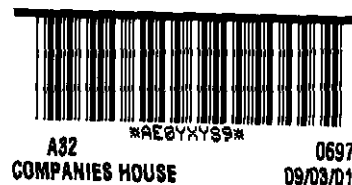


Lister-Petter Group Limited

Report and Accounts

31 December 1999

Registered Number - 3162838



Lister-Petter Group Limited

Registered No. 3162838

DIRECTORS

B P Dean
L T Sargent
M A Brand

SECRETARY

L T Sargent

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS

The Bank of Scotland
Broad Street House
55 Old Broad Street
London
EC2P 2HL

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

REGISTERED OFFICE

Long Street
Dursley
Gloucestershire
GL11 4HS

 ERNST & YOUNG

Lister-Petter Group Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £14,945,000 (1998 - loss of £19,048,000). The directors do not recommend an ordinary dividend.

PRINCIPAL ACTIVITIES

The company is a holding company whose purpose is to control and develop businesses engaged in the manufacture and distribution of diesel engines and the supply of specialised information technology services.

SIGNIFICANT EVENT

On 16 December 1999, the company entered into agreements with its shareholders, bankers and Invensys (formerly BTR plc) whereby additional loans were made available, the repayment terms of bank debt were extended and the loan notes plus the interest accrued thereon converted to equity. Subsequently, on 30 November 2000 the company disposed of its freehold land and buildings and used the proceeds to reduce the bank debt. On 1 December 2000 the holders of the ordinary and preference shares sold their share holdings to two international banks who also acquired all remaining outstanding debt and are making new funds available to the group. At the same time Lister-Petter Limited announced its intention to close the machine shop and foundry in 2001 triggering a write down of asset values in those areas of the business.

REVIEW OF THE BUSINESS

A downturn in the markets served by the Group's diesel engine business at the end of 1998, together with disruption arising from changes to shopfloor working practices and the implementation of a new Y2K compliant IT system resulted in a reduced turnover in 1999. However, the Group increased its investment in the development of a new range of diesel engines and the costs amounting to £2.5m were expensed in the year. The first of the new engines will be introduced in 2001.

The computer software business experienced another year of growth and performance was underpinned by Y2K related demand.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Ms B P Dean

Mr L T Sargent

Mr G L Wrigley (resigned 30 November 2000)

Mr M A Brand

Mr P M Wright (resigned 1 December 2000)

Mr R K Winckles (appointed 1 October 1999 and resigned 1 December 2000)

The interests of the directors in the shares of the company at 31 December 1999 and at 31 December 1998 are as follows:

At 31 December 1999 At 31 December 1998

	Deferred Ordinary shares of 1p	New 'A' Ordinary shares of 1p	'B' Ordinary shares of 1p	Cumulative Preference shares of 1p
Mr P M Wright (Trustees of the Phillip Wright Family Settlement)	23,529	403,478	23,529	500,000
Mr M A Brand	11,765	201,739	11,765	250,000

Lister-Petter Group Limited

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

GENERAL INFORMATION

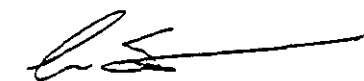
Information concerning employees and their remuneration is given in note 6. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures and departmental channels, employees are kept informed about Group affairs.

It is the Group's policy to encourage the employment, training and career development of disabled persons. If employees become disabled every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the Group pursues a policy, which seeks to achieve, as far as practically possible, secure working environments and training standards at all operating locations.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during 2001. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.
By order of the Board



Secretary

Date

27/2/01

Lister-Petter Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Lister-Petter Group Limited

We have audited the accounts on pages 7 to 30, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 13 to 15.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

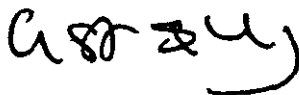
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

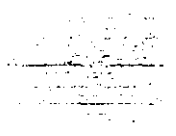
Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Bristol

Date 27 February 2001



Lister-Petter Group Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
TURNOVER			
Continuing operations	3	80,278	94,297
Operating costs less other operating income	4	(89,228)	(92,488)
Operating (loss)/profit - continuing operations	5	(8,950)	1,809
Income from interests in associated undertakings		-	53
		(8,950)	1,862
Continuing operations:			
Diminution in value of goodwill		-	(15,731)
Profit on disposal of tangible fixed assets		-	3
(Loss)/profit on disposal of associated undertaking	7	(146)	870
Write off holding of own shares		(104)	-
Redundancy and reorganisation costs		(1,051)	(1,192)
Discontinued operations:			
Loss on sale of operations		-	(396)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(10,251)	(14,584)
Bank interest receivable		69	883
Interest payable and similar charges	8	(4,783)	(5,323)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(14,965)	(19,024)
Tax credit/(charge) on loss on ordinary activities	9	20	(24)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(14,945)	(19,048)
DIVIDENDS			
Preference dividend on non-equity shares	10	-	(1,392)
RETAINED LOSS FOR THE YEAR	24	(14,945)	(20,440)

Lister-Petter Group Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1999

	1999 £000	1998 £000
Loss for the financial year excluding share of profits of associated undertakings	(14,945)	(3,370)
Share of associate's profit for the year	-	53
Diminution in value of goodwill	-	(15,731)
Loss for the financial year attributable to members of the parent company	(14,945)	(19,048)
Preference dividend written back	2,784	-
Exchange adjustments on translation of net assets of subsidiary undertakings	-	(90)
TOTAL RECOGNISED GAINS AND LOSSES RELATION TO THE YEAR	(12,161)	(19,138)

RECONCILIATION OF SHAREHOLDERS' FUNDS For the year ended 31 December 1999

Total recognised gains and losses	(12,161)	(19,138)
Dividends	-	(1,392)
	(12,161)	(20,530)
OTHER MOVEMENTS:		
New shares issued	5,006	-
Premium arising on shares issued	19,154	-
NET ADDITION TO/(DEDUCTION FROM) SHAREHOLDERS' FUNDS	11,999	(20,530)
Shareholders' funds at 1 January	(8,207)	12,323
Shareholders' funds at 31 December	3,792	(8,207)

Lister-Petter Group Limited

GROUP BALANCE SHEET at 31 December 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Intangible assets	12	20	-
Tangible assets	13	21,194	26,172
Investments	14	-	534
		<u>21,214</u>	<u>26,706</u>
CURRENT ASSETS			
Stocks	15	12,671	11,734
Debtors	16	15,394	20,123
Cash at bank and in hand		3,779	5,647
		<u>31,844</u>	<u>37,504</u>
CREDITORS: amounts falling due within one year	18	(22,391)	(31,386)
		<u>9,453</u>	<u>6,118</u>
NET CURRENT ASSETS			
		<u>30,667</u>	<u>32,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	19	(25,994)	(36,544)
PROVISION FOR LIABILITIES AND CHARGES	22	(881)	(4,487)
		<u>3,792</u>	<u>(8,207)</u>
CAPITAL AND RESERVES			
Called up share capital	23	5,153	147
Share premium account	24	33,521	14,367
Profit and loss account	24	(34,882)	(22,721)
Shareholders' funds:			
Equity		(1,208)	(8,346)
Non-equity		5,000	139
		<u>3,792</u>	<u>(8,207)</u>

Bob Dean

- Director

[Signature]

Date 27/2/01

Lister-Petter Group Limited

BALANCE SHEET at 31 December 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	13	10,738	10,892
Investments	14	9,538	11,178
		<u>20,276</u>	<u>22,070</u>
CURRENT ASSETS			
Debtors	16	38,958	36,445
		<u>38,958</u>	<u>36,445</u>
CREDITORS: amounts falling due within one year	18	(2,520)	(10,942)
NET CURRENT ASSETS		<u>36,438</u>	<u>25,503</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>56,714</u>	<u>47,573</u>
CREDITORS: amounts falling due after more than one year	19	(25,833)	(36,234)
PROVISION FOR LIABILITIES AND CHARGES	22	-	(3,000)
		<u>30,881</u>	<u>8,339</u>
CAPITAL AND RESERVES			
Called up share capital	23	5,153	147
Share premium account	24	33,521	14,367
Profit and loss account	24	(7,793)	(6,175)
Shareholders' Funds:			
Equity		<u>25,881</u>	<u>8,200</u>
Non-equity		<u>5,000</u>	<u>139</u>
		<u>30,881</u>	<u>8,339</u>

Bob Dean

[Signature] - Director

Date 27/2/01

Lister-Petter Group Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5a	1,787	10,933
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		-	883
Interest paid		(3,888)	(3,622)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(3,888)	(2,739)
TAXATION			
Corporation tax recovered/(paid) (including advance corporation tax)		28	(273)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(3,349)	(2,876)
Payments to acquire intangible fixed assets		(30)	-
Receipts from sales of tangible fixed assets		454	482
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,925)	(2,394)
ACQUISITIONS AND DISPOSALS			
Sale of subsidiary undertaking		-	654
Net cash transferred with subsidiary undertaking		-	(426)
Sale of associated undertaking		430	340
		430	568
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(4,568)	6,095
FINANCING			
New long term loans	20	3,985	-
Repayment of long-term loans	20	-	(4,143)
Repayment of capital element of finance leases		(158)	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		3,827	(4,143)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	17	(741)	1,952

Lister-Petter Group Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1999

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		1999 £'000	1998 £'000
(Decrease)/Increase in cash in the period	17	(741)	1,952
Cash inflow from increase in loans		(3,985)	-
Repayment of long term loans		-	4,143
Repayment of capital element of finance leases		158	-
Change in net debt resulting from cash flows		(4,568)	6,095
Exchange adjustments		285	117
Finance leases		-	(751)
Loans and costs converted to share capital		21,692	-
Other loans		-	(1,476)
Movement in net debt in the period		17,409	3,985
Net debt at 1 January		(42,519)	(46,504)
Net debt at 31 December	25	(25,110)	(42,519)

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

1. FUNDAMENTAL ACCOUNTING CONCEPT

These accounts have been prepared under the going concern basis as the new bankers and investors (see note 27) have agreed to provide support to the group to allow it and each of its subsidiaries to meet their liabilities as they fall due, over a period of at least twelve months from the date of the approval of these accounts.

2. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Lister-Petter Group Limited and all its subsidiary undertakings drawn up to 31 December 1999. No profit and loss account is presented for Lister-Petter Group Limited as permitted by section 230 of the Companies Act 1985.

The acquired companies have been included in the group accounts using the acquisition and equity methods of accounting. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost and amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill arising on consolidation is amortised through the profit and loss account over the directors' estimate of its useful life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. During December 1999 the directors considered that the impairment was such that all goodwill arising on consolidation be written off.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken in to account in determining the profit or loss on sale or closure.

Depreciation

Freehold land is not depreciated. Otherwise, depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	2%
Plant and machinery	-	7.5 - 33.33%

Service and support contracts

Income received under service and support contracts is credited to the profit and loss account over the period in which it is earned. Costs incurred under the service and support contracts are charged to the profit and loss account in the period in which they are incurred.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

2. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	• -	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is expensed as incurred.

Leased Assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees and warranties are charged against profits when products have been invoiced.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

2. ACCOUNTING POLICIES (continued)

Pensions

The group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

3. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The group operates in two principal areas of activity, that of manufacturing and the development of computer software. It also operates within several geographical markets.

Group turnover is analysed as follows:

Area of Activity	Manufacturing £000	Computer Software Development £000	Total £000
TURNOVER			
By segment	59,127	21,151	80,278
OPERATING (LOSS)/PROFIT			
By segment	(10,342)	1,392	(8,950)
		<i>Continuing operations</i>	
		1999 £000	1998 £000
By geographical market			
UK		41,176	36,960
Rest of Europe		11,815	15,900
Rest of World		27,287	41,437
		80,278	94,297
		1999 £000	1998 £000
Net Assets/(Liabilities) - By Geographical area			
UK		(3,295)	(15,884)
Rest of Europe		251	311
Rest of World		6,836	7,366
		3,792	(8,207)

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

4. COST OF SALES AND OPERATING EXPENSES

	1999	1998
	£000	£000
Change in stocks of finished goods and work in progress	399	1,149
Raw materials and consumables	40,494	46,864
Other external charges	19,274	19,358
Staff costs (note 6)	21,178	21,935
Depreciation and amortisation	2,883	3,182
Impairment of tangible fixed assets	5,000	-
	<u>89,228</u>	<u>92,488</u>

5. OPERATING (LOSS)/PROFIT

(a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	1999	1998
	£000	£000
Operating (loss)/profit	(8,950)	1,809
Depreciation and amortisation	2,883	3,182
Impairment of tangible fixed assets	5,000	-
Provision for maintenance warranties utilised	(206)	(1,822)
Decrease in debtors	4,729	3,188
(Increase)/Decrease in stocks	(937)	1,873
(Decrease) in creditors	(446)	(228)
Increase in provision for maintenance warranties	360	1,794
Provision for redundancy costs utilised	(1,594)	(1,251)
Increase in provision for redundancy costs	844	2,236
Diminution in value of investments	104	152
Net cash inflow from operating activities	<u>1,787</u>	<u>10,933</u>

(b) Operating (loss)/profit is stated after charging:

	1999	1998
	£000	£000
Auditors' remuneration		
Ernst & Young - audit services	60	55
- non-audit services	97	45

£5,500 of audit services relates to the company.

Research and development expenditure written off	2,466	1,651
Depreciation of assets held under finance lease	296	21
Depreciation of owned assets	2,577	3,161
Impairment of tangible fixed assets	5,000	-
Provision for maintenance warranties	360	28
Operating lease rentals - plant and machinery	317	361
- other	13	-
	<u></u>	<u></u>

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

6. STAFF COSTS

	1999 £000	1998 £000
Wages and salaries	17,800	18,887
Social security costs	1,643	1,572
Other pension costs	1,215	1,265
Other employee costs	519	211
	<u>21,177</u>	<u>21,935</u>

The average weekly number of employees during the year was made up as follows:

	1999 No.	1998 No.
Selling and distribution	148	170
Manufacturing	466	560
Research and development	92	46
Administration	86	149
	<u>792</u>	<u>925</u>

Directors Emoluments:

	1999 £	1998 £
Emoluments	<u>414,385</u>	<u>270,672</u>

Mr G L Wrigley and Mr R K Winckles were non-executive directors. Payment in respect of G L Wrigley's services was made to Schroder Ventures. Mr P M Wright was also a non-executive director and remuneration in respect of his services was paid to Fern House Limited.

The amounts in respect of the highest paid director are as follows:

	1999 £	1998 £
Emoluments	<u>165,454</u>	<u>149,491</u>
Company contributions paid to defined benefit pension schemes	<u>12,895</u>	<u>24,036</u>
Accrued pension benefit	<u>3,939</u>	<u>2,690</u>

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

7. LOSS ON DISPOSAL OF ASSOCIATED UNDERTAKING

	1999 £000
Net proceeds	450
Deduct: Net assets at date of disposal	430
	<u>20</u>
Deduct: Goodwill not previously amortised in the profit and loss account	(166)
Loss on disposal	<u>(146)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 £000
Bank loans and overdrafts, and other loans wholly repayable within five years:		
Senior debt	2,807	2,284
Other	768	1,563
Loans not wholly repayable within five years:		
Loan note	-	1,200
Amortisation of issue costs	1,208	276
	<u>4,783</u>	<u>5,323</u>

9. TAX ON LOSS ON ORDINARY ACTIVITIES

The taxation (receivable)/charge is made up as follows:

	1999 £000	1998 £000
Based on the loss for the year:		
Corporation tax	-	414
Relief for overseas taxation	-	(414)
Adjustment in respect of prior years	17	-
Overseas taxation	(37)	6
	<u>(20)</u>	<u>6</u>
Associated undertakings	-	18
	<u>(20)</u>	<u>24</u>

10. DIVIDENDS

	1999 £000	1998 £000
Non-equity dividends on preference shares:	-	1,392

As part of the capital reorganisation in December 1999 the unpaid preference share dividends previously accrued of £2,784,000 were written back to reserves.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

11. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £4,402,000.

In accordance with the exemption allowed by section 230 of the Companies Act 1985, the company has not presented its own profit and loss account.

12. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Intellectual Property rights £000</i>
Cost:	
At 1 January 1999	-
Additions	30
At 31 December 1999	30
Amortisation:	
At 1 January 1999	-
Provided in year	10
At 31 December 1999	10
Net book value:	
At 31 December 1999	20
At 1 January 1999	-

The intellectual property rights are held by Cotec Computing Services.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

13. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:			
At 1 January 1999	12,091	15,215	27,306
Exchange adjustments	301	22	323
Additions	-	3,349	3,349
Disposals	-	(3,672)	(3,672)
At 31 December 1999	12,392	14,914	27,306
Depreciation:			
At 1 January 1999	468	666	1,134
Exchange adjustments	249	-	249
Provided during the year	195	2,678	2,873
Impairment in value	-	5,000	5,000
Disposals	-	(3,144)	(3,144)
At 31 December 1999	912	5,200	6,112
Net book value:			
At 31 December 1999	11,480	9,714	21,194
Net book value:			
At 1 January 1999	11,623	14,549	26,172

Included within plant and machinery are assets held under finance lease with a net book value of £633,000

Company

	<i>Freehold land & buildings £'000</i>
Cost:	
At 1 January 1999 and 31 December 1999	10,995
Depreciation:	
At 1 January 1999	103
Provided during the year	154
At 31 December 1999	257
Net Book Value:	
At 31 December 1999	10,738
At 1 January 1999	10,892

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

14. INVESTMENTS

Group

	1999 £000	1998 £000
Associated undertakings (a)	-	430
Own shares (b)	-	104
	-	534

(a) Associated Undertakings

	Share of net tangible assets 1999 £000	Share of net tangible assets 1998 £000
At 1 January	430	1,663
Exchange adjustments	-	(145)
Share of profit retained by associated undertakings	-	34
Dividends received from associated undertakings	-	(25)
Disposal in year	(430)	(945)
Diminution in value	-	(152)
At 31 December	-	430

(b) Own shares

	1999 £000	1998 £000
At 1 January 1999	104	104
Provision for diminution in value	(104)	-
At 31 December 1999	-	104

Company

Cost:	£000
At 1 January 1999 and at 31 December 1999	29,178
Amounts provided:	
At 1 January 1999	18,000
Provided in the year	1,640
At 31 December 1999	19,640
Net book value:	
At 1 January 1999	11,178
At 31 December 1999	9,538

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

14. INVESTMENTS (continued)

Details of the investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are as follows.

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Subsidiary undertakings				
All held by the company unless indicated:				
Cotec Computing Services Limited	England & Wales	Ordinary shares	100%	Computer software
Lister-Petter Limited	England & Wales	Ordinary shares	100%	Manufacturing
Lister-Petter US Holdings Incorporated	United States	Common shares	100%*	Holding company
Lister-Petter Incorporated	United States	Common shares	100%*	Manufacturing
RA Listers Overseas Investments	England & Wales	Ordinary	100%	Holding Company
Lister-Petter France SA	France	Ordinary	100%*	Manufacturing
Lister Diesels (Bangladesh) Limited	Bangladesh	Ordinary	100%	Dormant

* held by a subsidiary undertaking

15. STOCKS

	<i>1999</i>	<i>Group 1998</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	3,913	2,552
Work in progress	1,790	1,946
Finished goods and goods for resale	6,968	7,236
	<u>12,671</u>	<u>11,734</u>

There are no stocks held by the company.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

16. DEBTORS

	1999 £000	Group 1998 £000	1999 £000	Company 1998 £000
Trade debtors	13,732	18,554	-	-
Bills receivable	95	-	-	-
Amounts owed by subsidiary undertakings	-	-	35,618	34,357
Amounts owed by associated undertakings	-	66	-	-
Prepayments and accrued income	229	351	-	-
Taxation	-	-	3,340	2,088
Other debtors	1,338	1,152	-	-
	<u>15,394</u>	<u>20,123</u>	<u>38,958</u>	<u>36,445</u>

17. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the year:

	Change in period	
	1999 £000	1998 £000
Cash at bank and in hand	(1,868)	(4,792)
Bank overdraft	1,127	6,744
	<u>(741)</u>	<u>1,952</u>

18. CREDITORS: amounts falling due within one year

	1999 £000	Group 1998 £000	1999 £000	Company 1998 £000
Bank loans	93	4,746	-	4,746
Bank overdraft	2,463	3,590	2,048	2,881
Obligations under finance lease	339	286	-	-
Trade creditors	15,186	13,752	-	-
Corporation tax	(91)	(53)	-	-
Other taxes and social security costs	1,045	1,452	47	27
Preference dividend accrued/payable	-	2,784	-	2,784
Other creditors	1,432	796	393	142
Accruals and deferred income	1,924	4,033	32	362
	<u>22,391</u>	<u>31,386</u>	<u>2,520</u>	<u>10,942</u>

The bank loans and overdraft are secured as described in note 20.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

19. CREDITORS: amounts falling due after more than one year

		<i>Group</i>		<i>Company</i>
	1999	1998	1999	1998
	£000	£000	£000	£000
Loan note	-	20,000	-	20,000
Bank loans	25,740	17,322	25,833	17,322
Obligations under finance lease	254	465	-	-
	<u>25,994</u>	<u>37,787</u>	<u>25,833</u>	<u>37,322</u>
Less: issue costs	-	(1,243)	-	(1,088)
	<u>25,994</u>	<u>36,544</u>	<u>25,833</u>	<u>36,234</u>

Bank loans include a segregated loan of £3,985,000 provided as part of the capital restructuring in December 1999 which is supported by a back to back loan, from funds managed by Schroder Ventures, to the lending banks.

20. LOANS

		<i>Group</i>		<i>Company</i>
	1999	1998	1999	1998
	£000	£000	£000	£000
Not wholly repayable within five years:				
By instalment	-	-	-	-
Otherwise	-	20,000	-	20,000
	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Wholly repayable within five years	25,833	25,068	25,833	25,068
	<u>25,833</u>	<u>45,068</u>	<u>25,833</u>	<u>45,068</u>
Less: issue costs	-	(1,243)	-	(1,088)
	<u>25,833</u>	<u>43,825</u>	<u>25,833</u>	<u>43,980</u>
Less: amount due within one year	(93)	(7,746)	(93)	(7,746)
	<u>25,740</u>	<u>36,079</u>	<u>25,740</u>	<u>36,234</u>
Amount due after more than one year	<u>25,740</u>	<u>36,079</u>	<u>25,740</u>	<u>36,234</u>
Instalments not due within five years	-	-	-	-

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

20. LOANS (continued)

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less or on demand	93	7,746	93	7,746
Between one and two years	25,740	6,122	25,740	6,122
Between two and five years	-	11,200	-	11,200
In five years or more	-	20,000	-	20,000
	<u>25,833</u>	<u>45,068</u>	<u>25,833</u>	<u>45,068</u>
Less: issue costs	-	(1,243)	-	(1,088)
	<u>25,833</u>	<u>43,825</u>	<u>25,833</u>	<u>43,980</u>

Details of loans not wholly repayable within five years are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Secured loan	-	20,000	-	20,000
Less: issue costs	-	(534)	-	(534)
	<u>-</u>	<u>19,466</u>	<u>-</u>	<u>19,466</u>

The loans and bank overdraft are secured by fixed and floating charges over the group's UK assets and the shares in its foreign subsidiaries.

Analysis of changes in group loan financing during the period:

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Repayment of long-term loans	-	(4,143)
Conversion of long term loan to preference share capital	(20,000)	-
Cancellation of accrued interest	(2,935)	-
Write back/(amortisation) of issue costs	1,243	(276)
New segregated loan	3,985	-
Exchange adjustments	(285)	(117)
At 31 December	<u>(17,992)</u>	<u>(4,536)</u>

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

21. OBLIGATIONS UNDER LEASES

Amounts due under finance leases and hire purchase contracts:

<i>Group</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	339	-
In two to five years	254	823
	<hr/>	<hr/>
	593	823
Less: finance charges allocated to future periods	-	72
	<hr/>	<hr/>
	593	751
	<hr/>	<hr/>

Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	<i>Plant and machinery</i>	
	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	317	185
In two to five years	262	367
In over five years	-	-
	<hr/>	<hr/>
	579	552
	<hr/>	<hr/>

There are no leasing commitments within the company.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS at 31 December 1999

22. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	<i>Loan Note Interest</i>	<i>Redundancy</i>	<i>Warranty provision</i>	<i>Deferred taxation</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 1999	3,000	1,100	363	24	4,487
Arising during the year	-	844	360	-	1,204
Utilised/written back	(3,000)	(1,594)	(206)	(10)	(4,810)
At 31 December 1999	-	350	517	14	881

Company

	<i>Loan Note Interest</i>
	<i>£000</i>
At 1 January 1999	3,000
Cancelled during the year	(3,000)
At 31 December 1999	-

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided</i>		<i>Not Provided</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	14	20	506	(25)
Other timing differences	-	4	(418)	(174)
Relief for losses	-	-	(4,042)	(2,175)
	14	24	(3,954)	(2,374)

Company

No deferred taxation is provided in the company due to the availability of losses and other amounts available for future relief.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

23. SHARE CAPITAL

<i>Authorised</i>	<i>1999 No.</i>	<i>1999 £000</i>	<i>1998 No.</i>	<i>1998 £000</i>
42,105 "A" ordinary shares of 1p each	-	-	42,105	-
800,000 "B" ordinary shares of 1p each	-	-	800,000	8
13,920,000 Cumulative Preference shares of 1p each	-	-	13,920,000	139
Unclassified shares of 1p each	-	-	100,000	1
605,217 new "A" ordinary shares of 1p each	605,217	6	-	-
15,533,913 new "B" ordinary shares of 1p each	15,533,913	156	-	-
942,105 deferred shares of 1p each	942,105	9	-	-
5,000,000 new preference shares of £1 each	5,000,000	5,000	-	-
	<u>22,081,235</u>	<u>5,171</u>	<u>14,862,105</u>	<u>148</u>

Allotted, called up and fully paid

	<i>1999 No.</i>	<i>1999 £000</i>	<i>1998 No.</i>	<i>1998 £000</i>
42,105 "A" ordinary shares of 1p each	-	-	42,105	-
800,000 "B" ordinary shares of 1p each	-	-	800,000	8
13,920,000 Cumulative Preference shares of 1p each	-	-	13,920,000	139
605,217 new "A" ordinary shares of 1p each	605,217	6	-	-
13,920,000 new "B" ordinary shares of 1p each	13,920,000	139	-	-
842,105 deferred shares	842,105	8	-	-
5,000,000 new preference shares of £1 each	5,000,000	5,000	-	-
	<u>20,367,322</u>	<u>5,153</u>	<u>14,762,105</u>	<u>147</u>

During the year the authorised share capital was increased by £5,023,000 by the creation of 605,217 new "A" ordinary shares of 1p each, 15,533,913 new "B" ordinary shares of 1p each and 5,000,000 new preference shares of £1 each coupled with the conversion of the previous "A", "B" and unclassified shares to deferred shares of 1p each and cancellation of the cumulative preference shares.

On 16 December 1999, the issued "A" and "B" shares were converted to deferred shares, the issued cumulative preference shares were converted to new "B" ordinary shares on a 1 for 1 basis and 5,000,000 new preference shares and 605,217 new "A" ordinary shares were issued at par.

The new "A" Ordinary shares and the new "B" Ordinary shares rank pari passu but constitute two separate classes of shares. The deferred shares have no rights.

The preference shares carry no votes at meetings nor dividend entitlement but on a winding up of the company have a right to receive, in preference to payments to ordinary or deferred shareholders, £1 per share.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

24. RESERVES

	Share premium account £000	Group profit and loss account £000	Company profit and loss account £000
At 1 January 1999	14,367	(22,721)	(6,175)
Arising on share issues in the year	19,154	-	-
Exchange adjustments	-	(3)	-
Retained (loss)/profit for the year	-	(12,158)	22
At 31 December 1999	33,521	(34,882)	(6,153)

25. ANALYSIS OF NET DEBT

	At 1 January 1999 £000	Cash flows £000	Exchange differences £000	Other changes £000	At 31 December 1999 £000
Cash in hand, at bank	5,647	(1,868)	-	-	3,779
Overdrafts	(3,590)	1,127	-	-	(2,463)
Cash	2,057	(741)	-	-	1,316
Loans	(43,825)	(3,985)	285	21,692	(25,833)
Finance leases	(751)	158	-	-	(593)
	(42,519)	(4,568)	285	21,692	(25,110)

26. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £814,780 for the group. Amounts authorised by the directors but not contracted for were £2,000 for the group.

27. POST BALANCE SHEET EVENTS

On 30 November 2000 the company sold its freehold land and buildings in Dursley, Gloucestershire and used the proceeds to reduce the outstanding bank debt. Subsequently, on 1 December 2000 the shareholders and Invensys sold their shares to two international banks (Westdeutsche Landesbank Girozentrale and The Royal Bank of Scotland plc) who also acquired all of the outstanding debt and are now making new funds available to the company. At the same time, Lister Petter Limited announced its intention to close its foundry and machine shop operations during 2001 triggering a write down of asset values in those areas of the business as reflected in note 13.

28. CONTINGENT LIABILITIES

The group had provided a letter of credit in favour of Boatmans First National Bank of Kansas City for US \$1,500,000, which was cancelled on 31 March 2000.

Lister-Petter Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

29. PENSION COMMITMENTS

The group operates a defined benefit pension scheme, Lister-Petter Pension Scheme. The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme was set up on 1 November 1997.

The pension cost is determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit credit method. The results of the last valuation which was conducted as at 5 April 1999 was as follows:

Main assumptions:

Rate of return on investments at 9% per annum will exceed rate of salary increases by 2% per annum.

Rate of salary increases 7% per annum.

Pension increases will be at 4½% per annum.

The assets of the scheme are held separately from those of the group in an independently administered fund.