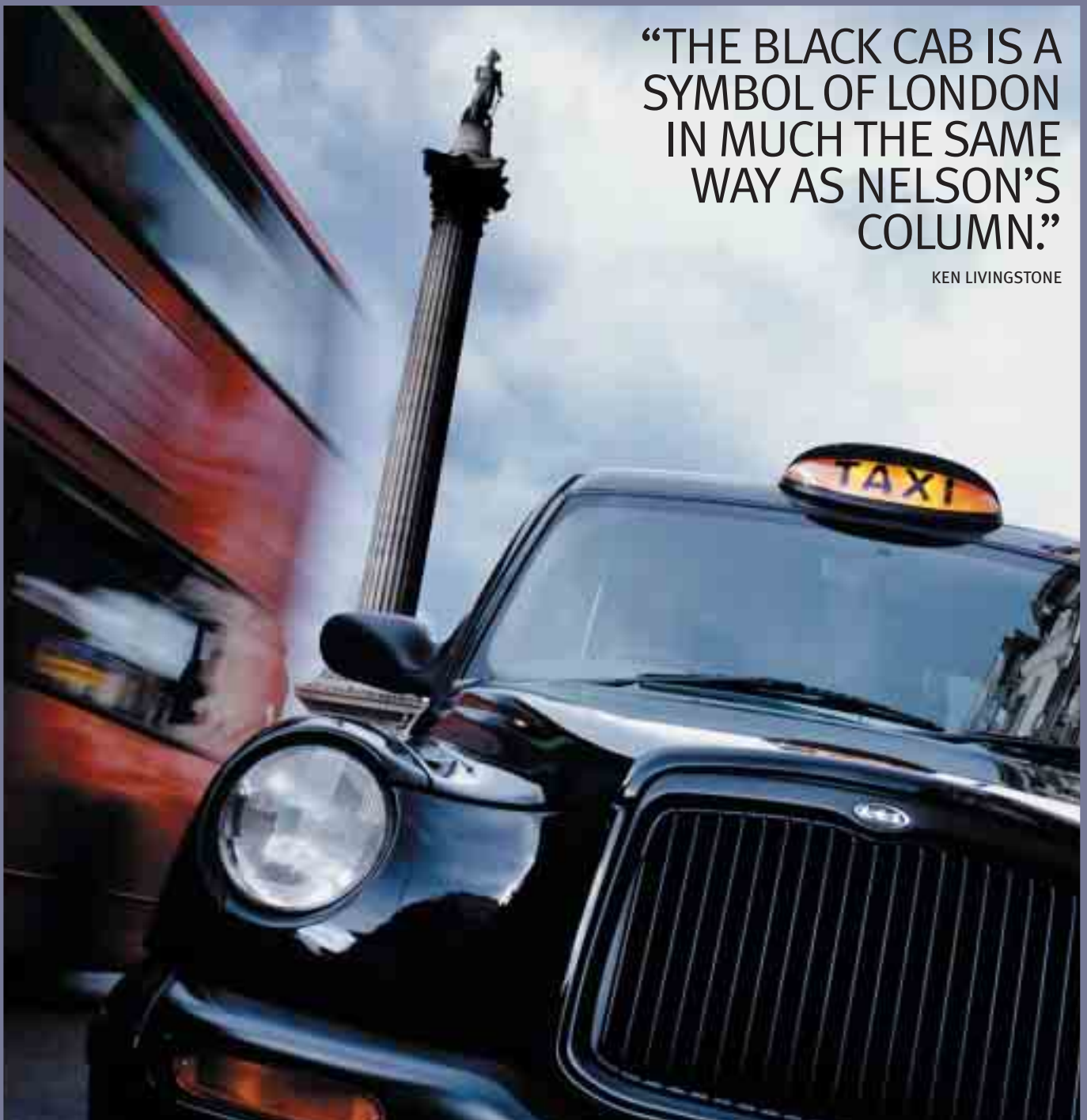


Manganese Bronze Holdings PLC
Annual Report 2001

“THE BLACK CAB IS A
SYMBOL OF LONDON
IN MUCH THE SAME
WAY AS NELSON’S
COLUMN.”

KEN LIVINGSTONE



KEY STATISTICS

	2001 Turnover £000	2001 (Loss)/profit before tax £000	2000 Turnover £000	2000 Profit/(loss) before tax £000
Vehicles Division	81,597	(400)	100,077	5,435
Components Division	33,388	124	30,140	(326)
Exceptional item		(2,000)		-
Turnover/Operating (loss)/profit	114,985	(2,276)	130,217	5,109
Finance charge – net		(691)		(357)
(Loss)/Profit before tax		(2,967)		4,752
Net assets		39,401		40,221
		2001		2000
(Loss)/Earnings per Ordinary Share		(14.78)p		17.42p
Dividend per Ordinary Share		3.00p		11.00p
Price range of Ordinary Shares (1 Jan – 1 Sept 2001; Jan – Dec 2000)		89 – 133p		123 – 270p
Weighted average number of Ordinary Shares in issue		17,933,360		17,927,436
Market capitalisation at 1 September		£17.53m		£34.24m
Net assets per Ordinary Share		215.3p		220.5p

MANGANESE BRONZE HOLDINGS PLC IS AN INDEPENDENT UK BASED GROUP WITH TWO CORE BUSINESSES, TAXIS AND COMPONENTS.

WE ARE AT AN EARLY STAGE OF OUR TRANSITION FROM BEING A MANUFACTURING BUSINESS TOWARDS BEING SUBSTANTIALLY A SUPPLIER OF PRODUCTS AND SERVICES TO THE £4.5 BILLION TAXI AND PRIVATE HIRE INDUSTRY.

Your Group has had a difficult year, along with many others in the manufacturing industry. Although our turnover was down by 12%, we traded profitably in the second half of our financial year, and reduced the pre tax losses of £1.8m declared at the half-year to a loss before tax and exceptional items of £1m for the full year. An exceptional non-cash provision of £2m has been made against a carrying value of certain capital investments in our Components Division. Further details of this are provided in the Chief Executive's Operating Review.

Turnover reduced from £130m to £115m and the profit before tax last year of £4.8m turned into a loss of £1m before tax and exceptionals. In the light of these results and of our increased gearing of 32%, the Board has recommended a reduced final dividend of 1p, making a total for the year of 3p. If approved, the dividend will be paid on 3 December 2001 to those shareholders on the record on 2 November 2001. Future dividend policy will be decided in the light of trading and gearing at the time.

On 17 September we announced our latest initiative; a project that we have been working on for several years. During the current financial year we will launch a new service, to be called 'Zingo', to help passengers to hail the nearest available taxi using their mobile phone. The concept behind Zingo is to solve the aggravating problem that the taxi nearest to you in the street is not for hire when there is one that is free but out of sight round the corner. We recently reached agreement with a major mobile network operator to enable the system to locate mobile phones. The system will use the new "cell of origin" information which identifies the location of your mobile phone, to connect you to the nearest available taxi. This will reduce the time taxi drivers spend plying for hire whilst empty and increase the efficiency of the fleet as a whole, thereby improving the service to passengers.

Overall, our taxi sales for the year fell from 3,391 units to 2,588 units. We started the year at a production rate of 19 per day and are currently running at 15 per day, a rate that is designed to reduce stocks. The factory team should be congratulated for handling this reduction in output with the minimum of disruption.

Although retail sales of taxis have been difficult, London Taxi Finance has had a good year despite lower volumes. There are now about 9,000 taxis financed by London Taxi Finance.

Our Components Division has had another mixed year. However, we increased turnover by 11% and turned last year's loss into a small profit before exceptional items. At Ipswich, where we make sintered metal components for the automotive industry, current orders will soon fill the present capacity. Regrettably the reduction in the value of the Deutsche Mark, the currency of our major customers, by 39% in the past five years has meant that margins have been reduced. Our team's efforts have increased efficiency and those orders now starting production will provide a firm base for the business in the future.

At Redditch the business has changed in the year from a jobbing shop to a high volume producer of lost wax castings for the automotive industry. This change has been difficult and expensive to implement but enables us to have a much clearer view of the future of the business.

MBC Metal Powders in Birmingham is increasing its sales of gas atomised powders gradually but continuously. Its customers are world wide, and from industries making products as diverse as plastics, glass bottles and railway points.

The star of the Division, as before, has been our bus door business Deans Powered Doors, which has grown during the year whilst its customer base has consolidated. This has enabled us to expand our bus handrail business, started only a few years ago, but now representing an important product line. Bus access ramps and bus doors are expected to increase their market share as we look forward, but the predicted future sales of buses into the UK are somewhat uncertain.

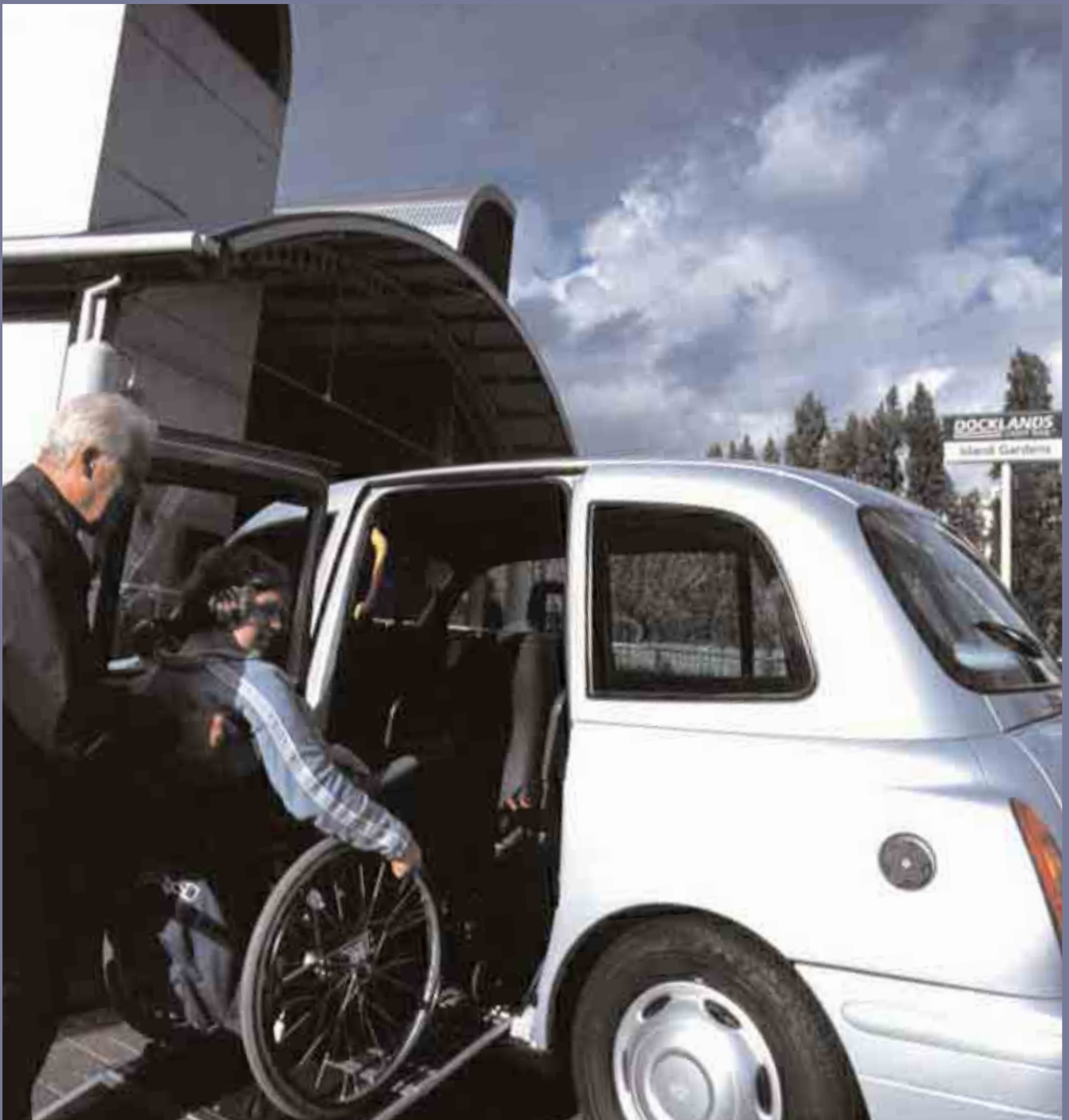
In the current year the major challenges are to introduce a new engine for the TX1 and to roll out the Zingo taxi-hailing project successfully. The Group is at an early stage in its transition from being a manufacturing business towards being substantially a supplier of products and services to the £4.5 billion taxi and private hire industry. Whilst on the basis of current economic conditions we expect our two divisions to perform over the whole year broadly in line with the second half of last year, we will incur substantial costs for the launch of our Zingo taxi-hailing project. Much of this will be written off in the current year, but we will disclose this separately.



Jamie Borwick

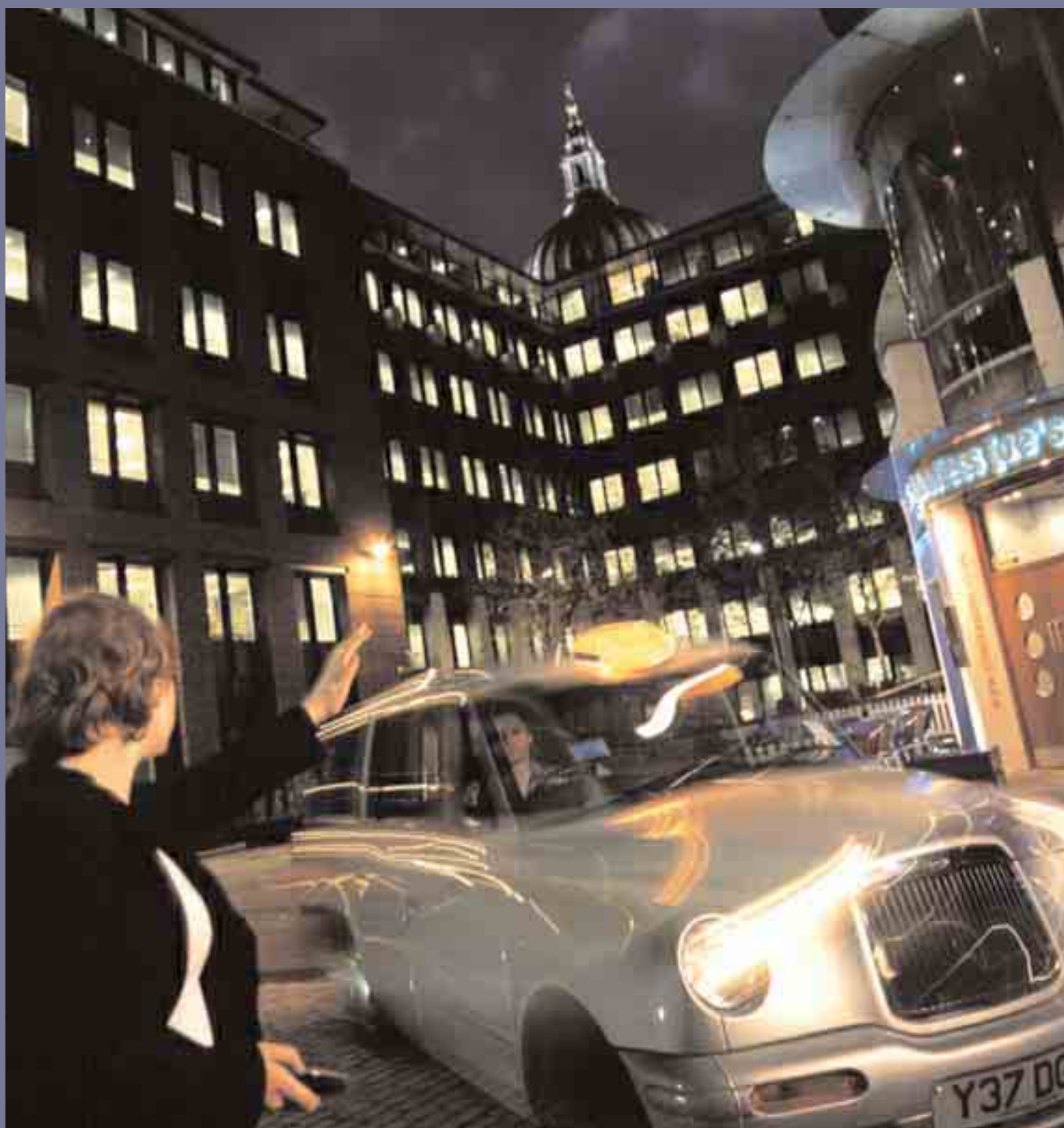
“BLACK CABS PROVIDE ACCESSIBILITY FOR PEOPLE WITH MOBILITY PROBLEMS, ALLOWING INTEGRATION WITH OTHER FORMS OF PUBLIC TRANSPORT. THEY’VE BECOME THE ‘FOURTH FORM OF PUBLIC TRANSPORT IN LONDON’.”

JAMIE BORWICK



“THE 25 FOOT TURNING CIRCLE OF LONDON’S PURPOSE-BUILT BLACK CABS OFFERS OPTIMUM MANOEUVRABILITY FOR DRIVERS, PASSENGERS AND OTHER ROAD USERS. AT NIGHT, WOMEN FEEL SAFER TRAVELLING IN BLACK CABS.”

IAN PICKERING



Vehicles Division

Our Vehicles Division encountered very difficult trading conditions during the year. Sales of new taxis were down by 24% overall from 3,391 units to 2,588 units. Total sales of £81.6m were 18% below the previous year. The Division made a loss for the year of £0.4m, compared to a profit in 2000 of £5.4m, although we did achieve a return to profitability in the second half.

There has been continued uncertainty in the minds of taxi drivers in our most important market in London. In the first half of the year this was caused by factors such as the fuel crisis and the reduction in visitors to London due to the rail difficulties. The uncertainty has continued in the second half with a decline in tourist numbers following the foot and mouth outbreak, a decline in the numbers of traditional business passengers, concern over the possibility of alternative vehicles being licensed as taxis and the fear of a possible recession.

The Mayor of London published his transport strategy during July 2001 which included a number of proposals to improve the taxi service in London, including a review of the Conditions of Fitness which govern taxi design. Relaxing the existing standards to enable new vehicles to enter the market will not benefit London if the new vehicles do not provide the same level of safety, accessibility and manoeuvrability as the traditional black cab.

The other measures announced in the Transport Strategy will we believe be largely beneficial for the taxi trade in London. The proposed increase in the night tariff should encourage more drivers to work the unsocial hours when it is currently more difficult to hail a taxi. This will need to be supplemented by an improvement in the flow of new drivers through the topographical testing regime known as the Knowledge, which should benefit our sales prospects in the longer term.

We also welcome the progress being made by Transport for London (TfL) in implementing the licensing regime for minicab operators, drivers and vehicles and its commitment to support these measures by stronger enforcement to deter illegal touting by unlicensed minicabs.

We commented in our interim statement on the receivership of Metrocab and were pleased to note that the business has been purchased and has recently recommenced production of their purpose-built taxi.

Many of the Mayor's objectives behind his taxi strategy could be achieved if taxis were actually on hire for a greater proportion of their working day. Street hailing relies on a large proportion of the taxi fleet plying for hire at any one time. We announced on 17 September that we are working on the development of a new service, Zingo, for hailing a taxi using a mobile phone. Zingo will differ from a traditional radio circuit as passengers will not need an account to pay for the journey and it will not offer a pre-booking service. This service should both make it easier for passengers and increase efficiency for drivers.

We plan to invest £4.0m in developing the system in the first half of the current financial year and a further £4.0m in launching the service in the second half. The investment in Zingo will be financed from debt.

There are a number of encouraging signs that demand for the TX1 outside of London is continuing to be supported by a steady flow of new plate issues. All taxis in London have been wheelchair accessible since 1 January 2000. Longer term growth in our regional market is expected to be driven by the implementation of the Disability Discrimination Act to make all taxis wheelchair accessible throughout the country. Currently most taxis outside of London and the major cities are saloon cars that do not allow wheelchair access. Regulations governing wheelchair access onto buses and trains have already been implemented. The regulations for taxis had been expected to be implemented for all new taxis sold after 1 January 2002. In October last year, the then Minister of Transport announced that the implementation would be delayed and no alternative date for the implementation has yet been set. Regional taxi sales were 5% lower than in the previous year.

The other major challenge facing the management of our taxi business in the last year has been the development of a new version of the TX1, incorporating a new diesel engine to comply with Euro III emission standards. We have been using a diesel engine produced by Nissan in Japan in our vehicles since 1989 and the engine has been much loved by the taxi trade for its renowned reliability.

Unfortunately a suitably modified version of the engine to comply with the Euro III standards is not being produced. However, we are delighted that Ford have agreed to supply their Duratorq 2.4l diesel engine to power the taxi from January next year. This engine is used in Ford's award winning Transit van and the Mondeo saloon car. The new Ford powered taxi will have better performance and improved fuel economy.

The fall in taxi sales during the year caused us to reduce the production rate from 76 to 68 per week last October and to introduce short time working for seven weeks in the spring of this year. Stocks of finished taxis have been built up in the latter months of the year in anticipation of the changeover to production of vehicles with the new Ford engine, which is planned for the first half of the current year. The weekly production rate of taxis was reduced to 59 per week from the beginning of this financial year.

We recognise the increasingly important role which low emission taxis can play within an integrated public transport system in producing a cleaner environment within our cities. We will be launching a retrofit capability to enable drivers to convert a TX1 to liquid petroleum gas (LPG) power later this year. This will be followed by the introduction of an LPG taxi production capability next year. These initiatives are being supported by the Energy Savings Trust, Ford, Tickford and Calor Gas.

During the year we have submitted a second planning application for the redevelopment of the taxi factory site in Coventry. The application is expected to be considered by the council's planning committee shortly. The planning application was submitted jointly with B&Q who would occupy a new warehouse store on the site if the development proceeds.

In addition to the decline in new vehicle sales throughout the year, our taxi retail operation was affected by a weakness in the price of second hand cabs in the first half of the year. However, the management of our dealers have done a good job of adjusting to these difficult conditions and improved margins on the lower level of sales in the second half of the year. The London Taxi Finance operation, which we manage on behalf of Lloyds UDT, had another very successful year despite the reduction in sales volumes.

Exports of the TX1 remained at modest levels during the year. The strength of the pound against the Euro has continued to restrict sales of the TX1 to Europe. It was pleasing that we achieved the first sales of the TX1 to Japan and continued sales of the vehicle to operators in Singapore. During the year we have agreed a distribution agreement for the TX1 in America. The distributor has undertaken to carry out and finance the work to identify the modifications that would be required to make the TX1 compliant with US vehicle and emission regulations. The agreement is for an initial period of two years and will be automatically renewed annually if volume growth targets are achieved. If these modifications can be completed economically we expect sales of the TX1 to begin in the US by the end of 2002.

The UK Government is required to adopt the EU End of Life Vehicle (ELV) Directive by April next year. London Taxis will be submitting our own response to the Government on their recent consultation paper as well as supporting an industry response from the Society of Motor Manufacturers and Traders. There are many uncertainties over how collection, dismantling and recycling provisions of the Directive will be implemented and in particular how the cost of these processes will be paid for.

Components Division

Our Components Division traded profitably during the year, although again the fortunes of the four different units was mixed. Overall sales increased by 11% from £30.1m to £33.4m. Before an exceptional asset impairment provision of £2m the Division made a profit of £0.1m compared to a loss last year of £0.3m.

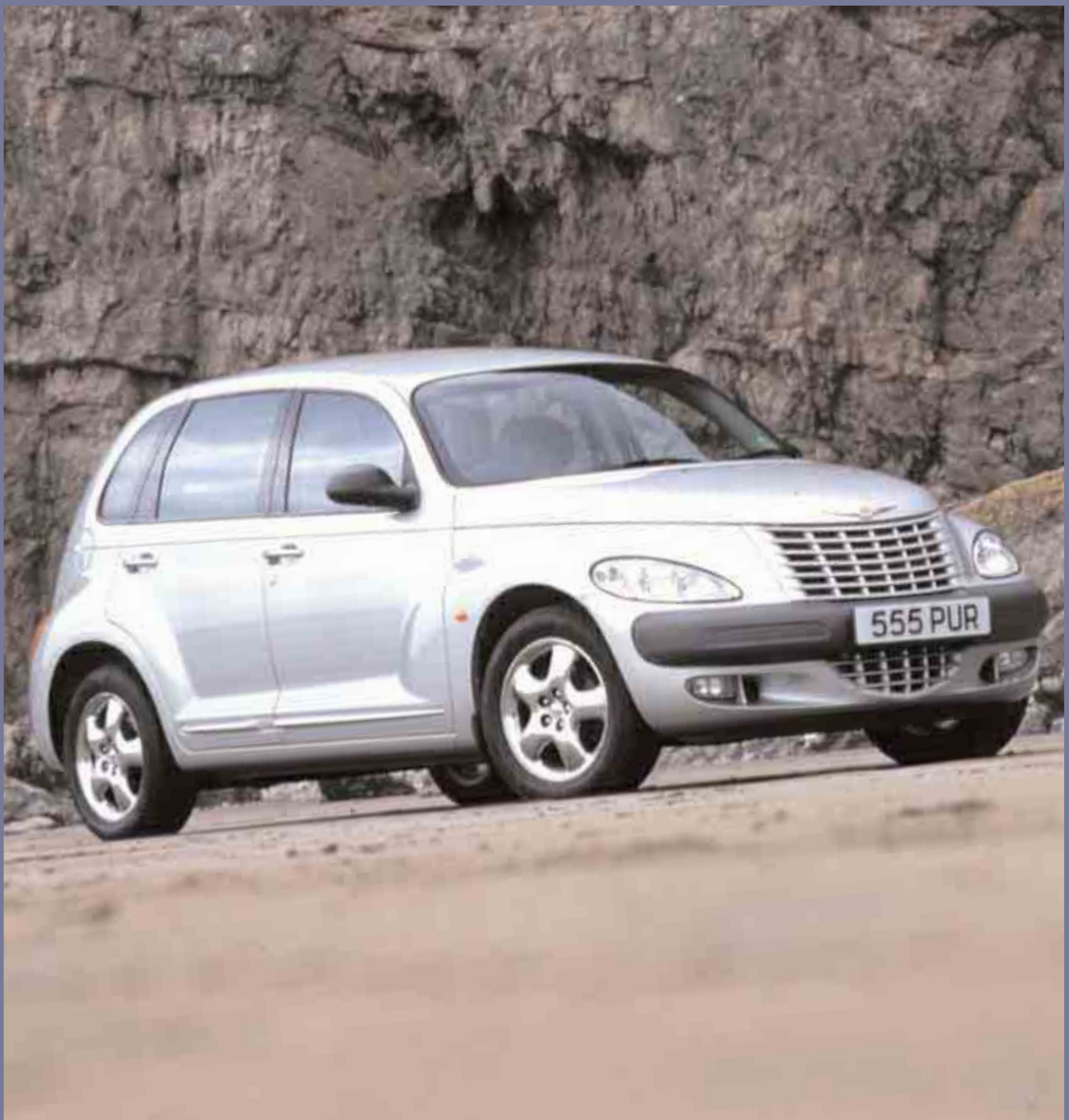
“THERE IS NO DOUBT THAT THE TX1 IS
THE RIGHT VEHICLE FOR THE JOB. THIS
ONE’S MY THIRD.”

DENISE SAWYER – TAXI DRIVER



“AT IPSWICH OVER 40 MILLION COMPONENTS WERE PRODUCED LAST YEAR. WITH RECENT DEVELOPMENTS, PARTS ARE NOW BEING PRODUCED FOR SOME OF EUROPE’S LEADING CAR MAKERS.”

NIGEL PLANT – MBC ADVANCED SINTERING



Deans Powered Doors again produced a very strong performance although below last year's level. Volumes remained strong but margins came under pressure principally as a result of the merger of our two major UK customers to form Transbus International. The build up of orders from the US was slower than previously anticipated, although we continued to win orders for our products to be fitted to buses for operators in the Far East.

In recognition of the importance of the export market for our products in Hong Kong we acquired the business and assets of Deans' Hong Kong agent, George Vint, during the year for £0.2m. This acquisition will ensure we can properly support our customers' products in the field and provide after sales service and spare part supply. The new activity has traded profitably since acquisition and its UK activities have been integrated within the Deans facilities in Beverley.

As the year ended there was evidence of a softening in orders for new buses in the UK with July registrations of new vehicles down 48% from a year ago and an expectation of lower sales of new double decker buses into London continuing. A number of major bus groups have announced that they will be cutting back purchases of new buses as they increase investment in their rail operations. We plan to increase our marketing efforts in the US and Europe to counter any weakening of demand in the UK.

In the medium-term expanding the use of buses (and taxis) remains one of the best ways of increasing the use of public transport while the rail and tube infrastructure is modernised. This will be particularly relevant in London if congestion charging reduces the number of private cars being driven into central London well before improvements in the tube are able to increase its capacity.

The MBC Advanced Sintering business at Ipswich again incurred a loss, although at a reduced level. We have continued to expend much effort during the year in the development of new parts principally for major first tier gearbox suppliers. Sales of these new parts are expected to increase in the current year as our customers increase production of their products.

Production of these new components will use much of the plant and equipment installed several years ago for an order from Opel in Germany which never reached the production stage. Unfortunately however, the total margin from the new products and other work from orders which are in

the development stage is not now expected to be sufficient to recover the book value of this plant and equipment. The Board have decided therefore to make a provision of £2m to write down the value of these machines to their estimated recoverable value. This will have the effect of reducing the annual depreciation charge in coming years by £0.3m per year.

Sales of our traditional bronze bearing business were hit by the slowdown in UK manufacturing industry and this trend is expected to continue in the current year. Sales of these products to Europe have increased through the appointment of distributors in each of the key market areas.

We achieved a significant increase in sales and profits of the metal injection moulding activity last year and the capacity of this department has been increased. Much of our sales activity in the current year will be focused in this area.

MBC Precision Castings at Redditch returned to profitability in the first half as order entry improved from the very low levels experienced in the previous year. This was led by a number of key contracts from major automotive customers. These high volume contracts created production difficulties as the volume levels increased and delivery performance suffered due to high scrap levels and machine breakdowns. As a result the business again suffered a loss in the second half.

The management team has recently been strengthened and a programme of plant improvements is underway to increase the production capability. On time deliveries have started to improve as a result of these actions and we expect that the business will return to profitability soon.

MBC Metal Powders in Birmingham continued to find new applications for its gas atomised metal powders and new customers for water atomised filter powders. This is a truly global market and our customer base stretches from America to Australia. The customer base also spans a wide range of industries including rail transport, waste incineration, textile manufacturing and automotive. Unfortunately the new orders were not sufficient to offset a reduction in demand for our traditional product range in the UK and the business suffered a small loss in the second half and for the year as a whole.



Ian Pickering

Review of Results

The Group has incurred a loss before tax and exceptionals for the year of £1.0m (2000 profit £4.8m). An exceptional provision of £2.0m has been created to reduce the book value of certain assets to their net recoverable amount. Turnover fell by £15.2m to £115.0m.

As we reported in March, turnover of £52.6m in the first half of the year was 14.3% lower than in the corresponding period in the previous year, resulting in a loss for the first half of £1.8m. Turnover in the second half of the year recovered to £62.4m (2000 £68.8m) and the Group made an operating profit before the exceptional provision of £1.3m with both divisions trading profitably in the second half of the year.

Cost of sales increased to 86% (2000 83%) of turnover in the first half of the year as a significant element of the cost base such as the depreciation charge is fixed and margins came under pressure. Costs were reduced in the second half of the year and margins on the reduced turnover increased to the level achieved last year. Net operating expenses increased to £19.0m (2000 £18.5m) and included a number of one-off items such as the provision against investments described below.

The Group's property assets were revalued as at 31 July 2001 by DTZ Debenham Thorpe, on an 'open market value for existing use' basis. The results of the revaluation are set out in note 12 on pages 31 and 32.

The Board has carried out a review of the book values of all plant and equipment as at 31 July 2001 by estimating the net present value of the future cashflows, which are expected to be generated from those assets. The review indicated that there was a permanent diminution in the book value of certain assets of MBC Advanced Sintering and a provision of £2.0m has been made in the accounts to reduce the book value of these assets to their net recoverable amount.

The Group maintains an ESOT to hold shares to satisfy the potential exercise of options under its various share option schemes. The Board has concluded that there has been a diminution in the value of these shares and a provision of £0.3m has been made to reduce the carrying value of these shares at 31 July 2001 to their market value on that date.

Returns to Shareholders

The directors have recommended a final dividend of 1.0p (2000 7.0p) which would make the total dividend for the year 3.0p. The loss per share for the year is 14.8p (2000 earnings per share of 17.4p).

Treasury Activities and Cashflow

Net interest expense incurred during the year almost doubled from £0.4m to £0.7m. The increase reflects the higher level of debt throughout the year principally due to the higher levels of stocks of finished taxis.

Net debt increased from £2.9m to £12.7m. £8m of the £9.8m increase was due to the rise in stocks of finished taxis. We have planned the level of taxi production in the current year to reverse this increase in the stocking loan. Gearing at the end of the year was 32.3%, compared to 7.1% at the beginning of the year.

The Group has maintained its policy of hedging purchases of engines and gearboxes denominated in Japanese Yen by purchasing forward Yen to meet six months' future commitments. In the current year the Group's exposure to the Yen will reduce as the new Ford Euro III engine and the associated manual gearbox will be priced in Pounds Sterling.

Capital and Development Expenditure

In November 2000 the Group acquired certain trading assets and the business which traded under the name of George Vint from Adam & Harvey Group PLC. The acquisition also included the entire share capital of Vint Hazel Ltd, a company registered in Hong Kong. The business provides spare parts supply and after sales service to bus operators in Hong Kong and acts as the Hong Kong agent for Deans Powered Doors.

Financial year end	31 July 2001
102nd Annual General Meeting	23 November 2001
Final Ordinary Dividend payable	3 December 2001
to shareholders registered on	2 November 2001
Preference Share Dividend payable	31 December 2001 and 28 June 2002
Announcement of results – six months	March 2002
Announcement of results – full year	September 2002

The total consideration of £0.2m was settled entirely in cash. The acquired business has traded profitably since acquisition. Further details of the acquisition are included in note 11.

Capital expenditure for the year was £4.2m, the same level as expended in the previous financial year. The main elements of capital expenditure related to the Euro III engine development programme, the refurbishment of the main sintering press at MBC Advanced Sintering and the expansion of capacity in our lost wax castings and metal injection moulding activities.

Development expenditure increased by £0.7m to £2.2m, the principal area being in relation to the Euro III engine programme, which will continue in the current financial year.

The Group again sought to increase its capital efficiency by continuing the process of disposing of surplus property. At the end of the year a three acre site was sold at Ipswich generating cash of £0.3m.

Taxation

The Group tax credit for the year was £0.4m (2000 tax charge of £1.6m) an effective tax rate of 13.4%. The effective rate of the tax credit is below the standard tax rate of 30% due to the impact of permanently disallowable items of expenditure and a restriction on the release of deferred tax provisions on the difference between the net book value of fixed assets and their tax written down value.

The accounts have been prepared in accordance with current generally accepted accounting principles under which deferred tax is only provided to the extent it will be payable in the future. Under the new Financial Reporting Standard 19, which the Group is required to adopt in the current year, deferred tax will be provided in full. Had the new standard been implemented this year the tax credit for the year would have increased by £0.3m and the provision for deferred tax at the end of the year would have increased by £1.4m.

Pensions

The Group has two principal pension schemes, a defined benefit scheme that was closed in 1995 and a defined contribution scheme. An actuarial valuation of the scheme has been carried out in accordance with the requirements of FRS 17. This indicated a deficit of £5.4m (2000 £0.5m). The principal changes in the deficit during the year were cash contributions by the Group into the Scheme totalling £1.0m and a reduction in the value of the scheme assets of £5.9m.

A formal actuarial valuation of the defined benefit scheme was performed as at 5 April 2000, which indicated a scheme deficit of approximately £4.6m. In accordance with the MFR regulations a schedule of contributions to make good the deficit has been agreed between the Group and the Scheme Trustees. This requires annual contributions by the Group to the Scheme of £1.0m for the next five years.

Other

We are still seeking to recruit a new finance director. In the meantime I am fulfilling the roles of Finance Director and Chief Executive, supported by our Group Financial Controller and Group Accountant.



Ian Pickering

Directors

Jamie Borwick*•

Jamie Borwick (46) was appointed Chairman in January 2001, after 14 years as Chief Executive. 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 (45) was appointed Chief Executive in January 2001, after three years as Group Finance Director. A Chartered Accountant, he joined the Group from Dennis Group PLC, where he ran the Aircraft and Cargo Division.

Tim Melville-Ross*•▲

Tim Melville-Ross (56) 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 (57) is a Chartered Engineer and a fellow of the Royal Academy of Engineering. He was previously chief executive of Molins PLC, Ricardo PLC and Wagon Automotive. He is currently active in the engineering and automotive sectors as chairman of Netagco Reekie Limited, chairman of Ctex Limited and a director of Lander Group Limited.

William Salomon*•+

William Salomon (43) is managing partner of Hansa Capital Limited, vice chairman of Close Asset Management Holdings Limited and deputy chairman of Ocean Wilsons Holdings Limited. He is also a non-executive director of Adam & Harvey Group PLC and Aberdeen Emerging Economies Investment Trust PLC.

- * Member of the Audit Committee
- Member of the Remuneration and Nominations Committees
- ▲ Senior Independent Director
- + Independent Director

Secretary

Mike Durham

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Merchant Bankers

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Stockbrokers

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Manganese Bronze Holdings PLC

Accounts 2001

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The directors present their report and the Group accounts for the year ended 31 July 2001.

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 loss for the year before taxation was £3.0m (2000 profit £4.8m). The directors are recommending a final dividend of 1.0p (2000 7.0p). The final dividend, if approved, will be paid on 3 December 2001 to all shareholders who are on the register at close of business on 2 November 2001.

Share Capital

Changes in the issued share capital during the year together with details of outstanding share options are set out in note 21 on pages 37 and 38.

Directors

A full list of directors who have been in office throughout the year together with brief biographies are set out on page 12. This year Ian Pickering, Christopher Ross and William Salomon retire by rotation and, being eligible, offer themselves for re-election. Ian Pickering has a service contract which is terminable by the Company with one year's notice. The services of Christopher Ross and William Salomon as non-executive directors 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 2001 Shares	31 July 2001 Options	31 July 2000 Shares	31 July 2000 Options
Beneficial Interests				
Jamie Borwick	266,195	–	266,195	–
Family companies of Jamie Borwick	333,227	–	333,227	–
Ian Pickering	–	200,000	–	200,000
Tim Melville-Ross	–	–	–	–
Christopher Ross	–	–	–	–
William Salomon	–	–	–	–
Non-beneficial interests				
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 2001 and the date of this report.

Directors' Remuneration

Details of the remuneration of each of the directors is 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 23 November 2001. 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 2001 (2000 nil).

Health and Safety

The Group is committed to a safe working environment for all employees. The Chief Executive is responsible for the implementation of health and safety policy throughout the Group.

Donations

The Group made donations for charitable purposes during the year ended 31 July 2001 of £17,787 (2000 £2,027). No political donations were made (2000 £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 2001 other than their service contracts.

By order of the Board
Mike Durham Secretary
8 October 2001

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

The Remuneration Committee meets three or four times a year. Its members are Jamie Borwick, 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 for executive directors consists of some or all of a basic salary, pension, car or car allowance and private healthcare benefits, share options and a performance related bonus. The Group's policy is to award options under its Executive 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 Mr Pickering and Mr Borwick are terminable on one year's notice by the Company and six months' by the director. The agreements with the other 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 salary/fees 2001 £	Bonus 2001 £	Other benefits ¹ 2001 £	Compensation 2001 £	Total (excluding pension contribution) 2001 £	Pension contribution by the Company ² 2001 £	Total 2001 £	Total 2000 £
Chairman								
Jamie Borwick	104,342		22,270		126,612	17,081	143,693	212,348
Executives								
Ian Pickering	139,101	10,000	18,882		167,983	13,020	181,003	176,572
Barry Widdowson (resigned on 8 January 2001)	45,433		6,202	134,240	185,875	7,725	193,600	159,236
Non-Executives								
Hugh Lang (retired on 1 January 2001)	55,000				55,000		55,000	60,000
Tim Melville-Ross	20,000				20,000		20,000	8,333
Christopher Ross	20,000				20,000		20,000	20,000
William Salomon	20,000				20,000		20,000	20,000
Totals	403,876	10,000	47,354	134,240	595,470	37,826	633,296	656,489³

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 The actual total for 2000 was £662,822, including salary of £6,333 paid to Rod Turner, who retired on 29 November 1999.

Directors' Share Options

	Note	Held at 1 August 2000 and 31 July 2001	Exercise Price (pence)	Date from which first exercisable	Expiry date
Ian Pickering	1	100,000	428.0	8 May 2001	8 May 2008
	1	100,000	229.0	23 September 2002	23 September 2009
		200,000			

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.

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. None of the non-executive directors receive 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

8 October 2001

Statement of Directors' Responsibilities

Company Law requires the directors to prepare financial statements of the Group 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 the Group 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 the Group 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

Except for the matters listed at the end of this report, the Group has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority throughout the year ended 31 July 2001. 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, internal and external audits by the Group's management and advisers.

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 directors possess a range of experience which enables them to bring judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group's success.

The Board

As at 8 October 2001, the date of signing these accounts, the Board comprises the Chairman, one executive director and three non-executive directors. 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 Jamie Borwick and normally meets three or four times a year with the Group Chief Executive, senior financial management 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 and the Annual Report and Accounts and the maintenance of proper internal 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 and Nominations Committee

The Remuneration and Nominations Committee, chaired by Jamie Borwick, normally meets three or four times a year and additionally whenever required and is responsible for:

- setting the Group's overall remuneration policy and determining the remuneration and other benefits of the executive directors and monitoring the remuneration of certain other senior managers.
 - 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.

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 2001 and will continue 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 B.2.2 as the Chairman of the Group was the former Chief Executive and is also Chairman of the Remuneration Committee. The membership of the rest of the Committee comprises the three independent non-executive directors. The Chairman is not present for discussions concerning his own remuneration.

By order of the Board

Mike Durham Secretary

8 October 2001

We have audited the financial statements of Manganese Bronze Holdings PLC for the year ended 31 July 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related Notes numbered 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 July 2001 and of the Group's loss 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
8 October 2001

	Notes	Before Exceptional costs 2001 £000	Exceptional costs (note 2d) 2001 £000	Total 2001 £000	2000 £000
Turnover	2	114,985	–	114,985	130,217
Cost of sales		(96,228)	(2,000)	(98,228)	(106,639)
Gross Profit		18,757	(2,000)	16,757	23,578
Net operating expenses	3	(19,033)	–	(19,033)	(18,469)
Operating (Loss)/Profit	4	(276)	(2,000)	(2,276)	5,109
Finance charge – net	5	(691)	–	(691)	(357)
(Loss)/Profit on Ordinary Activities before Taxation	2	(967)	(2,000)	(2,967)	4,752
Tax on (loss)/profit on ordinary activities	7	(49)	446	397	(1,600)
(Loss)/Profit for the Financial Year		(1,016)	(1,554)	(2,570)	3,152
Dividends (including non-equity dividends)	10	(589)	–	(589)	(2,009)
Transfer (from)/to Reserves	22	(1,605)	(1,554)	(3,159)	1,143
Basic (Loss)/Earnings per Ordinary Share	9	(6.03)p	(8.75)p	(14.78)p	17.42p
Diluted (Loss)/Earnings per Ordinary Share	9	(6.03)p	(8.74)p	(14.77)p	17.26p

Historical Cost Profits and Losses

On an historical cost basis, the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit after taxation and dividends would have reduced by £194,000 (2000 increased by £194,000) due to the difference between the historical cost depreciation charge and the actual charge calculated on the revalued amount.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2001

	2001 £000	2000 £000
(Loss)/Profit for the financial year	(2,570)	3,152
Unrealised surplus on revaluation of properties	2,293	–
Total recognised gains and losses	(277)	3,152

All activities in the above statements derive from continuing operations.
The accompanying notes form an integral part of these financial statements.

	Notes	2001 £000	2001 £000	2000 £000	2000 £000
Fixed Assets					
Intangible assets – Goodwill	11		201		–
Tangible assets	12		41,301		43,173
Investments	13		178		487
			41,680		43,660
Current Assets					
Stocks	14	23,756		16,363	
Debtors	15	9,352		8,461	
Cash at bank and in hand		1,591		2,284	
		34,699		27,108	
Creditors Amounts falling due within one year	16	(33,238)		(26,338)	
Net Current Assets			1,461		770
Total Assets Less Current Liabilities			43,141		44,430
Creditors Amounts falling due after more than one year	17		(772)		(736)
Provisions for Liabilities and Charges	19		(2,968)		(3,473)
Net Assets			39,401		40,221
Capital and Reserves					
Called up share capital	21		5,179		5,166
Share premium account	22		3,593		3,560
Capital redemption reserve	22		916		916
Revaluation reserve	22		11,397		9,446
Profit and loss account	22		18,316		21,133
Shareholders' Funds Including Non-Equity Interests	23		39,401		40,221
Net Assets per Ordinary Share			215.3p		220.5p

Approved by the Board
Jamie Borwick Chairman
Ian Pickering Director
 8 October 2001

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

	Notes	2001 £000	2001 £000	2000 £000	2000 £000
Fixed Assets					
Tangible assets	12		71		64
Investments	13		8,679		8,987
			8,750		9,051
Current Assets					
Debtors	15	12,736		11,855	
Cash at bank and in hand		7,659		7,460	
		20,395		19,315	
Creditors Amounts falling due within one year	16	(3,796)		(3,471)	
Net Current Assets			16,599		15,844
Total Assets Less Current Liabilities					
			25,349		24,895
Creditors Amounts falling due after more than one year	17		–		–
Provisions for Liabilities and Charges	19		–		–
Net Assets			25,349		24,895
Capital and Reserves					
Called up share capital	21		5,179		5,166
Share premium account	22		3,593		3,560
Capital redemption reserve	22		916		916
Profit and loss account	22		15,661		15,253
Shareholders' Funds Including Non-Equity Interests	23		25,349		24,895

Approved by the Board
Jamie Borwick Chairman
Ian Pickering Director
8 October 2001

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

Notes	2001 £000	2001 £000	2000 £000	2000 £000
Reconciliation of Operating (Loss)/Profit to				
Net Cash (Outflow)/Inflow from Operating Activities:				
Operating (loss)/profit		(2,276)		5,109
Depreciation		5,520		5,161
Amortisation of intangible fixed assets		7		–
Provision against ESOT shares		309		13
Profit on sale of fixed assets		(8)		(11)
Pension charge – non cash		–		290
Asset impairment		2,000		–
(Increase) in stocks		(7,393)		(2,607)
(Increase)/decrease in debtors		(891)		817
(Decrease)/increase in creditors and provisions		(662)		2,061
Net Cash (Outflow)/Inflow from Operating Activities		(3,394)		10,833
Returns on Investments and Servicing of Finance				
Interest received	35		30	
Interest paid	(620)		(321)	
Interest element of finance contract payments	(106)		(66)	
Preference dividend paid	(56)		(56)	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(747)		(413)
Taxation				
UK Corporation Tax paid		(625)		(925)
Capital Expenditure				
Purchase of tangible fixed assets	(4,195)		(4,180)	
Proceeds from sale of tangible fixed assets	848		801	
Purchase of own shares	–		(202)	
Net Cash Outflow from Capital Expenditure		(3,347)		(3,581)
Acquisitions				
Purchase of trade and assets		(208)		–
Equity dividends paid		(1,599)		(1,872)
Net Cash (Outflow)/Inflow before Financing		(9,920)		4,042
Financing				
Issue of Ordinary Share capital	46		–	
New finance contracts	954		331	
Capital element of finance contract payments	(723)		(177)	
Increase in stocking loan	7,950		1,292	
Increase/(decrease) in bank loan	1,000		(3,000)	
Net Cash Inflow/(Outflow) from Financing		9,227		(1,554)
(Decrease)/Increase in Cash	24	(693)		2,488

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

1 ACCOUNTING POLICIES

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 the acquisition of a subsidiary undertaking, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is a period up to a maximum of 20 years. Provision is made for any impairment.
- (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) Individual freehold and leasehold properties and investment properties are revalued on a five year cycle with an interim valuation after three years. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.
- (ii) In respect of individual freehold and leasehold properties, where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.
Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from the statutory accounting rules is shown in note 12.
- (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.

1 ACCOUNTING POLICIES continued

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

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

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.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risks and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations.

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.

Operating leases

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

Pensions

The cost of the Group's defined benefit pension arrangement 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.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 ANALYSIS OF RESULTS

(a) By Division	2001 Turnover £000	2001 (Loss)/profit before tax £000	2000 Turnover £000	2000 Profit/(loss) before tax £000
Vehicles – ordinary activities	81,597	(400)	100,077	5,435
Components – ordinary activities	33,388	124	30,140	(326)
– exceptional charge for asset impairment		(2,000)		–
Turnover/Operating (loss)/profit	114,985	(2,276)	130,217	5,109
Finance charge – net		(691)		(357)
		(2,967)		4,752

All turnover and (loss)/profit before tax are derived from continuing activities.

(b) By market area	2001 Turnover £000	2000 Turnover £000
Rest of Europe	4,038	4,249
Asia	3,259	901
North America	1,116	210
Other	200	163
Total exports	8,613	5,523
United Kingdom	106,372	124,694
Total turnover	114,985	130,217

All turnover originates in the United Kingdom.

(c) Segmental net assets	2001 £000	2000 £000
Vehicles	31,424	22,930
Components	20,716	20,156
	52,140	43,086
Less net borrowings	(12,739)	(2,865)
Total net assets	39,401	40,221

(d) Exceptional costs

Exceptional costs relate to an impairment provision made against certain plant and machinery within the Components Division. To calculate the impairment, the Value in Use method was used, applying a discount rate of 10% to value future cash flows.

3 NET OPERATING EXPENSES

	2001 £000	2000 £000
Operating expenses:		
Distribution costs	4,830	4,638
Administration expenses	14,231	13,845
Other operating income	(28)	(14)
Net operating expenses	19,033	18,469

4 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is arrived at after taking account of the following:

	2001 £000	2000 £000
Depreciation of tangible fixed assets – owned	5,360	5,028
– leased	160	133
Amortisation of intangible assets	7	–
Provision against ESOT shares	309	13
Research and development	2,196	1,482
Directors' remuneration (note 27)	618	663
Auditor's remuneration – Audit	142	144
– Other	44	31
Operating lease rentals – Plant	557	514
– Land and buildings	224	482
Aggregate rentals receivable in respect of operating leases	(172)	–

5 FINANCE CHARGE – NET

	2001 £000	2000 £000
Payable on:		
Bank overdrafts and loans	193	116
Finance contracts	106	66
Stocking loan	427	205
Total payable	726	387
Receivable	(35)	(30)
Net payable	691	357

6 STAFF NUMBERS AND COSTS

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

	2001 Number	2000 Number
Administration and sales	293	293
Production	687	656
	980	949

The aggregate remuneration of these employees was as follows:

	2001 £000	2000 £000
Wages and salaries	21,635	21,799
Social security costs	2,155	2,002
Other pension costs (note 30)	1,821	2,312
	25,611	26,113

7 TAXATION

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

	2001 £000	2000 £000
UK Corporation Tax	302	1,719
Deferred taxation	(675)	60
Adjustments relating to prior years: Current taxation	(50)	(383)
Deferred taxation	26	204
Total taxation (credit)/charge	(397)	1,600

8 HOLDING COMPANY PROFIT FOR THE FINANCIAL YEAR

The profit for the year of the Company before dividends was £997,000 (2000 £3,700,000).

9 (LOSS)/EARNINGS PER ORDINARY SHARE

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

	2001 £000	2000 £000
(Loss)/Profit for the financial year	(2,570)	3,152
Preference dividends	(56)	(56)
	(2,626)	3,096
	2001 Number	2000 Number
Weighted average number of shares in issue, less shares upon which dividends waived (shares held under ESOT)	17,767,732	17,761,808
Potential exercise of share options	13,645	166,876
For diluted earnings per share	17,781,377	17,928,684

10 DIVIDENDS

	2001 £000	2000 £000
Non-equity – 8.25% Cumulative Preference Shares of £1 each		
Preference dividend paid to 31 December	28	28
Preference dividend paid to 30 June	28	28
Preference dividend	56	56
Equity – Ordinary Shares of 25p each		
Interim dividend – paid 2p per share (2000 4p)	355	709
Final dividend – proposed 1p per share (2000 7p)	178	1,244
Total dividends payable	589	2,009

11 INTANGIBLE FIXED ASSETS

	Total £000
Cost of goodwill on acquisition	
At 1 August 2000	–
Additions	208
At 31 July 2001	208
Amortisation	
At 1 August 2000	–
Charge for the year	7
At 31 July 2001	7
Net Book Value at 31 July 2001	201
Net Book Value at 31 July 2000	–

Acquisition of the trade and assets of George Vint

On 24 November 2000 Manganese Bronze Holdings PLC acquired the trade and assets of George Vint for £200,000. The acquisition has been accounted for by the acquisition method of accounting. The following table sets out the book and fair values of the identifiable assets and liabilities acquired and their fair value to the Group. Goodwill is amortised over 20 years.

Balance Sheet

	Fair value to the Group £000
Fair value of assets acquired	(15)
Cash consideration	200
Acquisition expenses	23
Goodwill arising on acquisition	208

12 TANGIBLE FIXED ASSETS**Consolidated**

	Freehold land and buildings (note(ii)) £000	Investment property (note(iii)) £000	Plant, machinery and equipment owned £000	Total £000
Cost or valuation (note (ii))				
At 1 August 2000	16,467	1,600	51,716	69,783
Additions	–	–	4,195	4,195
Revaluation	900	155	–	1,055
Disposals	(250)	–	(1,077)	(1,327)
At 31 July 2001	17,117	1,755	54,834	73,706
Comprising:				
At professional valuation 31 July 2001	17,055	1,755	–	18,810
At cost	62	–	54,834	54,896
	17,117	1,755	54,834	73,706

12 TANGIBLE FIXED ASSETS continued

	Freehold land and buildings (note(ii)) £000	Investment property (note(iii)) £000	Plant, machinery and equipment £000	Total £000
Depreciation				
At 1 August 2000	786	–	25,824	26,610
Charge for the year	470	–	5,050	5,520
Asset Impairment	–	–	2,000	2,000
Disposals	–	–	(487)	(487)
Revaluation	(1,238)	–	–	(1,238)
At 31 July 2001	18	–	32,387	32,405
Net book value at 31 July 2001	17,099	1,755	22,447	41,301
Net book value at 31 July 2000	15,681	1,600	25,892	43,173

Notes

- (i) On 31 July 2001 DTZ Debenham Thorpe revalued the freehold land and buildings on an 'open market value for existing use' basis and the investment properties on an 'open market value' basis.
- (ii) £6,565,000 (2000 £5,028,000) 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 2001 £000	Consolidated 2000 £000
Cost	10,512	10,613
Depreciation	(3,121)	(2,779)
Net book value	7,391	7,834

- (iii) The depreciation which would have otherwise have been charged amounts to £53,000 (2000 £53,000).
- (iv) The net book value of fixed assets held under finance leases or hire purchase is £1,302,000 (2000 £1,023,000). The gross amount of assets held for use in operating leases is £791,000 (2000 £353,000). The related accumulated depreciation charge is £26,000 (2000 nil).

Company

	Plant, machinery and equipment owned £000
Cost	
At 1 August 2000	198
Additions	27
Transfers	36
At 31 July 2001	261
Depreciation	
At 1 August 2000	134
Charge for the year	39
Transfers	17
At 31 July 2001	190
Net book value at 31 July 2001	71
Net book value at 31 July 2000	64

13 FIXED ASSET INVESTMENTS**Consolidated**

Ordinary Shares in Manganese Bronze Holdings PLC held by the ESOT:

	Own Shares Number	Own Shares £000
Cost		
At 31 July 2001 and 2000	165,628	500
Amounts written off:		
At 1 August 2000		13
Charge for the year		309
At 31 July 2001		322
Net book value at 31 July 2001		178
Net book value at 31 July 2000		487

Note

The nominal value of shares held in the ESOT scheme is £41,407 (2000 £41,407).

Company

	Own Shares Number	Own Shares £000	Shares in subsidiaries £000	Total £000
Cost				
At 1 August 2000	165,628	500	8,500	9,000
Additions			1	1
At 31 July 2001	165,628	500	8,501	9,001
Amounts written off:				
At 1 August 2000		13	–	13
Charge for the year		309	–	309
At 31 July 2001		322	–	322
Net book value at 31 July 2001		178	8,501	8,679
Net book value at 31 July 2000		487	8,500	8,987

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 2001 was £178,050 (2000: £316,000).

Group Companies

Principal subsidiary undertakings at 31 July 2001

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.

14 STOCKS

	Consolidated 2001 £000	Consolidated 2000 £000
Raw materials and bought out items	4,158	4,313
Work in progress	3,331	2,918
Finished goods	16,267	9,132
Total stocks	23,756	16,363

15 DEBTORS

	Consolidated 2001 £000	Consolidated 2000 £000	Company 2001 £000	Company 2000 £000
Trade debtors	7,726	7,050	–	–
Amounts owed by subsidiary companies	–	–	11,588	11,216
Other debtors	909	657	6	8
Corporation Tax recoverable	–	–	1,045	477
Prepayments	717	754	97	154
	9,352	8,461	12,736	11,855

Note

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

16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2001 £000	Consolidated 2000 £000	Company 2001 £000	Company 2000 £000
Bank overdraft and other short-term debt	1,000	–	1,000	–
Stocking loan (note)	12,167	4,217	–	–
Finance contracts (note)	391	196	–	–
Trade creditors	13,560	14,482	–	–
Amounts owed to subsidiary companies	–	–	1,355	1,342
Corporation Tax	763	1,136	–	–
Social security, payroll and other taxes	1,720	1,943	248	113
Other creditors	998	864	584	473
Accruals	2,461	2,256	431	299
Proposed dividend	178	1,244	178	1,244
	33,238	26,338	3,796	3,471

Note

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

17 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2001 £000	Consolidated 2000 £000	Company 2001 £000	Company 2000 £000
Finance contracts	772	736	–	–

18 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. The functional currency of the Group is Sterling.

Treasury Operations

At 31 July 2001, the Group had cash deposits of £1,591,000 (2000 £2,284,000). 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 2001 £000	Floating 2001 £000	Total 2001 £000	Fixed 2000 £000	Floating 2000 £000	Total 2000 £000
Borrowings						
Bank Loan	–	1,000	1,000	–	–	–
Stocking Loan	–	12,167	12,167	–	4,217	4,217
Finance Contracts	1,163	–	1,163	932	–	932
	1,163	13,167	14,330	932	4,217	5,149
Non-equity shares						
Preference Shares	684	–	684	684	–	684
	1,847	13,167	15,014	1,616	4,217	5,833

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

	Consolidated 2001 £000	Consolidated 2000 £000
Within one year – finance leases	391	196
– other loans	13,167	4,217
In more than one but no more than two years	714	504
In more than two but no more than five years	58	232
	14,330	5,149

18 FINANCIAL INSTRUMENTS AND DERIVATIVES continued

The Group has an uncommitted overdraft facility of £3m which is linked to base rate. A committed LIBOR linked bank loan facility of £5.5m is also available until March 2003. £1m was drawn down at 31 July 2001. The uncommitted stocking finance facility of £13.4m, 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.

Fixed rate financial liabilities total £15.0m, comprising preference share capital (note 21), £1m bank loan, £12.2m stocking loan and £1.2m of finance contracts. The weighted average interest rate at the year end was 6.86%.

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 (Liabilities)/Assets	2001 £000	2000 £000
Euro and related currencies	653	375
US Dollar	68	78
Swiss Franc	31	29
	752	482

Fair Values

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

	Book Value 2001 £000	Fair Value 2001 £000	Book Value 2000 £000	Fair Value 2000 £000
Primary financial instruments to finance the Group's operations				
Cash	(1,591)	(1,591)	(2,284)	(2,284)
Bank Loan	1,000	1,000	–	–
Stocking Loan	12,167	12,167	4,217	4,217
Finance Contracts	1,163	1,163	932	932
Preference Share Capital	684	688	684	705
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts loss	–	(63)	–	(248)

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 loss of £248,000 was carried forward at 31 July 2000 and recognised during the course of the year ended 31 July 2001. An unrecognised loss of £63,000 was carried forward at the end of the year ended 31 July 2001 and is expected to be recognised in the profit and loss account during the year ended 31 July 2002.

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Warranty £000	Total £000
Consolidated			
At 1 August 2000	1,775	1,698	3,473
Transfer (to)/from profit & loss account	(649)	144	(505)
At 31 July 2001	1,126	1,842	2,968

19 PROVISIONS FOR LIABILITIES AND CHARGES continued

The Company had no deferred tax liability at 31 July 2001 (2000 £nil).

The warranty provision relates to expected warranty claims on products sold in the last three years. It is expected that most of this expenditure will be incurred in the next two years and that all will be incurred within three years of the balance sheet date.

20 DEFERRED TAXATION**Consolidated**

The balance at 31 July 2001 is made up as follows:

	Provided 2001 £000	Provided 2000 £000	Full potential liability/(asset) 2001 £000	Full potential liability/(asset) 2000 £000
Timing differences:				
Accelerated capital allowances	1,228	1,781	2,622	3,503
Other	(102)	(6)	(102)	(6)
	1,126	1,775	2,520	3,497

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 2001 is made up as follows:

	Provided 2001 £000	Provided 2000 £000	Full potential asset 2001 £000	Full potential asset 2000 £000
Timing differences:				
Accelerated capital allowances	–	–	(23)	(14)

21 SHARE CAPITAL

	Number	£000
Authorised Share Capital:		
Ordinary Shares of 25p each	26,256,692	6,564
8.25% Cumulative Preference Shares of £1 each	684,165	684
Issued Share Capital:		
Allotted, called up and fully paid Ordinary Shares of 25p each:		
At 1 August 2000	17,927,436	4,482
Issued during the year	51,652	13
At 31 July 2001	17,979,088	4,495
8.25% Cumulative Preference Shares of £1 each:		
Preference shares in issue at 31 July 2001 and 2000	684,165	684
Total called up share capital		5,179

21 SHARE CAPITAL continued

The Preference Shares have cumulative rights to dividends, limited voting rights and priority to the Ordinary Shares for repayment of capital on winding up. The Preference Shares carry no redemption rights.

During the year the Company allotted 51,652 Ordinary Shares with a nominal value of £13,000 in exercising options at a premium of £33,000.

As at 31 July 2001 the options outstanding under the Executive, Company and Unapproved Share Option Schemes were as follows:

Date of Grant	Exercise Price pence	Outstanding number 000
29 March 1993	87.5	35
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	398
		693

Options outstanding under the Group's SAYE scheme at 31 July 2001 were as follows:

Date of Grant	Exercise Price pence	Outstanding number 000
10 April 1997	420.0	59
8 April 1998	359.0	32
9 April 1999	157.2	190
		281

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

22 RESERVES**Consolidated**

	Share premium account £000	Other reserves £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 August 2000	3,560	916	9,446	21,133	35,055
Shares issued	33	–	–	–	33
Surplus on revaluation	–	–	2,293	–	2,293
Transfer to profit and loss account	–	–	(342)	342	–
Retained loss for the year	–	–	–	(3,159)	(3,159)
At 31 July 2001	3,593	916	11,397	18,316	34,222

£820,000 of the revaluation reserve is in respect of investment property.

Company

	Share premium account £000	Other reserves £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 August 2000	3,560	916	–	15,253	19,729
Shares issued	33	–	–	–	33
Retained profit for the year	–	–	–	408	408
At 31 July 2001	3,593	916	–	15,661	20,170

23 SHAREHOLDERS' FUNDS**Reconciliation of Movements in Shareholders' Funds**

	Consolidated 2001 £000	Consolidated 2000 £000
(Loss)/Profit for the financial year	(2,570)	3,152
Dividends	(589)	(2,009)
	(3,159)	1,143
Surplus on revaluation	2,293	–
Repurchase of preference shares	–	(2)
New share capital subscribed	46	–
Net (reduction)/addition to Shareholders' Funds	(820)	1,141
Opening Shareholders' Funds	40,221	39,080
Closing Shareholders' Funds	39,401	40,221

Analysis of Shareholders' Funds

	Consolidated 2001 £000	Consolidated 2000 £000	Company 2001 £000	Company 2000 £000
Equity interests	38,717	39,537	24,665	24,211
Non-equity interests: Preference Shares	684	684	684	684
	39,401	40,221	25,349	24,895

24 ANALYSIS OF CASH, DEBT AND GEARING**Consolidated****Reconciliation of Net Cash Flow to Movement in Net Debt:**

	2001 £000	2000 £000
(Decrease)/increase in cash in the period	(693)	2,488
New finance contracts	(954)	(331)
Capital element of finance contracts payments	723	177
(Increase) in stocking loan	(7,950)	(1,292)
(Increase)/decrease in bank loan	(1,000)	3,000
Change in net debt	(9,874)	4,042
Net debt brought forward	(2,865)	(6,907)
Net debt carried forward	(12,739)	(2,865)
Shareholders' Funds	39,401	40,221
Gearing	32.3%	7.1%

Analysis of Net Debt

	2001 £000	2000 £000
Cash at bank and in hand	1,591	2,284
Bank loan	(1,000)	–
Stocking loan	(12,167)	(4,217)
Finance contracts due within one year	(391)	(196)
Finance contracts due after more than one year	(772)	(736)
Net Debt	(12,739)	(2,865)

25 CAPITAL COMMITMENTS**Consolidated**

	2001 £000	2000 £000
Expenditure authorised and contracted at 31 July	1,039	980

The Company had no capital commitments at 31 July 2001 (2000 £nil).

26 FINANCIAL COMMITMENTS**Consolidated**

At 31 July 2001 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2001 £000	Other 2001 £000	Land and Buildings 2000 £000	Other 2000 £000
Operating leases which expire:				
Within one year	–	62	–	29
In the second to fifth years inclusive	346	382	134	375
Over five years	97	–	661	–
	443	444	795	404

The Company had no financial commitments at 31 July 2001 (2000 £Nil).

27 DIRECTORS

	2001 £000	2000 £000
Aggregate emoluments	461	612
Company pension contributions to money purchase schemes	38	51
Compensation	134	–
	633	663

Highest paid director

The highest paid director was Barry Widdowson (2000 Jamie Borwick)

Aggregate emoluments	52	193
Company pension contributions to money purchase schemes	8	20
Compensation	134	–
	194	213

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.

28 SUBSTANTIAL INTERESTS IN ORDINARY SHARES

At 1 September 2001 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	2,260,595	12.61
Nominee companies of Julian Richer	1,487,000	8.29
Jupiter Asset Management	652,779	3.64
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 16 to 17.

29 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 2001 the relevant Group net borrowings amounted to £1m (2000 £nil).
- (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.

30 PENSIONS

The Group operates a defined contribution pension plan (Account Plus) which is open to employees of Group companies, and a defined benefit scheme (Manganese Bronze Group Pension Scheme) in which members have ceased to accrue additional pensionable service but benefits continue to be linked to salary or Limited Price Indexation (LPI). Under the projected unit method the current service cost will increase as members approach retirement.

The overall impact of the Group's two pension arrangements on the financial statements, under Financial Reporting Standard 17, would be a reduction in profit before tax of £885,000. (The corresponding reduction, under Financial Reporting Standard 17, for 2000 would have been £857,000.) The net pension liability is £3,814,000 (2000 £379,000). This is not recognised on the balance sheet at year end.

(a) Account Plus

The pension charge for Account Plus for the year was £821,000 (2000 £822,000).

(b) Manganese Bronze Group Pension Scheme

The valuation position of the Manganese Bronze Group Pension Scheme (the Scheme) was assessed at 5 April 2000 and updated to 31 July 2001 by a qualified independent actuary. Although the Scheme primarily provides defined benefits, it also has a small defined contribution section.

Contributions totalling £1,000,000 (2000 £1,210,000) were paid into the Scheme during the year. No contributions were paid into the defined contribution section of the Scheme. Contributions to the Scheme for the year to 31 July 2002 are likely to be in the region of £1,000,000.

30 PENSIONS continued**Actuarial Assumptions**

The major assumptions used in the calculations required under Financial Reporting Standard 17 were:

	At year-end 31 July 2001
Discount rate	5.9%
Rate of increase in salaries	4.1%
Inflation assumption	2.6%

Rate of increase of pensions in payment were allowed for at the rates set out in the Scheme Rules.

Scheme Assets and Liabilities

The assets and liabilities in the Scheme (excluding those backing the defined contribution section) and the expected long-term rate of return were:

	Expected long-term rate of return at 31 July 2001 %	Value at 31 July 2001 £000
Equities	7.5	17,927
Bonds	5.0	7,634
Cash/Net Current (Liabilities)	5.0	(235)
Total market value of assets		25,326
Actuarial value of defined benefit liabilities		(30,774)
Recoverable (deficit) in the schemes		(5,448)
Related deferred tax asset		1,634
Net pension (liability)		(3,814)

	1997 £000	1998 £000	1999 £000	2000 £000	2001 £000
Turnover					
Vehicles	73,045	79,456	89,440	100,077	81,597
Components	28,632	35,513	28,743	30,140	33,388
	101,677	114,969	118,183	130,217	114,985
Operating Profit/(Loss)					
Vehicles	6,842	5,527	5,384	5,435	(400)
Components	1,542	2,899	(263)	(326)	124
	8,384	8,426	5,121	5,109	(276)
Exceptional items	–	(2,505)	(723)	–	(2,000)
Profit/(loss) on ordinary activities	8,384	5,921	4,398	5,109	(2,276)
Interest – net payable	(73)	(887)	(885)	(357)	(691)
Profit/(loss) on ordinary activities before tax	8,311	5,034	3,513	4,752	(2,967)
Taxation (charge)/credit	(1,835)	(1,546)	(1,095)	(1,600)	397
Dividends	(1,725)	(1,934)	(1,921)	(2,009)	(589)
Transfer to/(from) Reserves	4,751	1,554	497	1,143	(3,159)
Capital Expenditure	15,724	7,696	4,213	4,180	4,195
Net Assets	32,617	38,533	39,080	40,221	39,401
Net Debt	(6,661)	(8,829)	(6,907)	(2,865)	(12,739)
Gearing	20.4%	22.9%	17.7%	7.1%	32.3%
	1997	1998	1999	2000	2001
Earnings/(Loss) per Ordinary Share Basic	36.39p	19.32p	13.25p	17.42p	(14.78)p
Diluted	35.71p	19.06p	13.13p	17.26p	(14.77)p
Dividends per Ordinary Share					
Interim	3.5p	4.0p	4.0p	4.0p	2.0p
Final	6.0p	6.5p	6.5p	7.0p	1.0p
	9.5p	10.5p	10.5p	11.0p	3.0p
Vehicle sales					
UK	2,800	2,849	3,101	3,364	2,496
Export	138	33	19	27	92
	2,938	2,882	3,120	3,391	2,588

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