



Manganese  
Bronze  
Holdings  
PLC

Opening doors to  
over 7 million passengers  
every day

Annual Report  
31 July 2000

| <b>Key Statistics</b>  | <b>2000</b>     | <b>2000</b>       | <b>1999</b>       | <b>1999</b>       |
|--|-----------------|-------------------|-------------------|-------------------|
|  | <b>Turnover</b> | <b>Profit</b>     | <b>Turnover</b>   | <b>Profit</b>     |
|  | <b>£000</b>     | <b>before tax</b> | <b>£000</b>       | <b>before tax</b> |
|  |                 | <b>£000</b>       |                   | <b>£000</b>       |
| Vehicles Division  | <b>100,077</b>  | <b>5,435</b>      | 89,440            | 5,384             |
| Components Division  | <b>30,140</b>   | <b>(326)</b>      | 28,743            | (263)             |
| Exceptional item   |                 |                   |                   | (723)             |
| Turnover/Operating profit  | <b>130,217</b>  | <b>5,109</b>      | 118,183           | 4,398             |
| Interest - net payable   |                 | <b>(357)</b>      |                   | (885)             |
| Profit before tax  |                 | <b>4,752</b>      |                   | 3,513             |
| Net assets   |                 | <b>40,221</b>     |                   | 39,080            |
|  |                 |                   | <b>2000</b>       | <b>1999</b>       |
| Basic Earnings per Ordinary Share                                  |                 |                   | <b>17.42p</b>     | 13.25 p           |
| Dividend per Ordinary Share  |                 |                   | <b>11.00p</b>     | 10.50 p           |
| Price range of Ordinary Shares (1 Jan - 1 Sept 2000; Jan-Dec 1999) |                 |                   | <b>189 - 270p</b> | 179 - 273p        |
| Weighted average number of Ordinary Shares in issue                |                 |                   | <b>17,927,436</b> | 17,890,094        |
| Market Capitalisation at 1 September (£ million)                   |                 |                   | <b>£34.24m</b>    | £40.87m           |
| Net Assets per Ordinary Share                                      |                 |                   | <b>221p</b>       | 214p              |

|           |                                       |
|-----------|---------------------------------------|
| <b>2</b>  | Chairman's Statement                  |
| <b>3</b>  | Group Financial Highlights            |
| <b>4</b>  | Chief Executive's Review - Vehicles   |
| <b>8</b>  | Chief Executive's Review - Components |
| <b>10</b> | Financial Review                      |
| <b>11</b> | Financial Calendar                    |
| <b>12</b> | Directors and Advisers                |
| <b>13</b> | Accounts                              |
| <b>41</b> | Five Year Statistics                  |
| <b>42</b> | Group Contacts                        |

**Manganese Bronze Holdings PLC** is an independent UK based engineering group with two core businesses, taxis and components.

Our Vehicles Division produces the well-known London Taxi, the TX1. We build the TX1 in Coventry and we have a network of dealerships throughout the UK. We also provide a range of services to taxi owners including finance, training, parts supply, maintenance and repair.

Our Components Division produces bus doors and ramps, as well as metal powders and high quality sintered and precision cast parts for the automotive and other industries. We operate in accordance with the most exacting requirements for quality and reliability.

Our aim is to develop and build these businesses for the long-term benefit of our shareholders.



The 26,000 taxis made by us carry about 1 million passengers each day on about 600,000 journeys. Each trip represents fewer cars and less congestion. The buses fitted with our powered doors transport about 6 million passengers every day in the UK, Germany, Hong Kong, Singapore and the United States.

**Our Results in Brief**

In the year ended 31 July 2000 the Group made significant progress with profit before tax 35.3% higher at £4.8m. Sales rose by 10.2% to a record level of £130.2m. However, within this overall picture, the two core businesses performed very differently. Vehicles had a good year with new taxi sales rising from 3,120 to 3,391, although our margins were squeezed by market conditions. Our components businesses turned in another disappointing loss largely due to a Rover-related shortfall of volume in our sintering operations and despite excellent results from Deans Powered Doors.

Earnings per share rose from 13.25p to 17.42p and our balance sheet remained strong as we continued to reduce gearing, down from 17.7% to 7.1%, with our core borrowings almost eliminated by the year end. Net assets per share rose from 214.2p to 220.5p. At £2.31m our pension charge was again a major cost item, although a recent valuation has indicated a reduced deficit and thus a lower payment in the current year.

**Divisional Highlights**

These are contained in Jamie Borwick's Review on pages 4 to 9.

In the case of the Vehicles Division it is clear that pressure on prices is going to continue and this in turn requires our Coventry factory to improve quality and reduce costs. At the same time the move to lower

emissions will pose a challenge over the next year or so. However we are encouraged by a range of new opportunities to exploit the international recognition of the London taxi as a symbol of high-quality professional service.

As far as our Components Division is concerned we recognise that we have yet to find a formula whereby we can make profits from the rapidly-increasing demand for sintered parts from the automotive industry in Europe. This business will continue to receive a lot of top management attention. We have secured new orders which encourage us to believe that we shall make progress in both precision castings and metal powders. In the case of Deans Powered Doors we expect another year of good profitability. We are actively exploring ways of expanding Deans' involvement in Hong Kong and the north American market.

**Our Strategy**

Our overriding long-term aim is to build shareholder value. In the future we intend to sharpen the focus of our company by increasing our concentration on the taxi industry, where we believe we can exploit our leadership position and our strong international brand image in many different ways. This means that we can expect an increasing proportion of our sales to be taxi and public transport related. We still consider that we should be able to make an attractive return from our investment in components, but, if we continue to fail to achieve this, then, clearly, we will have to reconsider our position.

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Our overriding  
long-term aim is to build  
shareholder value

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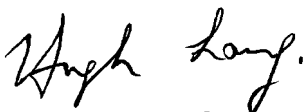
In pursuing our strategy we shall continue to develop and strengthen our management team throughout the Group. We remain very positive about the prospects for our company.

#### Current Trading and Prospects

If market conditions remain as at present we expect lower profits from our Vehicles Division in the current year. Taxi sales are expected to be at a similar level to last year, while margins will reflect the strengthening of the Yen and higher development costs. In our Components Division we expect a return to modest profitability. Overall, we expect similar results in the current year, paving the way for further progress in subsequent years.

#### Dividend

Considering our very satisfactory cash management performance and our positive view of our prospects we are recommending a final dividend of 7.0p per share (after 6.5p a year ago). This would make the total dividend per share for the year 11.0p covered 1.6 times. If approved, the final dividend will be paid on 1 December 2000 to all shareholders on the register at 3 November 2000.



**Hugh Lang**

#### TURNOVER £m

|      |       |
|------|-------|
| 2000 | 130.2 |
| 1999 | 118.2 |
| 1998 | 115.0 |
| 1997 | 101.7 |
| 1996 | 97.3  |

#### PRE TAX PROFIT £m

|      |     |
|------|-----|
| 2000 | 4.8 |
| 1999 | 3.5 |
| 1998 | 5.0 |
| 1997 | 8.3 |
| 1996 | 6.2 |

#### EARNINGS PER SHARE pence

|      |      |
|------|------|
| 2000 | 17.4 |
| 1999 | 13.3 |
| 1998 | 19.3 |
| 1997 | 36.4 |
| 1996 | 26.8 |

#### DIVIDEND PER SHARE pence

|      |      |
|------|------|
| 2000 | 11.0 |
| 1999 | 10.5 |
| 1998 | 10.5 |
| 1997 | 9.5  |
| 1996 | 7.0  |



Hugh Lang, Jamie Borwick and Ian Pickering

Our Vehicles Division turnover for the year grew by some 12% to the record level of £100.1m. Profits were static at £5.4m, our margins having been squeezed by changes in the marketplace.

Although our market is very different from that of the major car manufacturers, the much-publicised pricing pressure on cars supplied in the UK has influenced our taxi customers. In these circumstances we have done well to maintain prices. Increased profits must come from improvements in efficiency and reductions in cost, together with increased volume.

We achieved an increase in volume sold last year, growing from 3,120 taxis to 3,391. Most of this growth came in the first half where we moved from 1,345 to 1,556 taxis, but the second half growth from 1,775 to 1,835 reflected hard work by all our staff. The number of units sold is the biggest influence on our results and we show each month the number of taxis registered in the UK on our website at [www.manganese.com](http://www.manganese.com). These figures exclude our export sales, which have been slow to grow. 30 taxis are going to Singapore during September and October 2000, whilst exports to Germany are gradually building up and Japan is just starting to take some taxis. During the current year, we may be able to sell some taxis in component form in the USA.

It is clear that low emissions will be very important for the future of the taxi business. There are at present about 20 gas powered London taxis working on LPG, some in the form of conversions and others prototypes. The high price of diesel, a serious problem for our customers, will spur on our efforts.

The Nissan 2.7 litre engine, which we have fitted in our taxis since 1989, has been a hero of the taxi industry. Unfortunately we have to buy this engine in Yen, and because the Pound has fallen considerably against the Yen, from 185 to 164 during our last financial year, our costs have increased substantially. This of course narrowed our margins and we have to look forward to future engines which will take advantage of the low emission designs recently developed and furthermore can be purchased in Sterling. Such a change will require substantial engineering development costs, much of which will be written off during the current year.

Two years ago we saw rapid growth in the market outside London and we started to expand our dealership network. During last year that growth has faltered and we only opened one new facility, at Leeds, but that is making a useful contribution. Retailing outside London competes successfully against converted MPVs and has increased our sales of used taxis. Retailing in London has had a good year, working closely with the finance

Our London Taxis  
make over 1 million journeys  
every day



Our taxis carry up to five people including a child on the fitted seat, but the average number of passengers per journey is less than two. All our taxis can carry a disabled passenger in a wheelchair and are also fitted with a swivel seat to help ambulant disabled passengers, for example someone with a broken leg.

business, London Taxis Finance, which we operate in conjunction with Lloyds UDT. The finance business has introduced new finance products to help our taxi driver customers.

A few years ago we used to sell very few second hand taxis as drivers could achieve a better deal privately. Now at least half our customers want to trade in their old taxis. We have recently announced a website, [www.taxiclick.com](http://www.taxiclick.com), on which taxi driver customers can see the specification, approximate mileage and price of all our second hand vehicles for sale. In the future drivers may be able to advertise their own vehicle through this medium, hopefully with our finance and servicing attached.

Our Coventry factory has recently reduced its production rate from 20 per day in July to 19 per day at present and we shall shortly be going down to 17 per day at least in the first half year. A proportion of our staff are on short-term contracts, enabling us to flex our production rate to a limited extent to

meet the needs of our customers. Last year, the factory had a much better second half financially than it had in the first.

Our greatest challenge is to achieve the consistent high standards of quality, which are expected by our customers. Our low volumes make it difficult for us to attract world class component suppliers but we certainly have scope for raising our assembly standards.

At present we make right and left hand drive taxis with automatic and manual gearboxes and two levels of interior specification. In the future I would expect that our range of vehicle specifications will widen and our numbers of markets will increase.

Early in the year we sent shareholders a Corgi TX1 model and although the licensing income from this is very small, it is clear that we have a base design which is valuable.

There are about 26,000  
purpose-built taxis made by us  
in service in the UK

We have recently signed a licensing agreement with a Californian start-up company, granting them an exclusive licence to have a vehicle manufactured, based on our design for the distribution industry. We will account for any licensing income as it is received, but believe that this is the first of many opportunities to exploit our design icon around the world.

There are about 26,000 purpose-built taxis made by us in service in the UK (of which some 9,000 are TX1s). We estimate that this fleet transports about one million people per day. In the future we shall build on our strong position as the major provider of an essential part of the national public transport network. Our main aim is to improve that service, while also trying to make money out of it.



Our taxis last a long time in London, where 12 years is routine and there are more than 800 in service older than that. Outside London, 100,000 miles per year is not unusual and a million miles is not unknown.

Although our Components Division achieved breakeven in the first half, we lost money in the second half, to give a full year operating loss of £326,000. We have thus had two years of losses after steady progress in the previous four years. However our plans for the division indicate a return to profitability in the current year and further progress thereafter.

Sintered components, which we make at MBC Advanced Sintering in Ipswich, are still an increasingly popular way of manufacturing parts for the automotive industry. They are significantly cheaper than parts made by other methods of production, attracting the car companies who are continually trying to reduce their costs. Unfortunately however, the development time of each part can be several years, thus delaying profits from new projects. Last year we also had problems related to the difficulties experienced by Rover, one of our major customers.

Our forward order outlook is now much better, with work for European customers starting in the middle of 2001. As we have found out in the past, problems can occur with these orders at the last moment but they are progressing well with enthusiasm from our customers, so an increase in the value of this business appears likely. In the meantime a dedicated team is working very hard to satisfy our existing customers, like Honda, with zero defects. During the year we moved more of our customer relationships from the car manufacturers to the first tier suppliers and we see this as the future of the business.

MBC Precision Castings at Redditch is moving from being mainly a jobbing supplier of lost wax castings to being increasingly a high volume supplier of automotive parts. We now have two dedicated cells making engine

parts, one for the turbocharger industry and one for engine management emission systems. Unfortunately this move has cost us short-term profitability in the year and the business made a loss. We expect a much better performance in the current year.

MBC Metal Powders had a satisfactory year, building up customers for its gas atomised powders. These complex powders have many possible new uses in producing hard wearing surfaces in new engine design and other high-duty applications.

Deans Powered Doors in Beverley had another record year. The whole factory has been working consistently well and can be very proud of its performance. It is the largest supplier of bus doors into an industry which is consolidating in the UK, while expanding into America. Our range of products includes electrically powered and pneumatic single and double opening doors and powered access ramps. The retrofitting of these ramps to existing buses in London to make them wheelchair accessible helped our results. We are currently looking at ways of expanding this business internationally, particularly in Hong Kong, the United States and Canada. This will be an exciting challenge.

We recognise that in this division we must produce considerably improved results, particularly in sintering and precision castings. We remain confident of the long-term prospects of both these businesses and believe that, in the current year, the substantial development efforts of the past two years will begin to bear fruit.



**Jamie Borwick**



At Ipswich, we are developing parts for new gearboxes due to go into volume production in the summer of 2001.



At Redditch, MBC Precision Castings makes lost wax castings. In addition to castings for architectural uses and other industries, we have started high volume production of automotive parts.



In Beverley, Deans Powered Doors sells pneumatic and electric doors and access ramps. They are exported to Hong Kong, Singapore, Germany and America. The ramps are used by people in wheelchairs and are also appreciated by people with luggage or small children.

Our bus doors are opened to over 6 million passengers worldwide every day

### Review of Results

Total Group turnover and operating profit for the year ended 31 July 2000 were £130.2m and £5.1m, up 10.2% and 16.2% from the prior year.

Vehicles Division turnover exceeded £100m for the first time, 11.9% higher than the prior year. Sales and profits in the second half were better than those achieved in both the first half and the comparable period last year. Margins also improved in the second half due to higher production volumes. They were slightly lower than the comparable period last year principally due to the strength of the Yen.

Components Division turnover increased by 4.9% to £30.1m although there were reductions in activity at all of the Components businesses except Deans Powered Doors. Despite an increase in turnover in the second half of 10.1% compared to the first half, the division recorded a small loss for the second half of the year principally due to short term reductions in demand for sintered and cast components.

### Returns to Shareholders

The directors have recommended a final dividend of 7.0p (1999 6.5p) which would make the total for the year 11.0p. Dividend cover has increased to 1.6 times (1999 1.3 times). Basic earnings per share have improved by 31% to 17.42p.

### Treasury Activities and Cashflow

Net group borrowings reduced by £4m to £2.9m at 31 July 2000. The improvement in cash generation is as a result of higher operating profit, disposals of surplus property, tighter control of working capital and a lower interest charge. Gearing at 31 July 2000 was 7.1% (1999 17.7%).

The Group maintains an overdraft facility of £3m together with a committed loan facility maturing in February 2002 of £7m. The stocking loan facility

was widened during the year to include used vehicles and totalled £12.5m at 31 July 2000. £3.7m of this relates to the Group's independent dealers who bear the interest on drawings under that portion of the facility.

The interest charge for the year has reduced by 60% to £357,000 reflecting the lower average level of debt partially offset by higher interest rates.

The Group's principal foreign currency exposure arises from the purchase of engines and gearboxes for the TX1 denominated in Yen. The Group's policy is to operate a rolling hedging programme using forward purchases of Yen for six months into the future. The average Yen-Sterling exchange rate for engines purchased during the year was 177 (1999 188). The average rate at which the forward purchases of Yen outstanding at 31 July 2000 were contracted was 157.

### Capital and Development Expenditure

Capital expenditure for the year was unchanged at £4.2m. The principal item was the purchase for £1.3m of the freehold of part of the Group's London taxi dealership which had previously been leased. During the year two pieces of surplus freehold property were disposed of for £665,000.

Research and development expenditure in the year increased to £1.5m. The increase relates to work to develop new products for the sintering business and developments to reduce taxi emissions.

### Taxation

The overall Group tax charge for the year was equivalent to 33.7% of profit before taxation. The effective current tax rate for the year ended 31 July 2000 was 36.2% (1999 29.5%). The increase in the effective tax rate is principally as a result of lower capital allowances.

Prior year tax liabilities have reduced by £383,000 less a resulting deferred tax charge of £204,000.

The Group  
continued to be  
strongly cash  
generative



MBC Metal Powders, at Birmingham, are starting to produce brazing pastes. They are mixtures of metal powders and methyl cellulose, sold for automatic application through syringes.

### Pension Costs

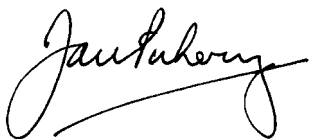
The Group has two principal pension schemes, a defined benefit scheme which was closed in 1995 and a defined contribution scheme. An actuarial valuation of the defined benefit scheme was performed as at 5 April 2000 which indicated a deficit of approximately £4.6m. The deficit had been estimated to be £6.7m at 31 July 1999. The principal reason for the reduction was cash contributions by the Group into the Scheme of £1.2m.

In accordance with the MFR regulations a schedule of contributions to make good the deficit is to be agreed between the Group and the scheme trustees within 15 months of the valuation date. It is expected that this will result in a contribution of £1m for the year ending 31 July 2001 and approximately £930,000 for the following six years.

### Summary

Total Group profits and earnings increased significantly last year and the Group continued to be strongly cash generative.

This was despite the adverse impact of the strength of the Yen and increased development costs. These factors are expected to continue to influence the current year but the programmes we have started to replace the taxi engine and develop new components should produce better results thereafter.



Ian Pickering

### NET CASH FLOW BEFORE FINANCING £m

|       |      |
|-------|------|
| 2000  | 4.0  |
| 1999  | 1.9  |
| (2.2) | 1998 |
| (6.3) | 1997 |
| (2.8) | 1996 |

### GEARING %

|      |      |
|------|------|
| 2000 | 7.1  |
| 1999 | 17.7 |
| 1998 | 22.9 |
| 1997 | 20.4 |
| 1996 | 2.2  |

### CAPITAL EXPENDITURE £m

|      |      |
|------|------|
| 2000 | 4.2  |
| 1999 | 4.2  |
| 1998 | 7.7  |
| 1997 | 15.7 |
| 1996 | 8.0  |

### RESEARCH AND DEVELOPMENT EXPENDITURE £m

|      |     |
|------|-----|
| 2000 | 1.5 |
| 1999 | 1.0 |
| 1998 | 0.7 |
| 1997 | 1.6 |
| 1996 | 1.6 |

### Financial Calendar

|   |                  |
|---|------------------|
| Financial year end  | 31 July 2000     |
| 101st Annual General Meeting                                  | 24 November 2000 |
| Final Ordinary Dividend payable to shareholders registered on | 1 December 2000  |
| Preference Share Dividend payable                             | 3 November 2000  |
|   | 31 December 2000 |
|   | and 30 June 2001 |
| Announcement of results- six months                           | March 2001       |
| Announcement of results- full year                            | September 2001   |

**Directors****Hugh Lang CBE\*\*\***

Hugh Lang (67) is the Chairman of the Board. A Chartered Engineer, he has many years experience in commerce and industry. He is also chairman of Acertec Holdings Limited.

**Jamie Borwick**

Jamie Borwick (45) has been the Chief Executive for 14 years. He is also non-executive chairman of Finsbury Trust PLC, a non-executive director of Adam & Harvey Group PLC, a member of the Listing Authority Advisory Committee of the Financial Services Authority and a member of the Advisory Council of the British Lung Foundation.

**Ian Pickering**

Ian Pickering (44) is the Group Finance Director. A Chartered Accountant, he joined the Group in 1998 from Dennis Group PLC, where he ran the Aircraft and Cargo Division. He is responsible for the Components Division and LTI Finance.

**Barry Widdowson**

Barry Widdowson (57) is responsible for our Vehicles Division. He joined the Group in 1982, becoming a Divisional Managing Director 14 years ago.

**Tim Melville-Ross\*\***

Tim Melville-Ross (55) was director general of the Institute of Directors from 1994 to 1999. He is currently chairman of DTZ Holdings plc, Bank Insinger de Beaufort NV and Investors in People UK, and a director of Bovis Homes Group plc and Royal London Insurance.

**Christopher Ross FREng\*\*\***

Christopher Ross (56) is a Chartered Engineer and a fellow of the Royal Academy of Engineering. He has had a great deal of industrial experience, particularly in the engineering and automotive sectors and was previously chief executive of Molins PLC, Ricardo PLC and Wagon Automotive.

**William Salomon\*\*\***

William Salomon (42) is vice chairman of Close Asset Management Holdings Limited and a non-executive director of Adam & Harvey Group PLC, Ocean Wilsons Holdings Limited and Aberdeen Emerging Economies Investment Trust Plc.

**Secretary**

Mike Durham

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Arthur Andersen

**Bankers**

HSBC  
Lloyds TSB PLC

**Merchant Bankers**

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**Stockbrokers**

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**Financial PR Consultants**

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Slaughter and May

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\* Member of the Audit Committee

· Senior Independent Director

• Member of the Remuneration and Nominations Committees

+ Independent Director

**Manganese  
Bronze  
Holdings  
PLC**

Accounts  
31 July 2000

- 14** Report of the Directors
- 16** Remuneration Report
- 18** Corporate Governance Report
- 21** Report of the Auditors
- 22** Consolidated Profit and Loss Account
- 23** Consolidated Balance Sheet
- 24** Company Balance Sheet
- 25** Group Cash Flow Statement
- 26** Notes to the Accounts

The directors present their report and the Group accounts for the year ended 31 July 2000.

#### Principal Activities

Manganese Bronze Holdings PLC is a UK based engineering group. Details of our activities, future prospects and research and development are given in the Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 2 to 11.

#### Results and Dividends

The profit for the year before taxation was £4.8m. The directors are recommending a final dividend of 7.0p (1999 6.5p). The final dividend, if approved, will be paid on 1 December 2000 to all shareholders who are on the register at close of business on 3 November 2000.

#### Share Capital

Changes in the issued share capital during the year together with details of outstanding share options are set out in note 20 on page 36.

#### Directors

A full list of directors who have been in office during the year is set out on page 16. Brief biographies of current directors are set out on page 12.

This year Jamie Borwick and Barry Widdowson retire by rotation and, being eligible, offer themselves for re-election. Each has a service contract which is terminable by the Company with one year's notice. Tim Melville-Ross, having joined the Board in March, offers himself for election. His services as non-executive director are terminable by the Company with six months' notice.

#### Directors' Interests

The interests of the directors in the Ordinary Share capital of the Company were as follows:

|                                   | 31 July 2000<br>Shares | 31 July 2000<br>Options | 31 July 1999<br>Shares | 31 July 1999<br>Options |
|-----------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| <b>Beneficial Interests</b>       |                        |                         |                        |                         |
| Hugh Lang                         | 25,000                 | -                       | 25,000                 | -                       |
| Jamie Borwick                     | 266,195                | -                       | 266,195                | -                       |
| Family companies of Jamie Borwick | 333,227                | -                       | 333,227                | -                       |
| Ian Pickering                     | -                      | 200,000                 | -                      | 100,000                 |
| Barry Widdowson                   | 15,732                 | 101,922                 | 15,732                 | 101,922                 |
| Tim Melville-Ross                 | -                      | -                       | -                      | -                       |
| Christopher Ross                  | -                      | -                       | -                      | -                       |
| William Salomon                   | -                      | -                       | -                      | -                       |
| <b>Non-beneficial interests</b>   |                        |                         |                        |                         |
| Jamie Borwick                     | 1,168,316              | -                       | 1,168,316              | -                       |

Jamie Borwick has a non-beneficial interest in 1,106,652 Ordinary Shares by reason of his position as managing director of Love Lane Investments Ltd, the beneficial owner of these shares, and in 61,664 Ordinary Shares by reason of his position as a trustee of two charities. No director had any interest in the Preference Share capital of the Company or in the shares of any other company in the Group.

There were no changes in the interests of any of the directors between 31 July 2000 and the date of this report.

#### Directors' Remuneration

Details of the remuneration of each of the directors are set out in the Remuneration Report on pages 16 and 17.

**Annual General Meeting**

This year's Annual General Meeting will be held at noon on Friday 24 November 2000. The notice of meeting together with details of the business to be conducted and form(s) of proxy are set out in the separate booklet enclosed with these accounts.

**Policy on the Payment of Creditors**

The Group's policy in respect of its suppliers is to attempt to agree terms of payment at or before entering into each transaction and to adhere to such terms, subject to satisfactory completion of the transaction concerned. Where prior agreement is neither practicable nor feasible, invoices will be dealt with in a timely manner as part of a systematic payment process. The Company is a holding company and had no trade creditors at 31 July 2000 (1999 nil).

**Health and Safety**

The Group is committed to a safe working environment for all employees. The Chief Executive is responsible for health and safety issues at Board level. Ian Pickering and Barry Widdowson are responsible for the implementation of Group policy on health and safety within their respective areas of responsibility.

**Year 2000**

The Board is pleased to report that no operating difficulties or unforeseen problems have arisen in the period since 1 January 2000 in respect of the change of date from 1999 to 2000.

**Donations**

The Group made donations for charitable purposes during the year ended 31 July 2000 of £2,027 (1999 £8,431). No political donations were made (1999 £nil).

**Employees**

The Group is committed to developing its employment policies in line with best practice and providing equal opportunities for all regardless of sex, marital status, ethnic origins, religion or disability. The importance of effective communication with employees is recognised and employees and their representatives are provided, on a regular basis, with information on matters of concern using such media as an in-house newsletter, information circulars and copies of press releases. Involvement in the achievements of the business is encouraged through locally based performance related bonus schemes.

**Employment of Disabled Persons**

The Group's policy is to offer disabled people the same opportunities as others in relation to recruitment and career development, provided that their disability does not prevent them from carrying out their required duties. Existing employees who become disabled will be retained wherever possible and, in appropriate cases, training is given where needed.

**Auditors**

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-election of Arthur Andersen as the auditors of the Company will be put to the Annual General Meeting.

**Contracts of Significance**

No director had any interest in any contract of significance with the Company during the year to 31 July 2000 other than their service contracts.

By order of the Board  
**Mike Durham** Secretary  
18 September 2000

The Board has ultimate responsibility for remuneration policy but has delegated to the Remuneration Committee responsibility for its implementation.

The Remuneration Committee was established in 1993 and meets three or four times a year. Its members are Hugh Lang, the Group's non-executive Chairman, and the three non-executive directors, Tim Melville-Ross, Christopher Ross and William Salomon. The Committee's terms of reference are to set the Group's overall remuneration policy, to determine the remuneration of the executive directors and to monitor the remuneration arrangements of senior executives throughout the Group.

#### Policy on Remuneration of Executive Directors

The Remuneration Committee aims to ensure that the remuneration packages offered can attract and retain individuals of the right calibre.

The overall remuneration of the executive directors consists of some or all of a basic salary, pension, car or car allowance, private healthcare benefits, share options and a performance related bonus. The Group's policy is to award options under its Executive Share Option Scheme as an incentive to executive directors and other senior managers as deemed appropriate by the Board on the recommendation of the Remuneration Committee. Basic salaries are reviewed annually having regard to individual performance, responsibilities and prevailing market practice. The executives receive a discretionary performance related bonus based on targets set by reference to Group and Divisional profits and the attainment of budgets. The targets are set at the start of the financial year following finalisation of the Group's forecasts and budgets for the next financial year. If targets are met bonuses of approximately 33% of salary may be awarded and these can be increased up to a maximum of 50% if targets are exceeded by a substantial margin. Bonus payments are not pensionable.

#### Service Contracts

The service contracts of the executive directors are all terminable on one year's notice by the Company and six months' by the director. The Chairman has an agreement with the Company which, though not for a fixed term, is terminable on 12 months' notice by either party, whilst the agreements with the other non-executive directors are not for fixed terms, but are each terminable on six months' notice.

#### Directors' Remuneration

Details of the remuneration of individual directors is set out in the table below:

|   | Basic<br>salary/fees<br>2000<br>£ | Bonus<br>2000<br>£ | Other<br>benefits <sup>1</sup><br>2000<br>£ | Total<br>(excluding<br>pension<br>contributions)<br>2000<br>£ | Pension<br>contributions<br>by the<br>Company <sup>2</sup><br>2000<br>£ | Total<br>2000<br>£ | Total<br>1999<br>£ |
|---|-----------------------------------|--------------------|---|---|---|--------------------|--------------------|
| <b>Executives</b>                                     |                                   |                    |   |   |   |                    |                    |
| Jamie Borwick   | 145,000                           | 25,000             | 22,515                                      | 192,515   | 19,833  | 212,348            | 185,853            |
| Ian Pickering   | 124,000                           | 25,000             | 14,832                                      | 163,832   | 12,740  | 176,572            | 167,411            |
| Barry Widdowson                                       | 103,000                           | 25,000             | 13,056                                      | 141,056   | 18,180  | 159,236            | 143,166            |
| <b>Non-Executives</b>                                 |                                   |                    |   |   |   |                    |                    |
| Hugh Lang, Chairman                                   | 60,000                            |                    |   | 60,000  |   | 60,000             | 60,000             |
| Tim Melville-Ross<br>(appointed 1 March 2000)         | 8,333                             |                    |   | 8,333   |   | 8,333              |                    |
| Christopher Ross                                      | 20,000                            |                    |   | 20,000  |   | 20,000             | 15,000             |
| William Salomon                                       | 20,000                            |                    |   | 20,000  |   | 20,000             | 20,000             |
| Rod Turner<br>(retired 29 November 1999) <sup>3</sup> | 6,333                             |                    |   | 6,333   |   | 6,333              | 20,000             |
| <b>Totals</b>   | <b>486,666</b>                    | <b>75,000</b>      | <b>50,403</b>                               | <b>612,069</b>  | <b>50,753</b>   | <b>662,822</b>     | <b>611,430</b>     |

1 Other benefits represent amounts assessable to income tax in respect of the benefits provided.

2 All pension contributions were paid into the defined contribution pension scheme.

3 Includes fee for chairmanship of Group pension trustee companies, a position in which Mr Turner has continued subsequent to his retirement as non-executive director.

In addition to membership of the defined contribution scheme, the following directors have accrued entitlements under the defined benefit scheme (see note 29), as follows:

|                 | Change in accrued benefit above inflation since 31 July 1999 <sup>1</sup><br>£ pa | Transfer value of change in accrued benefit <sup>2</sup><br>£ pa | Accrued benefit at 31 July 2000<br>£ pa |
|-----------------|---|--|---|
| Barry Widdowson | 494   | 7,700  | <b>26,780</b>                           |

1 This allows for the effect of inflation at 1.1% on the previous year's total accrued benefit.

2 This is based on market conditions applicable on 31 July 2000 and does not reflect any reduction for under-funding.

#### Directors' Share Options

|                 | Note | Held at 1 August 1999 | Granted during the year | Held at 31 July 2000 | Exercise price (pence) | Date from which first exercisable | Expiry date       |
|-----------------|------|-----------------------|-------------------------|----------------------|------------------------|-----------------------------------|-------------------|
| Ian Pickering   | 1    | 100,000               | -                       | <b>100,000</b>       | 428.0                  | 8 May 2001                        | 8 May 2008        |
|                 | 1    | -                     | 100,000                 | <b>100,000</b>       | 229.0                  | 23 September 2002                 | 23 September 2009 |
|                 |      | 100,000               | 100,000                 | <b>200,000</b>       |                        |                                   |                   |
| Barry Widdowson | 2    | 49,000                | -                       | <b>49,000</b>        | 103.0                  | 7 January 1994                    | 7 January 2001    |
|                 | 2    | 51,000                | -                       | <b>51,000</b>        | 87.5                   | 29 March 1996                     | 29 March 2003     |
|                 | 3    | 1,922                 | -                       | <b>1,922</b>         | 359.0                  | 8 April 2003                      | 8 October 2010    |
|                 |      | 101,922               |                         | <b>101,922</b>       |                        |                                   |                   |

1 Options held under 1997 Share Option Schemes. It is a condition of exercise of the Company and Approved Share Option Schemes, which were approved by shareholders in 1997, that the growth in the Group's earnings per share must exceed by 10% the increase in RPI over any period of three consecutive years.

2 Options held under 1984 Executive Share Option Scheme. There are no performance criteria for the exercise of options under this scheme.

3 Options held under the Sharesave Scheme. There are no performance criteria for the exercise of options under this scheme.

#### Non-Executive Directors

The Chairman's remuneration is determined in his absence by the Board and reflects the nature and extent of his responsibilities. The Board also determines the level of non-executive directors' fees and no member takes part in the process of determining his own emoluments.

Neither the Chairman nor any of the other non-executive directors receives benefits in kind, nor do they participate in the Group's bonus, share option or pension schemes.

By order of the Board  
**Mike Durham** Secretary  
 18 September 2000

**Statement of Directors' Responsibilities**

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and the profit or loss for that period. In preparing those financial statements the directors are required to:

- select appropriate accounting policies and 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 Group will continue in business for the foreseeable future.

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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purposes of enabling them to give their audit report.

The directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

**Going Concern**

The directors are satisfied that the Company and the Group have access to adequate resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

**Corporate Governance**

The Board is committed to high standards of Corporate Governance throughout the Group.

The Board is accountable to the Group's shareholders for good governance and this statement describes how the principles of good governance and the provisions of the Code of Best Practice in the London Stock Exchange's Combined Code on Corporate Governance are applied by the Group.

The Group has long-established risk management procedures in all critical areas of the business. Monitoring of compliance is through a combination of self-assessment and internal and external audits by the Group's management and advisers.

Following the publication of the Turnbull guidance, the Group has adopted a transitional approach to implementing the Combined Code, and has during 2000 commenced a programme to establish the formal procedures necessary to comply with Provision D2.1 of the Code. This includes carrying out a Group-wide risk review, in order to formally establish a detailed profile of all significant business risks faced by the Group. The results of this review, which will be updated annually, will form the basis for future risk management activities. The Board expects the Group to be fully compliant with Provision D2.1 within the next twelve months.

The directors acknowledge that they are responsible for the Company's system of internal control, which is designed to manage rather than eliminate business risks and which provides reasonable but not absolute assurance against material mis-statement or loss.

**The Board**

As at 18 September 2000, the date of signing these accounts, the Board comprises three executive directors and four non-executive directors, of whom one is the Chairman. The posts of Chairman and Chief Executive are separate. Brief biographies of the Board members are shown on page 12.

The Board meets formally at least eight times a year and full access is given to the directors to enable the Board to function effectively and to allow the directors properly to fulfil their responsibilities. Board papers are usually distributed one week in advance of meetings and decisions may be deferred if directors require further information to be made available to them. The Company Secretary is responsible to the Board for the timeliness of the information given to it.

**Board Committees**

In furtherance of the principles of Corporate Governance the Board has appointed the following Committees, each of which has formal terms of reference. The membership of the Committees is shown on page 12.

**Audit Committee**

This Committee is chaired by Hugh Lang and normally meets three or four times a year with the Group Chief Executive and the Group Finance Director and representatives of the auditors in attendance as required. The Committee assists the Board in the discharge of its duties concerning the announcements of results, the Annual Report and Accounts and the maintenance of proper internal financial controls; it reviews the scope and planning of the audit and the auditors' findings and considers Group accounting policies and the compliance of those policies with applicable legal and accounting standards.

**Remuneration Committee**

The Remuneration Committee, which sets the Group's overall remuneration policy, determines the remuneration and other benefits of the executive directors and monitors the remuneration of certain other senior managers. The committee is chaired by Hugh Lang and it meets on a regular basis, usually three times a year and additionally whenever required. The Remuneration Report is set out on pages 16 and 17.

**Nominations Committee**

The Chairman of the Nominations Committee is Hugh Lang. This Committee is responsible for formulating and reviewing proposals for the appointment of directors and making recommendations thereon to the Board.

Any director appointed during the year is required under the Company's Articles of Association to retire and seek re-appointment by the shareholders at the next Annual General Meeting. It is also the practice of the Company that one third of the directors retires by rotation each year and seeks re-appointment at the Annual General Meeting.

**Relationships with Shareholders**

The directors recognise the importance of dialogue with investors. Meetings with institutional investors are arranged regularly and we are always ready to answer questions from shareholders.

In General Meetings of the Company, proxy votes received are disclosed to those attending the meeting after the votes of those present have been dealt with by a show of hands. It has been the practice of the Company for many years to give more than 20 days' notice of the Annual General Meeting and for the Chairman, Chief Executive and other Board members to be present to answer questions relating to their responsibilities.

**Internal Financial Controls**

The directors are responsible for the Group's system of internal financial control and have put in place an organisational structure and framework of financial controls which is periodically reviewed for its effectiveness. The key procedures within the Group's systems of internal financial control are as follows:

- There is a comprehensive budgeting system with the annual budget being approved by the Board. Actual results and updated forecasts are prepared regularly and compared against budget. Cash flows are controlled in comparison with budget and forecast;
- The annual capital investment budget is approved by the Board together with significant individual items prior to commitment;
- Each operating unit is required to comply with defined policies and procedures and authorisation levels are clearly defined and communicated. Regular internal financial control reviews and investigations are carried out by Group staff and followed up by management, based on an established programme of risk assessment and control.

Operations throughout the Group are subject to the overall Group internal financial control framework, but such a system can provide only reasonable and not absolute assurance against material mis-statement or loss. The directors confirm that they have carried out a review of the effectiveness of the system of internal financial controls as operated during the year ended 31 July 2000 and intend to review controls at least annually and more frequently should the need arise.

**Compliance**

In addition to the Principles of Good Governance the Combined Code also contains a Code of Best Practice which contains some 45 provisions. The Board confirms that the Company has complied with all these provisions throughout the financial year except:

- Provision A.6.1 as the non-executive directors were not appointed for a fixed term, although they are subject to re-election every three years.
- Provision A.2.1 in that Tim Melville-Ross was identified as senior independent director on 29 June 2000. Previously, no senior independent director had been identified.

By order of the Board  
**Mike Durham** Secretary  
18 September 2000

We have audited the accounts on pages 22 to 40 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 26 to 27. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the Remuneration Report on pages 16 and 17.

#### **Respective Responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report including, as described on page 18, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on page 20 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

#### **Basis of Audit 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 circumstances of the Company and of the Group, 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 at 31 July 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

#### **Arthur Andersen**

Chartered Accountants and Registered Auditors  
20 Old Bailey  
London EC4M 7AN  
18 September 2000

|   | Notes | 2000<br>£000     | 1999<br>£000 |
|---|-------|------------------|--------------|
| Turnover                                      | 2     | <b>130,217</b>   | 118,183      |
| Cost of sales                                 |       | <b>(106,639)</b> | (97,290)     |
| Gross Profit                                  |       | <b>23,578</b>    | 20,893       |
| Net operating expenses                        | 3     | <b>(18,469)</b>  | (16,495)     |
| Operating Profit                              | 4     | <b>5,109</b>     | 4,398        |
| Interest - net payable                        | 5     | <b>(357)</b>     | (885)        |
| Profit on Ordinary Activities before Taxation | 2     | <b>4,752</b>     | 3,513        |
| Tax on profit on ordinary activities          | 7     | <b>(1,600)</b>   | (1,095)      |
| Profit for the Financial Year                 | 8     | <b>3,152</b>     | 2,418        |
| Dividends (including non-equity dividends)    | 10    | <b>(2,009)</b>   | (1,921)      |
| Transfer to Reserves                          | 23    | <b>1,143</b>     | 497          |
| Basic Earnings per Ordinary Share             | 9     | <b>17.42p</b>    | 13.25p       |
| Diluted Earnings per Ordinary Share           | 9     | <b>17.26p</b>    | 13.13p       |

There are no recognised gains and losses in either year other than the profit for that year.

#### Historical Cost Profits and Losses

On an historical cost basis, the profit on ordinary activities before taxation and the retained profit after taxation and dividends would have increased by £388,000 (1999 £195,000) due to the difference between the historical cost depreciation charge and the actual charge calculated on the revalued amount.

The accompanying notes form an integral part of these financial statements.

|   | Notes | 2000<br>£000    | 2000<br>£000   | 1999<br>£000 | 1999<br>£000 |
|---|-------|-----------------|----------------|--------------|--------------|
| <b>Fixed Assets</b>                                       |       |                 |                |              |              |
| Tangible assets   | 11    |                 | <b>43,173</b>  |              | 44,944       |
| Investments   | 12    |                 | <b>487</b>     |              | 300          |
|   |       |                 | <b>43,660</b>  |              | 45,244       |
| <b>Current Assets</b>                                     |       |                 |                |              |              |
| Stocks  | 13    | <b>16,363</b>   |                | 13,756       |              |
| Debtors   | 14    | <b>8,461</b>    |                | 9,568        |              |
| Cash at bank and in hand                                  |       | <b>2,284</b>    |                | -            |              |
|   |       | <b>27,108</b>   |                | 23,324       |              |
| Creditors Amounts falling due within one year             | 15    | <b>(26,338)</b> |                | (22,820)     |              |
| <b>Net Current Assets</b>                                 |       |                 | <b>770</b>     |              | 504          |
| <b>Total Assets Less Current Liabilities</b>              |       |                 | <b>44,430</b>  |              | 45,748       |
| Creditors Amounts falling due after more than one year    | 16    |                 | <b>(736)</b>   |              | (3,547)      |
| Provisions for Liabilities and Charges                    | 18    |                 | <b>(3,473)</b> |              | (3,121)      |
| <b>Net Assets</b>   |       |                 | <b>40,221</b>  |              | 39,080       |
| <b>Capital and Reserves</b>                               |       |                 |                |              |              |
| Called up share capital                                   | 20    |                 | <b>5,166</b>   |              | 5,168        |
| Share premium account                                     | 21    |                 | <b>3,560</b>   |              | 3,560        |
| Capital redemption reserve                                | 21    |                 | <b>916</b>     |              | 914          |
| Revaluation reserve                                       | 21    |                 | <b>9,446</b>   |              | 9,834        |
| Profit and loss account                                   | 21    |                 | <b>21,133</b>  |              | 19,604       |
| <b>Shareholders' Funds Including Non-Equity Interests</b> | 22    |                 | <b>40,221</b>  |              | 39,080       |
| <b>Net Assets per Ordinary Share</b>                      |       |                 | <b>220.5p</b>  |              | 214.2p       |

Approved by the Board  
**Hugh Lang** Chairman  
**Jamie Borwick** Director  
 18 September 2000

The accompanying notes form an integral part of these financial statements.

|   | Notes | 2000<br>£000   | 2000<br>£000  | 1999<br>£000 | 1999<br>£000 |
|---|-------|----------------|---------------|--------------|--------------|
| <b>Fixed Assets</b>                                       |       |                |               |              |              |
| Tangible assets   | 11    |                | <b>64</b>     |              | 125          |
| Investments   | 12    |                | <b>8,987</b>  |              | 8,800        |
|   |       |                | <b>9,051</b>  |              | 8,925        |
| <b>Current Assets</b>                                     |       |                |               |              |              |
| Debtors   | 14    | <b>11,855</b>  |               | 18,101       |              |
| Cash at bank and in hand                                  |       | <b>7,460</b>   |               | 2,576        |              |
|   |       | <b>19,315</b>  |               | 20,677       |              |
| Creditors Amounts falling due within one year             | 15    | <b>(3,471)</b> |               | (3,309)      |              |
| <b>Net Current Assets</b>                                 |       |                | <b>15,844</b> |              | 17,368       |
| <b>Total Assets Less Current Liabilities</b>              |       |                |               |              |              |
|   |       |                | <b>24,895</b> |              | 26,293       |
| Creditors Amounts falling due after more than one year    | 16    |                | -             |              | (3,000)      |
| Provisions for Liabilities and Charges                    | 18    |                | -             |              | (87)         |
| <b>Net Assets</b>   |       |                | <b>24,895</b> |              | 23,206       |
| <b>Capital and Reserves</b>                               |       |                |               |              |              |
| Called up share capital                                   | 20    |                | <b>5,166</b>  |              | 5,168        |
| Share premium account                                     | 21    |                | <b>3,560</b>  |              | 3,560        |
| Capital redemption reserve                                | 21    |                | <b>916</b>    |              | 914          |
| Profit and loss account                                   | 21    |                | <b>15,253</b> |              | 13,564       |
| <b>Shareholders' Funds Including Non-Equity Interests</b> | 22    |                | <b>24,895</b> |              | 23,206       |

Approved by the Board  
**Hugh Lang** Chairman  
**Jamie Borwick** Director  
18 September 2000

The accompanying notes form an integral part of these financial statements.

| Notes   | 2000<br>£000 | 2000<br>£000   | 1999<br>£000 | 1999<br>£000 |
|---|--------------|----------------|--------------|--------------|
| <b>Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities:</b> |              |                |              |              |
| Operating profit  |              | <b>5,109</b>   |              | 4,398        |
| Depreciation  |              | <b>5,161</b>   |              | 5,014        |
| Provision against ESOT shares   |              | <b>13</b>      |              | -            |
| Profit on sale of fixed assets  |              | <b>(11)</b>    |              | (37)         |
| Pension charge - non cash   |              | <b>290</b>     |              | 438          |
| (Increase)/decrease in stocks   |              | <b>(2,607)</b> |              | 3,046        |
| Decrease in debtors   |              | <b>817</b>     |              | 1,953        |
| Increase/(decrease) in creditors and provisions   |              | <b>2,061</b>   |              | (5,192)      |
| <b>Net Cash Inflow from Operating Activities</b>  |              | <b>10,833</b>  |              | 9,620        |
| <b>Returns on Investments and Servicing of Finance</b>                                  |              |                |              |              |
| Interest received   |              | <b>30</b>      | 112          |              |
| Interest paid   |              | <b>(321)</b>   | (937)        |              |
| Interest element of finance contract payments   |              | <b>(66)</b>    | (60)         |              |
| Preference dividend paid  |              | <b>(56)</b>    | (48)         |              |
| <b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>            |              | <b>(413)</b>   |              | (933)        |
| <b>Taxation</b>   |              |                |              |              |
| UK Corporation Tax paid   |              | <b>(925)</b>   |              | (823)        |
| <b>Capital Expenditure</b>  |              |                |              |              |
| Purchase of tangible fixed assets   |              | <b>(4,180)</b> | (4,213)      |              |
| Proceeds from sale of tangible fixed assets   |              | <b>801</b>     | 194          |              |
| Purchase of own shares  |              | <b>(202)</b>   | (100)        |              |
| <b>Net Cash Outflow from Capital Expenditure</b>  |              | <b>(3,581)</b> |              | (4,119)      |
| <b>Equity Dividends Paid</b>  |              | <b>(1,872)</b> |              | (1,873)      |
| <b>Net Cash Inflow before Financing</b>   |              | <b>4,042</b>   |              | 1,872        |
| <b>Financing</b>  |              |                |              |              |
| Issue of Ordinary Share capital   |              | -              | 50           |              |
| New finance contracts   |              | <b>331</b>     | -            |              |
| Capital element of finance contract payments  |              | <b>(177)</b>   | (176)        |              |
| Increase/(decrease) in stocking loan  |              | <b>1,292</b>   | (1,489)      |              |
| Decrease in bank loan   |              | <b>(3,000)</b> | (4,000)      |              |
| <b>Net Cash Outflow from Financing</b>  |              | <b>(1,554)</b> |              | (5,615)      |
| <b>Increase/(Decrease) in Cash</b>  | 23           | <b>2,488</b>   |              | (3,743)      |

The accompanying notes form an integral part of these financial statements.

## 1 ACCOUNTING POLICIES

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### Basis of accounting

- (i) The accounts are prepared under the historical cost convention except as stated below.
- (ii) The Group accounts incorporate the results of the Company and all its subsidiaries. New subsidiaries, if any, are consolidated from the effective date of acquisition. The results of former subsidiaries, based on management accounts, are consolidated to the date of disposal. Goodwill on the acquisition of subsidiaries prior to 31 July 1998 has been written off against reserves in the year in which it arose. Goodwill arising on future acquisitions will be capitalised and amortised over a period of no longer than 20 years.
- (iii) The profit and loss account of the Company is not included in these accounts pursuant to the exemption contained in Section 230 of the Companies Act 1985.
- (iv) The accounts have been prepared in accordance with applicable accounting standards.

### Values attributed to properties and investments

- (i) Freehold land and buildings shown in fixed assets at valuation are included at the open market valuation for existing use purposes by members of the Royal Institution of Chartered Surveyors at 31 July 1998.
- (ii) Investment properties shown in fixed assets are included at the open market valuation by members of the Royal Institution of Chartered Surveyors at 31 July 1998.
- (iii) Fixed asset investments, including own shares purchased by the Manganese Bronze Holdings PLC Employee Share Ownership Trust (ESOT), are shown at cost less provision made in those cases where it is believed that there has been a permanent diminution in value.

### Tangible fixed assets and depreciation

No depreciation is provided on freehold land. All other 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) Freehold buildings - 20-35 years as advised by members of the Royal Institution of Chartered Surveyors.
- (ii) Vehicles - 4 years.
- (iii) Computers and associated equipment - 4 years.
- (iv) Minor plant, machinery and equipment - 5 years.
- (v) Major plant, machinery and equipment - 10 years.

### Financing of stocks

Stocks of taxis held by non-Group dealers and financed through stocking loans are included in the balance sheet as finished goods together with the related borrowing.

### 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 material content plus labour and applicable overheads. Appropriate provisions are made for slow moving and obsolete items.

### Taxation

Provision is made for deferred taxation to the extent that liabilities are expected to become payable within the foreseeable future.

### Research and development

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

### Foreign currencies

Foreign currency transactions entered into are translated into sterling at the exchange rate current at the date of the transaction. Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at either the rate of exchange ruling at the balance sheet date, or at related forward contract rates if applicable and any resulting exchange gains and losses are taken to the profit and loss account. Exchange differences arising on changes in the sterling equivalent of the net assets of overseas subsidiary undertakings due to movements in exchange rates during the year have been taken direct to reserves.

### 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.

**1 ACCOUNTING POLICIES** continued**Operating leases**

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

**Pensions**

The cost of the Group's 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.

**2 ANALYSIS OF RESULTS**

| (a) By Division                               | 2000<br>Turnover<br>£000 | 2000<br>Profit before tax<br>£000 | 1999<br>Turnover<br>£000 | 1999<br>Profit before tax<br>£000 |
|---|--------------------------|-----------------------------------|--------------------------|-----------------------------------|
| Vehicles - ordinary activities                | 100,077                  | 5,435                             | 89,440                   | 5,384                             |
| Components - ordinary activities              | 30,140                   | (326)                             | 28,743                   | (263)                             |
| - exceptional costs of Ipswich reorganisation |                          | -                                 |                          | (723)                             |
| Turnover/Operating profit                     | 130,217                  | 5,109                             | 118,183                  | 4,398                             |
| Interest payable - net                        |                          | (357)                             |                          | (885)                             |
|   |                          | <b>4,752</b>                      |                          | 3,513                             |

All turnover and profit before tax are derived from continuing activities

| (b) By market area | 2000<br>Turnover<br>£000 | 1999<br>Turnover<br>£000 |
|--------------------|--------------------------|--------------------------|
| Rest of Europe     | 4,249                    | 3,636                    |
| Asia               | 901                      | 641                      |
| North America      | 210                      | 101                      |
| Other              | 163                      | 157                      |
| Total exports      | 5,523                    | 4,535                    |
| United Kingdom     | 124,694                  | 113,648                  |
| Total turnover     | 130,217                  | 118,183                  |

All turnover originates in the United Kingdom.

| (c) Segmental net assets | 2000<br>£000  | 1999<br>£000 |
|--------------------------|---------------|--------------|
| Vehicles                 | 22,930        | 23,296       |
| Components               | 20,156        | 22,691       |
|                          | <b>43,086</b> | 45,987       |
| Less net borrowings      | (2,865)       | (6,907)      |
| Total net assets         | 40,221        | 39,080       |

**3 NET OPERATING EXPENSES**

|                         | 2000<br>£000  | 1999<br>£000 |
|-------------------------|---------------|--------------|
| Operating expenses:     |               |              |
| Distribution costs      | <b>4,638</b>  | 3,878        |
| Administration expenses | <b>13,845</b> | 12,656       |
| Other operating income  | <b>(14)</b>   | (39)         |
| Net operating expenses  | <b>18,469</b> | 16,495       |

**4 OPERATING PROFIT**

The operating profit is arrived at after taking account of the following:

|                                      | 2000<br>£000 | 1999<br>£000 |
|--------------------------------------|--------------|--------------|
| Depreciation - Tangible fixed assets | <b>5,161</b> | 5,014        |
| Research and development             | <b>1,482</b> | 1,025        |
| Directors' remuneration (note 26)    | <b>663</b>   | 922          |
| Auditor's remuneration - Audit       | <b>144</b>   | 117          |
| - Other                              | <b>31</b>    | 60           |
| Operating lease rentals - Plant      | <b>514</b>   | 392          |
| - Land and buildings                 | <b>482</b>   | 437          |

**5 INTEREST - NET PAYABLE**

|                           | 2000<br>£000 | 1999<br>£000 |
|---------------------------|--------------|--------------|
| Payable on:               |              |              |
| Bank overdrafts and loans | <b>116</b>   | 629          |
| Finance contracts         | <b>66</b>    | 60           |
| Stocking loan             | <b>205</b>   | 308          |
| Total payable             | <b>387</b>   | 997          |
| Receivable                | <b>(30)</b>  | (112)        |
| Net payable               | <b>357</b>   | 885          |

**6 STAFF NUMBERS AND COSTS**

The average number of persons employed by the Group during the year was as follows:

|                          | 2000<br>Number | 1999<br>Number |
|--------------------------|----------------|----------------|
| Administration and sales | 293            | 265            |
| Production               | 656            | 689            |
|                          | <b>949</b>     | 954            |

The aggregate remuneration of these employees was as follows:

|                               | 2000<br>£000  | 1999<br>£000 |
|-------------------------------|---------------|--------------|
| Wages and salaries            | 21,799        | 19,772       |
| Social security costs         | 2,002         | 1,850        |
| Other pension costs (note 29) | 2,312         | 1,989        |
|                               | <b>26,113</b> | 23,611       |

**7 TAXATION**

The taxation charge which is based on the profit for the year comprises:

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| UK Corporation Tax payable at 30% (1999 30.67%)       | 1,719        | 1,035        |
| Deferred taxation                                     | 60           | 313          |
| Adjustments relating to prior years: Current taxation | (383)        | (615)        |
| Deferred taxation                                     | 204          | 362          |
| Total taxation charge                                 | <b>1,600</b> | 1,095        |

**8 HOLDING COMPANY PROFIT FOR THE FINANCIAL YEAR**

The profit for the year of the Company before dividends was £3,700,000 (1999 £6,202,000).

**9 EARNINGS PER ORDINARY SHARE**

The calculations of earnings per share are based on the following profit and numbers of shares:

|   | 2000<br>£000      | 1999<br>£000   |
|---|-------------------|----------------|
| Profit for the financial year   | 3,152             | 2,418          |
| Preference dividends  | (56)              | (48)           |
|   | <b>3,096</b>      | 2,370          |
|   | 2000<br>Number    | 1999<br>Number |
| Weighted average number of shares in issue, less shares upon which dividends waived | 17,761,808        | 17,890,094     |
| Potential exercise of share options   | 166,876           | 162,736        |
| For diluted earnings per share  | <b>17,928,684</b> | 18,052,830     |

**10 DIVIDENDS**

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| Non-equity - 8.25 % Cumulative Preference Shares of £1 each |              |              |
| Preference dividend paid to 31 December                     | <b>28</b>    | 20           |
| Preference dividend paid to 30 June                         | <b>28</b>    | 28           |
| Preference dividend   | <b>56</b>    | 48           |
| Equity - Ordinary Shares of 25p each                        |              |              |
| Interim dividend - paid 4p per share (1999 4p)              | <b>709</b>   | 711          |
| Final dividend - proposed 7p per share (1999 6.5p)          | <b>1,244</b> | 1,162        |
| Total dividends payable                                     | <b>2,009</b> | 1,921        |

**11 TANGIBLE FIXED ASSETS**

| Consolidated                           | Freehold land<br>and buildings<br>(note(i))<br>£000 | Investment<br>property<br>(note(ii))<br>£000 | Plant, machinery<br>and equipment<br>owned<br>£000 | Plant, machinery<br>and equipment<br>finance contracts<br>£000 | Total<br>£000 |
|--|---|--|--|--|---------------|
| Cost or valuation (note (ii))          |   |  |  |  |               |
| At 1 August 1999                       | 15,640  | 1,600  | 47,938   | 1,549  | 66,727        |
| Additions                              | 1,505   | -  | 2,675  | -  | 4,180         |
| Disposals                              | (678)   | -  | (446)  | -  | (1,124)       |
| At 31 July 2000                        | <b>16,467</b>                                       | <b>1,600</b>                                 | <b>50,167</b>                                      | <b>1,549</b>   | <b>69,783</b> |
| Comprising:                            |   |  |  |  |               |
| At professional valuation 31 July 1998 | 14,352  | 1,600  | -  | -  | 15,952        |
| At cost                                | 2,115   | -  | 50,167   | 1,549  | 53,831        |
|  | 16,467  | 1,600  | 50,167   | 1,549  | 69,783        |
| Depreciation                           |   |  |  |  |               |
| At 1 August 1999                       | 367   | -  | 20,666   | 750  | 21,783        |
| Provision for the year                 | 432   | -  | 4,596  | 133  | 5,161         |
| On disposals                           | (13)  | -  | (321)  | -  | (334)         |
| At 31 July 2000                        | <b>786</b>  | <b>-</b>                                     | <b>24,941</b>                                      | <b>883</b>   | <b>26,610</b> |
| Net book value at 31 July 2000         | <b>15,681</b>                                       | <b>1,600</b>                                 | <b>25,226</b>                                      | <b>666</b>   | <b>43,173</b> |
| Net book value at 31 July 1999         | 15,273  | 1,600  | 27,272   | 799  | 44,944        |

**Notes**

(i) £5,028,000 (1999 £5,422,000) of the gross book value of land has not been depreciated. Had there been no valuations, the book amounts of land and buildings using the historical cost accounting rules, would have been:

|                | Consolidated<br>2000<br>£000 | Consolidated<br>1999<br>£000 |
|----------------|------------------------------|------------------------------|
| Cost           | <b>10,613</b>                | 9,593                        |
| Depreciation   | <b>(2,779)</b>               | (2,555)                      |
| Net book value | <b>7,834</b>                 | 7,038                        |

**11 TANGIBLE FIXED ASSETS** continued

(ii) Certain land and buildings let under full commercial leases have been reclassified as investment properties, having been valued on 31 July 1998 by DTZ Debenham Thorpe, on an 'open market value' basis. The land and buildings were revalued on 31 July 1998 by DTZ Debenham Thorpe, on an 'open market value for existing use' basis.

| Company                        | Plant, machinery<br>and equipment<br>owned<br>£000 |
|--------------------------------|--|
| Cost                           |  |
| At 1 August 1999               | 248  |
| Additions                      | 25   |
| Disposals                      | (75)   |
| At 31 July 2000                | <b>198</b>   |
| Depreciation                   |  |
| At 1 August 1999               | 123  |
| Provision for the year         | 54   |
| On disposals                   | (43)   |
| At 31 July 2000                | <b>134</b>   |
| Net book value at 31 July 2000 | <b>64</b>  |
| Net book value at 31 July 1999 | 125  |

**12 FIXED ASSET INVESTMENTS**

| Consolidated   | Own Shares<br>Number | Own Shares<br>£000 |
|--|----------------------|--------------------|
| Ordinary Shares in Manganese Bronze Holdings PLC held by the ESOT: |                      |                    |
| Cost   |                      |                    |
| At 1 August 1999   | 73,550               | 300                |
| Additions  | 92,078               | 200                |
| At 31 July 2000  | <b>165,628</b>       | <b>500</b>         |
| Amounts written off:   |                      |                    |
| At 1 August 1999   |                      | -                  |
| Written off during the year  |                      | 13                 |
| At 31 July 2000  |                      | <b>13</b>          |
| Net book value at 31 July 2000                                     |                      | <b>487</b>         |
| Net book value at 31 July 1999                                     |                      | 300                |

**12 FIXED ASSET INVESTMENTS** continued

| Company                        | Own Shares<br>Number | Own Shares<br>£000 | Shares in<br>subsidiaries<br>£000 | Total<br>£000 |
|--------------------------------|----------------------|--------------------|-----------------------------------|---------------|
| Cost                           |                      |                    |                                   |               |
| At 1 August 1999               | 73,550               | 300                | 8,500                             | 8,800         |
| Additions                      | 92,078               | 200                | -                                 | 200           |
| At 31 July 2000                | <b>165,628</b>       | <b>500</b>         | <b>8,500</b>                      | <b>9,000</b>  |
| Amounts written off:           |                      |                    |                                   |               |
| At 1 August 1999               |                      | -                  | -                                 | -             |
| Written off during the year    |                      | 13                 | -                                 | 13            |
| At 31 July 2000                |                      | <b>13</b>          | -                                 | <b>13</b>     |
| Net book value at 31 July 2000 |                      | <b>487</b>         | <b>8,500</b>                      | <b>8,987</b>  |
| Net book value at 31 July 1999 |                      | 300                | 8,500                             | 8,800         |

The Manganese Bronze Holdings ESOT was established in 1997 to hold shares for the Group's employee share schemes. The purpose of the ESOT is, inter alia, to purchase shares in Manganese Bronze Holdings PLC in the open market and to grant options over such shares in accordance with the rules of the Group's employee share schemes. At the year end the ESOT was financed principally by loans, repayable on demand, from the Company. Administration expenses of the Trust are charged to the Company's profit and loss account as they are incurred. Dividends receivable by the Trust are waived. The market value of the shares in the ESOT at 31 July 2000 was £316,000 (1999 £174,000).

**Group Companies**

Principal subsidiary undertakings at 31 July 2000:

| Company                             | Activities                        |
|-------------------------------------|-----------------------------------|
| LTI Limited                         | Taxi manufacture and retailing    |
| LTI Finance Limited                 | Taxi finance                      |
| Manganese Bronze Components Limited | Engineering component manufacture |
| Old BSA Limited                     | Group property                    |

All the four principal Group companies are wholly owned, registered and operating in England.

**13 STOCKS**

|                                    | <b>Consolidated<br/>2000<br/>£000</b> | Consolidated<br>1999<br>£000 |
|------------------------------------|---------------------------------------|------------------------------|
| Raw materials and bought out items | <b>4,313</b>                          | 4,297                        |
| Work in progress                   | <b>2,918</b>                          | 3,361                        |
| Finished goods                     | <b>9,132</b>                          | 6,098                        |
| Total stocks                       | <b>16,363</b>                         | 13,756                       |

**14 DEBTORS**

|                                       | <b>Consolidated<br/>2000<br/>£000</b> | Consolidated<br>1999<br>£000 | <b>Company<br/>2000<br/>£000</b> | Company<br>1999<br>£000 |
|---------------------------------------|---------------------------------------|------------------------------|----------------------------------|-------------------------|
| Trade debtors                         | 7,050                                 | 8,240                        | -                                | -                       |
| Amounts owed by subsidiary companies  | -                                     | -                            | 11,216                           | 16,941                  |
| Other debtors                         | 657                                   | 543                          | 8                                | 23                      |
| Corporation Tax recoverable           | -                                     | -                            | 477                              | 784                     |
| Prepayments                           | 754                                   | 495                          | 154                              | 63                      |
| Pension Fund prepayment (see note 29) | -                                     | 290                          | -                                | 290                     |
|                                       | <b>8,461</b>                          | 9,568                        | <b>11,855</b>                    | 18,101                  |

**15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | <b>Consolidated<br/>2000<br/>£000</b> | Consolidated<br>1999<br>£000 | <b>Company<br/>2000<br/>£000</b> | Company<br>1999<br>£000 |
|--|---------------------------------------|------------------------------|----------------------------------|-------------------------|
| Bank overdraft                           | -                                     | 204                          | -                                | -                       |
| Stocking loan (note)                     | 4,217                                 | 2,925                        | -                                | -                       |
| Finance contracts (note)                 | 196                                   | 231                          | -                                | -                       |
| Trade creditors                          | 14,482                                | 13,823                       | -                                | -                       |
| Amounts owed to subsidiary companies     | -                                     | -                            | 1,342                            | 1,322                   |
| Corporation Tax                          | 1,136                                 | 725                          | -                                | -                       |
| Social security, payroll and other taxes | 1,943                                 | 1,205                        | 113                              | 105                     |
| Other creditors                          | 864                                   | 889                          | 473                              | 501                     |
| Accruals                                 | 2,256                                 | 1,656                        | 299                              | 219                     |
| Proposed dividend                        | 1,244                                 | 1,162                        | 1,244                            | 1,162                   |
|  | <b>26,338</b>                         | 22,820                       | <b>3,471</b>                     | 3,309                   |

**Note**

The finance contracts and stocking loan are secured on certain assets of individual subsidiaries and finished taxes held by non-group dealers.

**16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                   | <b>Consolidated<br/>2000<br/>£000</b> | Consolidated<br>1999<br>£000 | <b>Company<br/>2000<br/>£000</b> | Company<br>1999<br>£000 |
|-------------------|---------------------------------------|------------------------------|----------------------------------|-------------------------|
| Bank loan         | -                                     | 3,000                        | -                                | 3,000                   |
| Finance contracts | 736                                   | 547                          | -                                | -                       |
|                   | <b>736</b>                            | 3,547                        | -                                | 3,000                   |

**17 FINANCIAL INSTRUMENTS AND DERIVATIVES**

The disclosures in this note describe the Group's financial assets and liabilities as required by Financial Reporting Standard 13 Derivatives and other financial instruments: disclosures (FRS13). An explanation of Group policy regarding the use of financial instruments to manage the financial exposures facing the Group is also given. Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures. For this purpose non-equity shares issued by the Company are dealt with in the same way as the Group's financial liabilities, but separately disclosed. As permitted by FRS13 short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

**Policy**

Treasury policy seeks to reduce the risks arising from the currency and maturity of the Group's financial instruments. Speculation, including the use of complex financial derivative products, is not part of the Group's treasury activities.

Financial instruments are sterling denominated where possible. Material foreign currency commitments are hedged for six months ahead using forward contracts. Borrowings and, where they arise, deposits are fixed for periods of up to one year.

**Treasury Operations**

At 31 July 2000, the Group had cash deposits of £2,284,000 (1999 £nil). The Group's financial liabilities are all sterling denominated and comprise various fixed and floating rate instruments detailed below. A maturity profile is also provided, together with information regarding debt management.

|                          | Fixed<br>2000<br>£000 | Floating<br>2000<br>£000 | Total<br>2000<br>£000 | Fixed<br>1999<br>£000 | Floating<br>1999<br>£000 | Total<br>1999<br>£000 |
|--------------------------|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| <b>Borrowings</b>        |                       |                          |                       |                       |                          |                       |
| Bank overdraft           | -                     | -                        | -                     | -                     | 204                      | 204                   |
| Bank Loan                | -                     | -                        | -                     | -                     | 3,000                    | 3,000                 |
| Stocking Loan            | -                     | 4,217                    | 4,217                 | -                     | 2,925                    | 2,925                 |
| Finance Contracts        | 932                   | -                        | 932                   | 778                   | -                        | 778                   |
|                          | <b>932</b>            | <b>4,217</b>             | <b>5,149</b>          | 778                   | 6,129                    | 6,907                 |
| <b>Non-equity shares</b> |                       |                          |                       |                       |                          |                       |
| Preference Shares        | 684                   | -                        | 684                   | 686                   | -                        | 686                   |
|                          | <b>1,616</b>          | <b>4,217</b>             | <b>5,833</b>          | 1,464                 | 6,129                    | 7,593                 |

Obligations under bank loans, hire purchase and finance leases are repayable as follows:

|                                       | Consolidated<br>2000<br>£000 | Consolidated<br>1999<br>£000 |
|---------------------------------------|------------------------------|------------------------------|
| Within one year                       | 4,413                        | 3,360                        |
| In the second year                    | 504                          | 257                          |
| In the third to fifth years inclusive | 232                          | 3,290                        |
|                                       | <b>5,149</b>                 | 6,907                        |

The Group has an uncommitted overdraft facility of £3m which is linked to base rate. A committed LIBOR linked bank loan facility of £7m, which remained undrawn at 31 July 2000, is also available until February 2002. The uncommitted stocking finance facility of £12.5m, including non-group dealers, is linked to FHBR. The finance contracts are fixed at an average rate of 8%. The preference shares were issued at a rate of 8.25% without a repayment date.

**17 FINANCIAL INSTRUMENTS AND DERIVATIVES** continued**Currency**

The Group's main currency exposure is to the Japanese Yen, a consequence of the purchase of taxi engines and gearboxes. The unhedged exposures reflected in the Group's foreign currency monetary assets and liabilities are summarised below:

| Net Foreign Monetary Assets/(Liabilities) | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| Euro and related currencies               | 375          | 86           |
| US Dollar                                 | 78           | (71)         |
| Swiss Franc                               | 29           | 32           |
|   | <b>482</b>   | <b>47</b>    |

**Fair Values**

Set out below is a comparison of book values and fair values of the Group's financial assets and liabilities.

|   | Book Value<br>2000<br>£000 | Fair Value<br>2000<br>£000 | Book Value<br>1999<br>£000 | Fair Value<br>1999<br>£000 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Primary financial instruments<br/>to finance the Group's operations</b>      |                            |                            |                            |                            |
| Cash  | (2,284)                    | (2,284)                    | -                          | -                          |
| Overdraft   | -                          | -                          | 204                        | 204                        |
| Bank Loan   | -                          | -                          | 3,000                      | 3,000                      |
| Stocking Loan   | 4,217                      | 4,217                      | 2,529                      | 2,529                      |
| Finance Contracts   | 932                        | 932                        | 778                        | 778                        |
| Preference Share Capital  | 684                        | 705                        | 686                        | 706                        |
| <b>Derivative financial instruments held<br/>to manage the currency profile</b> |                            |                            |                            |                            |
| Forward foreign currency contracts (loss)/gain                                  | -                          | (248)                      | -                          | 117                        |

**Gains and losses on hedges**

Hedge accounting is used when forward currency contracts have been entered into to stabilise the Group's imported material costs. This means that any gains and losses on these contracts are recognised in the Group's profit and loss account at the same point in time as the hedged items are accounted for. An unrecognised gain of £117,000 was carried forward at 31 July 1999 and recognised during the course of the year ended 31 July 2000. An unrecognised loss of £248,000 was carried forward at 31 July 2000 and is expected to be recognised in the profit and loss account during the year ending 31 July 2001.

**18 PROVISIONS FOR LIABILITIES AND CHARGES**

|                                     | Deferred taxation<br>£000 | Warranty<br>£000 | Total<br>£000 |
|-------------------------------------|---------------------------|------------------|---------------|
| <b>Consolidated</b>                 |                           |                  |               |
| At 1 August 1999                    | 1,511                     | 1,610            | 3,121         |
| Transfer from profit & loss account | 264                       | 88               | 352           |
| At 31 July 2000                     | <b>1,775</b>              | <b>1,698</b>     | <b>3,473</b>  |
| <b>Company</b>                      |                           |                  |               |
| At 1 August 1999                    | 87                        | -                | 87            |
| Transfer to profit & loss account   | (87)                      | -                | (87)          |
| At 31 July 2000                     | -                         | -                | -             |

**19 DEFERRED TAXATION****Consolidated**

The balance at 31 July 2000 is made up as follows:

|                                | <b>Provided<br/>2000<br/>£000</b> | Provided<br>1999<br>£000 | <b>Full potential<br/>liability/(asset)<br/>2000<br/>£000</b> | Full potential<br>liability<br>1999<br>£000 |
|--------------------------------|-----------------------------------|--------------------------|---|---|
| Timing differences:            |                                   |                          |   |   |
| Accelerated capital allowances | <b>1,781</b>                      | 1,424                    | 3,503   | 3,571                                       |
| Other                          | <b>(6)</b>                        | 87                       | (6)   | 34  |
|                                | <b>1,775</b>                      | 1,511                    | 3,497   | 3,605                                       |

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

**Company**

The balance at 31 July 2000 is made up as follows:

|                                | <b>Provided<br/>2000<br/>£000</b> | Provided<br>1999<br>£000 | <b>Full potential<br/>liability/(asset)<br/>2000<br/>£000</b> | Full potential<br>liability<br>1999<br>£000 |
|--------------------------------|-----------------------------------|--------------------------|---|---|
| Timing differences:            |                                   |                          |   |   |
| Accelerated capital allowances | -                                 | -                        | <b>(14)</b>   | -   |
| Other timing differences       | -                                 | 87                       | -   | 251   |

**20 SHARE CAPITAL**

|  | Number            | £000         |
|--|-------------------|--------------|
| <b>Authorised Share Capital</b>                  |                   |              |
| Ordinary Shares of 25p each                      | 26,256,692        | 6,564        |
| 8.25% Cumulative Preference Shares of £1 each    | 684,165           | 684          |
| <b>Issued Share Capital</b>                      |                   |              |
| Allotted fully paid Ordinary Shares of 25p each: |                   |              |
| At 1 August 1999 and 31 July 2000                | <b>17,927,436</b> | <b>4,482</b> |
| 8.25% Cumulative Preference Shares of £1 each:   |                   |              |
| At 1 August 1999                                 | 685,827           | 686          |
| Preference shares repurchased                    | (1,662)           | (2)          |
| At 31 July 2000                                  | <b>684,165</b>    | <b>684</b>   |
| Total called up share capital                    |                   | 5,166        |

The Preference Shares have cumulative rights to dividends, limited voting rights and priority to the Ordinary Shares for repayment of capital on winding up.

**20 SHARE CAPITAL** continued

As at 31 July 2000 the options outstanding under the Executive, Company and Unapproved Share Option Schemes were as follows:

| Date of Grant     | Exercise Price<br>pence | Outstanding<br>'000 |
|-------------------|-------------------------|---------------------|
| 7 January 1991    | 103.0                   | 49                  |
| 29 March 1993     | 87.5                    | 107                 |
| 6 November 1993   | 113.0                   | 8                   |
| 11 October 1996   | 360.5                   | 48                  |
| 31 March 1998     | 412.0                   | 104                 |
| 8 May 1998        | 428.0                   | 100                 |
| 23 September 1999 | 229.0                   | 415                 |
|                   |                         | <b>831</b>          |

Options outstanding under the Group's SAYE scheme at 31 July 2000 were as follows:

| Date of Grant | Exercise Price<br>pence | Outstanding<br>'000 |
|---------------|-------------------------|---------------------|
| 10 April 1997 | 420.0                   | 69                  |
| 8 April 1998  | 359.0                   | 44                  |
| 9 April 1999  | 157.2                   | 271                 |
|               |                         | <b>384</b>          |

The options are exercisable normally between three and ten years of the date of grant.

**21 RESERVES**

| Consolidated                  | Share<br>premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Revaluation<br>reserve<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|-------------------------------|-------------------------------------|--|--------------------------------|------------------------------------|---------------|
| At 1 August 1999              | 3,560                               | 914                                      | 9,834                          | 19,604                             | 33,912        |
| Preference shares repurchased | -                                   | 2  | -                              | (2)                                | -             |
| Transfer to profit and loss   | -                                   | -  | (388)                          | 388                                | -             |
| Retained profit for the year  | -                                   | -  | -                              | 1,143                              | 1,143         |
| At 31 July 2000               | <b>3,560</b>                        | <b>916</b>                               | <b>9,446</b>                   | <b>21,133</b>                      | <b>35,055</b> |

£665,000 of the revaluation reserve is in respect of investment property.

| Company                       | Share<br>premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Revaluation<br>reserve<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|-------------------------------|-------------------------------------|--|--------------------------------|------------------------------------|---------------|
| At 1 August 1999              | 3,560                               | 914                                      | -                              | 13,564                             | 18,038        |
| Preference shares repurchased | -                                   | 2  | -                              | (2)                                | -             |
| Retained profit for the year  | -                                   | -  | -                              | 1,691                              | 1,691         |
| At 31 July 2000               | <b>3,560</b>                        | <b>916</b>                               | -                              | <b>15,253</b>                      | <b>19,729</b> |

**22 SHAREHOLDERS' FUNDS**

| Reconciliation of Movements in Shareholders' Funds |  | Consolidated<br>2000<br>£000 | Consolidated<br>1999<br>£000 |
|--|--|------------------------------|------------------------------|
| Profit for the financial year                      |  | <b>3,152</b>                 | 2,418                        |
| Dividends  |  | <b>(2,009)</b>               | (1,921)                      |
|  |  | <b>1,143</b>                 | 497                          |
| Repurchase of preference shares                    |  | <b>(2)</b>                   | -                            |
| New share capital subscribed                       |  | -                            | 50                           |
| Net addition to Shareholders' Funds                |  | <b>1,141</b>                 | 547                          |
| Opening Shareholders' Funds                        |  | <b>39,080</b>                | 38,533                       |
| Closing Shareholders' Funds                        |  | <b>40,221</b>                | 39,080                       |

| Analysis of Shareholders' Funds         | Consolidated<br>2000<br>£000 | Consolidated<br>1999<br>£000 | Company<br>2000<br>£000 | Company<br>1999<br>£000 |
|---|------------------------------|------------------------------|-------------------------|-------------------------|
| Equity interests                        | <b>39,537</b>                | 38,394                       | <b>24,211</b>           | 22,520                  |
| Non-equity interests: Preference Shares | <b>684</b>                   | 686                          | <b>684</b>              | 686                     |
|   | <b>40,221</b>                | 39,080                       | <b>24,895</b>           | 23,206                  |

**23 ANALYSIS OF CASH, DEBT AND GEARING**

| Consolidated<br>Reconciliation of Net Cash Flow to Movement in Net Debt |  | 2000<br>£000   | 1999<br>£000 |
|---|--|----------------|--------------|
| Increase/(decrease) in cash in the period                               |  | <b>2,488</b>   | (3,743)      |
| New finance contracts   |  | <b>(331)</b>   | -            |
| Capital element of finance contracts payments                           |  | <b>177</b>     | 176          |
| (Increase)/decrease in stocking loan                                    |  | <b>(1,292)</b> | 1,489        |
| Decrease in bank loan   |  | <b>3,000</b>   | 4,000        |
| Change in net debt  |  | <b>4,042</b>   | 1,922        |
| Net debt brought forward  |  | <b>(6,907)</b> | (8,829)      |
| Net debt carried forward  |  | <b>(2,865)</b> | (6,907)      |
| Shareholders' Funds   |  | <b>40,221</b>  | 39,080       |
| Gearing   |  | <b>7.1%</b>    | 17.7%        |

| Analysis of Net Debt                           |  | 2000<br>£000   | 1999<br>£000 |
|--|--|----------------|--------------|
| Cash at bank and in hand                       |  | <b>2,284</b>   | -            |
| Overdrafts                                     |  | -              | (204)        |
| Bank loan                                      |  | -              | (3,000)      |
| Stocking loan                                  |  | <b>(4,217)</b> | (2,925)      |
| Finance contracts due within one year          |  | <b>(196)</b>   | (231)        |
| Finance contracts due after more than one year |  | <b>(736)</b>   | (547)        |
| Net Debt                                       |  | <b>(2,865)</b> | (6,907)      |

**24 CAPITAL COMMITMENTS**

| Consolidated                                     | 2000<br>£000 | 1999<br>£000 |
|--|--------------|--------------|
| Expenditure authorised and contracted at 31 July | <b>980</b>   | 213          |

The Company had no capital commitments at 31 July 2000 (1999 £Nil).

**25 FINANCIAL COMMITMENTS**

Consolidated

At 31 July 2000 the Group had annual commitments under non-cancellable operating leases as set out below:

|  | Land and<br>Buildings<br>2000<br>£000 | Other<br>2000<br>£000 | Land and<br>Buildings<br>1999<br>£000 | Other<br>1999<br>£000 |
|--|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| Operating leases which expire:         |                                       |                       |                                       |                       |
| Within one year                        | -                                     | <b>29</b>             | -                                     | 51                    |
| In the second to fifth years inclusive | <b>134</b>                            | <b>375</b>            | -                                     | 367                   |
| Over five years                        | <b>661</b>                            | -                     | 481                                   | -                     |
|  | <b>795</b>                            | <b>404</b>            | 481                                   | 418                   |

The Company had no financial commitments at 31 July 2000 (1999 £Nil).

**26 DIRECTORS**

|  | 2000<br>£000 | 1999<br>£000 |
|--|--------------|--------------|
| Aggregate emoluments   | <b>612</b>   | 641          |
| Company pension contributions to money purchase scheme           | <b>51</b>    | 59           |
| Compensation   | -            | 222          |
|  | <b>663</b>   | 922          |
| <b>Highest paid director</b>                                     |              |              |
| The highest paid director was Jamie Borwick (1999 Mike Williams) |              |              |
| Aggregate emoluments   | <b>193</b>   | 79           |
| Company pension contributions to money purchase scheme           | <b>20</b>    | 9            |
| Compensation   | -            | 222          |
|  | <b>213</b>   | 310          |

Further details of the emoluments, share options, pension benefits and long term incentive scheme interests of the directors are disclosed in the report of the Remuneration Committee on pages 16 to 17.

**27 SUBSTANTIAL INTERESTS IN ORDINARY SHARES**

At 1 September 2000 the Company had been notified under the provisions of the Companies Act 1985 of the following interests in the Ordinary Share capital:

|   | Holding   | %     |
|---|-----------|-------|
| Rutland Investments Limited and its subsidiaries (note) | 6,653,052 | 37.11 |
| Schroder Investment Management Limited                  | 2,533,180 | 14.13 |
| Jupiter Asset Management                                | 1,789,779 | 9.98  |
| Scottish Widows Investment Management Limited           | 615,000   | 3.43  |
| Jamie Borwick and family companies                      | 599,422   | 3.34  |

**Note**

The Rutland shareholding includes 1,106,652 Ordinary Shares held by its subsidiary, Love Lane Investments Limited. These shares are included in the non-beneficial interests of Jamie Borwick as he is the managing director of that company, and are disclosed in the report of the Remuneration Committee on pages 18 to 19.

**28 CONTINGENT LIABILITIES**

- (a) The Company has given a guarantee to HSBC in respect of any amounts outstanding on the Group's borrowing facilities. At 31 July 2000 the relevant Group net borrowings amounted to £nil (1999 £204,000).
- (b) Certain subsidiaries provide warranties and sometimes extended warranties in respect of their products. The directors review the position regularly and consider that appropriate provisions have been made to cover known and expected costs likely to arise under these warranties.

**29 PENSIONS**

The Group continues to operate a defined benefit scheme in which benefits have ceased to accrue additional pensionable service but continue to be linked to salary or Limited Price Indexation (LPI). The valuation position of the scheme was assessed at 5 April 2000 by a qualified actuary using the following assumptions:

|                            | At 5 April 2000 |
|----------------------------|-----------------|
| Value of assets            | Market value    |
| Rate of investment return: |                 |
| - pre-retirement age       | 9.0%            |
| - post-retirement age      | 8.0%            |
| Rate of salary increase    | 6.0%            |
| LPI                        | 4.0%            |

Future pension increases were allowed for at rates set out in the Scheme rules. The market value of the assets of the Scheme at the valuation date was £29.9m. The actuarial value of these assets represented 87% of the actuarial value of the accrued benefit liabilities, which corresponded to a deficit of £4.6m. A cash contribution of £1.2m (1999 £750,000) was paid into the Scheme during the year. Under Minimum Funding Requirement (MFR) legislation the Company will be legally bound to adhere to a contributions schedule agreed with the Scheme's trustees until the scheme deficit is eliminated. Contributions for the year to 31 July 2001 are likely to be in the region of £1m. The pension charge for the year in respect of the scheme calculated in accordance with SSAP24 was £1,490,000 (1999 £1,188,000).

The Group also operates a defined contribution pension plan open to employees of Group companies. The pension charge for this Scheme for the year was £822,000 (1999 £801,000). The total pension charge for the year was £2,312,000 (1999 £1,989,000). Both the plan and the scheme assets are held in funds separate from the Group.

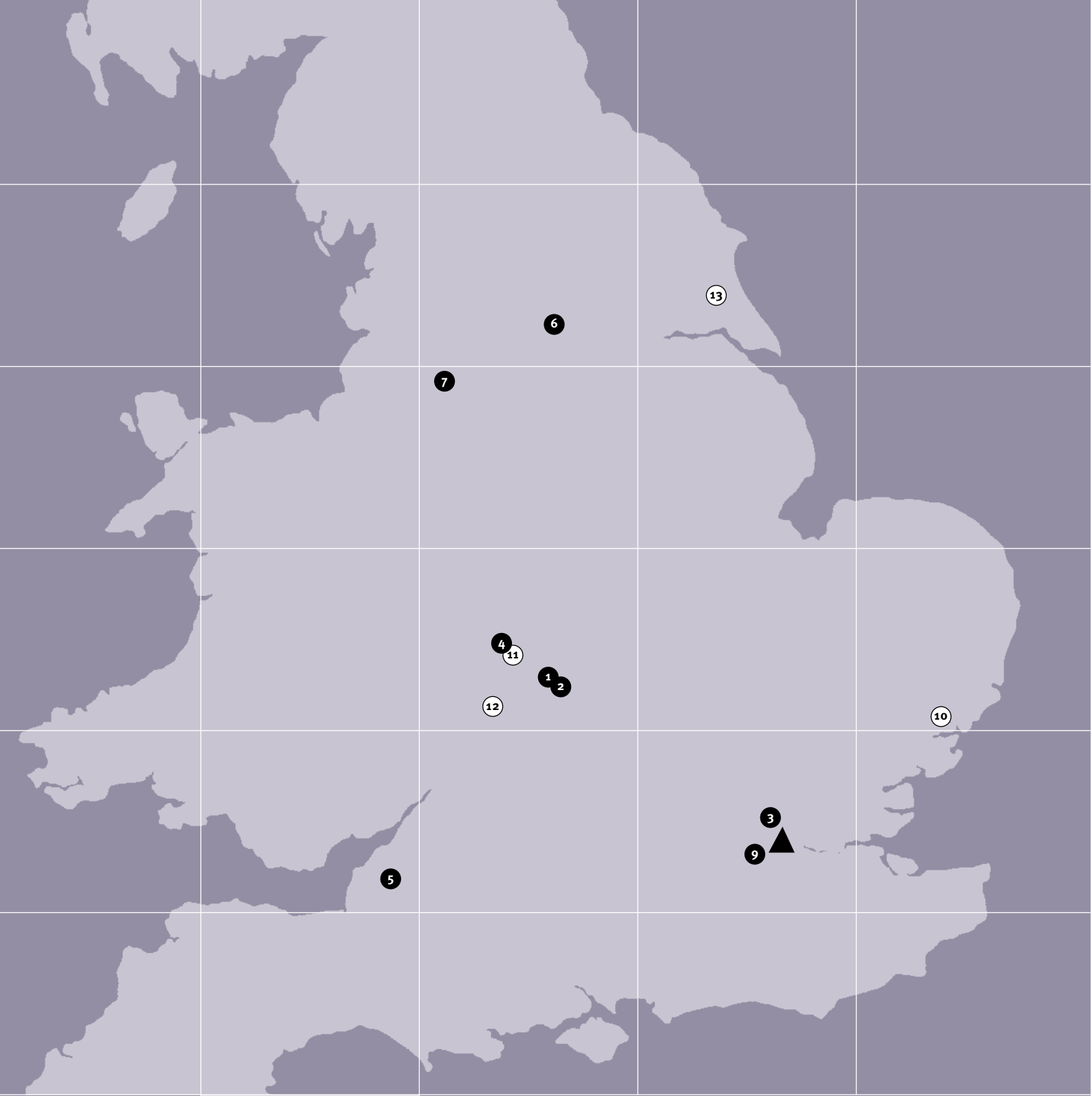
|  | 1996<br>£000 | 1997<br>£000 | 1998<br>£000 | 1999<br>£000 | 2000<br>£000   |
|--|--------------|--------------|--------------|--------------|----------------|
| Turnover                                 |              |              |              |              |                |
| Vehicles                                 | 62,887       | 73,045       | 79,456       | 89,440       | <b>100,077</b> |
| Components                               | 34,446       | 28,632       | 35,513       | 28,743       | <b>30,140</b>  |
|  | 97,333       | 101,677      | 114,969      | 118,183      | <b>130,217</b> |
| Operating Profit                         |              |              |              |              |                |
| Vehicles                                 | 5,006        | 6,842        | 5,527        | 5,384        | <b>5,435</b>   |
| Components                               | 1,292        | 1,542        | 2,899        | (263)        | <b>(326)</b>   |
|  | 6,298        | 8,384        | 8,426        | 5,121        | <b>5,109</b>   |
| Exceptional items                        | -            | -            | (2,505)      | (723)        | -              |
| Profit on ordinary activities            | 6,298        | 8,384        | 5,921        | 4,398        | <b>5,109</b>   |
| Interest - net payable                   | (96)         | (73)         | (887)        | (885)        | <b>(357)</b>   |
| Profit on ordinary activities before tax | 6,202        | 8,311        | 5,034        | 3,513        | <b>4,752</b>   |
| Taxation charge                          | (1,645)      | (1,835)      | (1,546)      | (1,095)      | <b>(1,600)</b> |
| Dividends                                | (1,255)      | (1,725)      | (1,934)      | (1,921)      | <b>(2,009)</b> |
| Transfer to Reserves                     | 3,302        | 4,751        | 1,554        | 497          | <b>1,143</b>   |
| Capital Expenditure                      | 8,025        | 15,724       | 7,696        | 4,213        | <b>4,180</b>   |
| Net assets                               | 27,640       | 32,617       | 38,533       | 39,080       | <b>40,221</b>  |
| Net Debt                                 | (597)        | (6,661)      | (8,829)      | (6,907)      | <b>(2,865)</b> |
| Gearing                                  | 2.2%         | 20.4%        | 22.9%        | 17.7%        | <b>7.1%</b>    |
| Earnings per Ordinary Share: Basic       | 26.81p       | 36.39p       | 19.32p       | 13.25p       | <b>17.42p</b>  |
| Diluted                                  | 26.22p       | 35.71p       | 19.06p       | 13.13p       | <b>17.26p</b>  |
| Dividends per Ordinary Share: Interim    | 2.5p         | 3.5p         | 4.0p         | 4.0p         | <b>4.0p</b>    |
| Final                                    | 4.5p         | 6.0p         | 6.5p         | 6.5p         | <b>7.0p</b>    |
|  | 7.0p         | 9.5p         | 10.5p        | 10.5p        | <b>11.0p</b>   |
| Vehicle sales: UK                        | 2,466        | 2,800        | 2,849        | 3,101        | <b>3,364</b>   |
| Export                                   | 99           | 138          | 33           | 19           | <b>27</b>      |
|  | 2,565        | 2,938        | 2,882        | 3,120        | <b>3,391</b>   |

## VEHICLES DIVISION

|   |  |  |
|---|--|--|
| <b>1 London Taxis International<br/>Manufacture of the London Taxi</b><br>Contact: Barry Widdowson          | Holyhead Road<br>Coventry CV5 8JJ<br>Telephone 02476 572000                                    | Jamie Borwick - Chairman<br>Barry Widdowson - Managing Director<br>Alan Bray<br>William Doelle<br>Peter Finestone<br>Trevor Hattersley<br>Tim Jones<br>Mike Lycett<br>Roy McMaster<br>Gareth Morgan<br>Ian Mullen<br>Ed Osmond |
| <b>2 London Taxis International - Export<br/>Export Sales of the London Taxi</b><br>Contact: Updesh Ramnath | Holyhead Road<br>Coventry CV5 8JJ<br>Telephone 02476 572000                                    | Andrew Overton<br>Adrian Peake<br>Tony Pearman<br>Trevor Power<br>Updesh Ramnath<br>Peter Rigden<br>Andrew Shaw<br>Mark Smith  |
| <b>3 Mann &amp; Overton London<br/>Taxi Sales</b><br>Contact: Peter Finestone                               | 48-52 Holloway Road<br>London N7 8JL<br>Telephone 020 7700 0888                                | Jevon Thorpe<br>Mark Whitehouse  |
| <b>4 Mann &amp; Overton Birmingham<br/>Taxi Sales</b><br>Contact: Mark Smith                                | 147-150 Charles Henry Street<br>Birmingham B12 0SD<br>Telephone 0121 622 7777                  |  |
| <b>5 Mann &amp; Overton Bristol<br/>Taxi Sales</b><br>Contact: Tim Jones                                    | 16-20 Fishponds Road<br>Bristol BS5 6SB<br>Telephone 0117 952 7777                             |  |
| <b>6 Mann &amp; Overton - Leeds<br/>Taxi Sales</b><br>Contact: Neil Carter                                  | Unit 3A, Bankfield Industrial Estate<br>Kitson Road, Leeds LS10 1NT<br>Telephone 0113 388 8600 |  |
| <b>7 Mann &amp; Overton Manchester<br/>Taxi Sales</b><br>Contact: Andrew Shaw                               | Raynes Way, Cheetham<br>Manchester M8 8NN<br>Telephone 0161 831 3434                           |  |
| <b>8 LTI America Inc<br/>Taxi Sales</b><br>Contact: William Doelle  | 1557 Shore Club Drive<br>St Clair Shores, MI 48080 USA<br>Telephone 001 810 775 4905           |  |
| <b>9 LTI Finance<br/>Finance for Taxi Purchase</b><br>Contact: Mike McRedmond                               | 7 Quayside Lodge, William<br>Morris Way, London SW6 2UZ<br>Telephone 020 7371 9299             | Ian Pickering - Chairman<br>Barry Widdowson<br>Mike McRedmond<br>Liz Chadwick  |

## COMPONENTS DIVISION

|   |  |  |
|---|--|--|
| <b>10 MBC Precision Components<br/>and MBC Advanced Sintering<br/>Sintered Iron and Bronze Components</b><br>Contact: Nigel Plant       | Hadleigh Road, Ipswich<br>Suffolk 1P2 0HX<br>Telephone 01473 233300                        | Jamie Borwick - Chairman<br>Ian Pickering<br>Phil Badger<br>John Brackpool<br>Alistair Brixey<br>David Chapman<br>John Cooke<br>Peter Farthing<br>Claire Hilton<br>Paddy Holt<br>Peter Jones<br>Mark MacDougall<br>Phil Marsh<br>Peter Mayhew<br>Nigel Plant<br>Mavin Poole<br>David Power<br>Ian Taylor<br>Mark Wall<br>Jim Welsh |
| <b>11 MBC Metal Powders<br/>Water and Gas Atomised Metal Powders</b><br>Contact: John Cooke   | Montgomery Street<br>Birmingham B11 1DT<br>Telephone 0121 773 7386                         |  |
| <b>12 MBC Precision Castings<br/>and MBC Lightalloys<br/>Lost Wax Stainless Steel<br/>and Aluminium Castings</b><br>Contact: Ian Taylor | Shawbank Road<br>Lakeside, Redditch<br>Worcestershire B98 8YN<br>Telephone 01527 527501    |  |
| <b>13 Deans Powered Doors<br/>Manufacture of Bus Door Systems</b><br>Contact: Derrick Skidmore  | PO Box 8, Grovehill Road<br>Beverley, East Yorkshire<br>HU17 0JL<br>Telephone 01482 868111 | Ian Pickering - Chairman<br>Derrick Skidmore - Managing Director<br>Malcolm Phillips<br>Peter Spencer<br>Dave Thomas   |



- ▲ Group Head Office
- Vehicles Division
- Components Division

**Group Head Office**  
1 Love Lane  
London EC2V 7HJ  
Telephone 020 7776 9000

A brief history of Manganese Bronze Holdings PLC - and how we got our name. Manganese Bronze Holdings was founded in 1882 to manufacture ships' propellers out of the revolutionary new alloy manganese bronze, which was very resistant to sea-water. The Company then expanded into the new industry of sintering metal powders to form bearings. In the early 1960s it wisely disposed of the ships' propeller business - before the downturn in shipbuilding - and purchased the Norton motorcycle business from receivership. When the Birmingham Small Arms Company (BSA) was in financial difficulties in 1973, Manganese Bronze sold its motorcycle business into Norton Villiers Triumph and purchased several BSA businesses, which today form large parts of our present Components Division. In addition we acquired BSA Carbodies, coachbuilder of the traditional London Taxi, which formed the nucleus of our Vehicles Division. We then began to assemble the complete vehicle and the purchase of Mann & Overton Ltd, the taxi retailer, in 1984 formed our Vehicles business which today operates as London Taxis International. In 1997 we launched the new London Taxi, the TX1.

Manganese Bronze Holdings PLC 1 Love Lane London EC2V 7HJ Tel 020 7776 9000 Fax 020 7776 9001 [www.manganese.com](http://www.manganese.com)