 31 July 2002 the Company had annual commitments under non-cancellable operating leases that expire:

	2002 £	2001 £
Within one year	<u>4,026</u>	<u>-</u>

16 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.

It is not possible to separately identify Manganese Bronze Services Limited share of the underlying assets and liabilities of the scheme. As at 31 July 2002 the scheme was showing a net deficit of £9,248,000. This has no impact on Manganese Bronze Services Limited. Accordingly the Company accounts for the pension scheme as a defined contributions scheme.

17 CONTINGENT LIABILITIES

The Company has given a guarantee to its bankers in respect of any amounts outstanding on the Group's borrowing facilities. At 31 July 2002 the relevant Group net borrowings amounted to £3.0m (2001: £1.0m).

18 RELATED PARTY TRANSACTIONS

As a wholly owned 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.

Company employees comprise three of the seven directors of London Taxi Finance Ltd (LTF), a wholly owned subsidiary of Lloyds TSB Group Plc.

The Company is paid management charges and fees associated with the day-to-day administration of LTF and the introduction of new business. Total fees earned in the year were £2.5m (2001: £2.5m) prior to deduction of Company costs. A total of £215,000 (2001: £217,000) was outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2002 (continued)

19 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 incorporated in Great Britain and registered in England and Wales, whose financial statements may be obtained from the Company Secretary at 1 Love Lane, London, EC2V 7HJ.