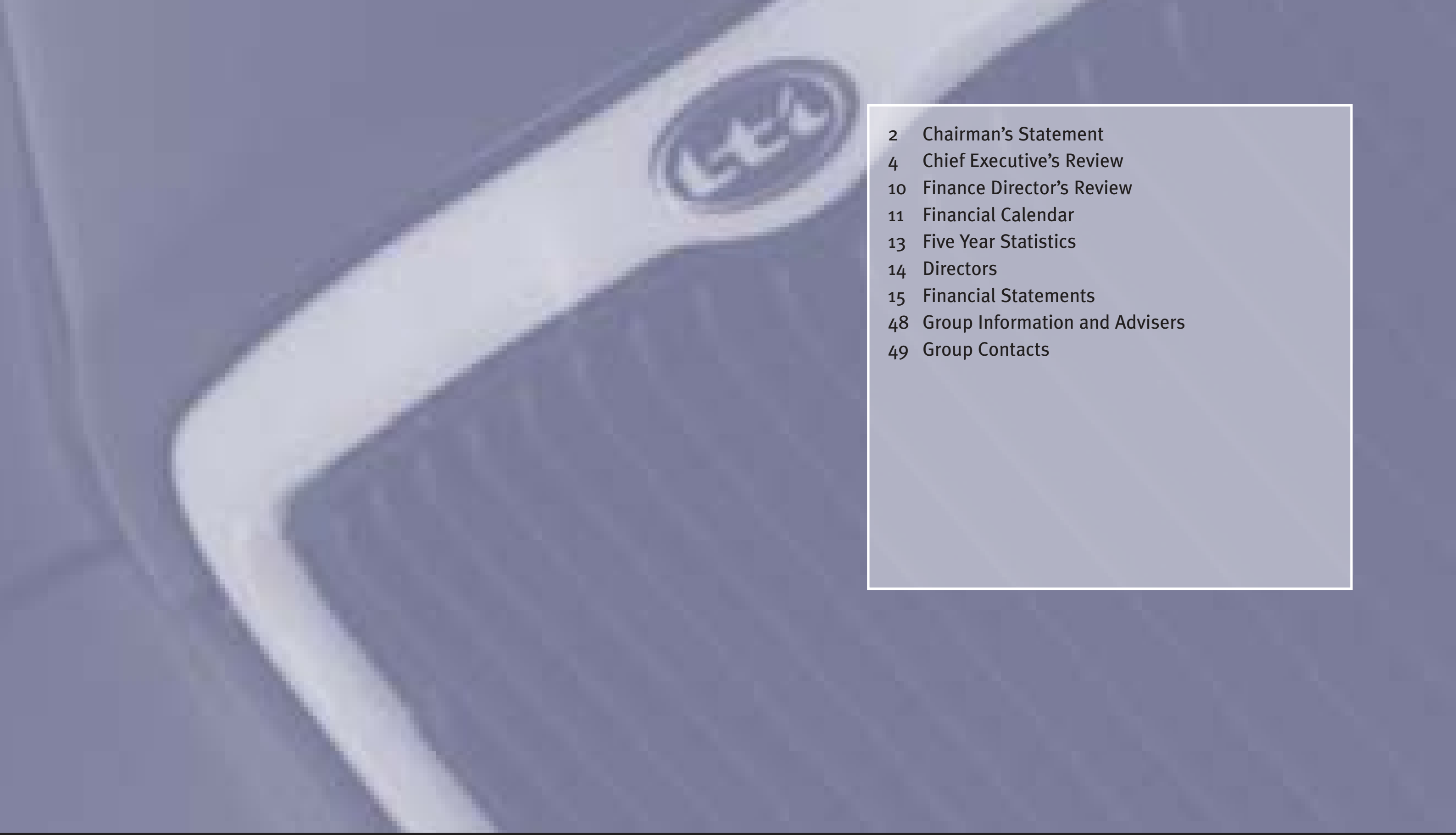
Manganese Bronze Holdings PLC
Annual Report 2002

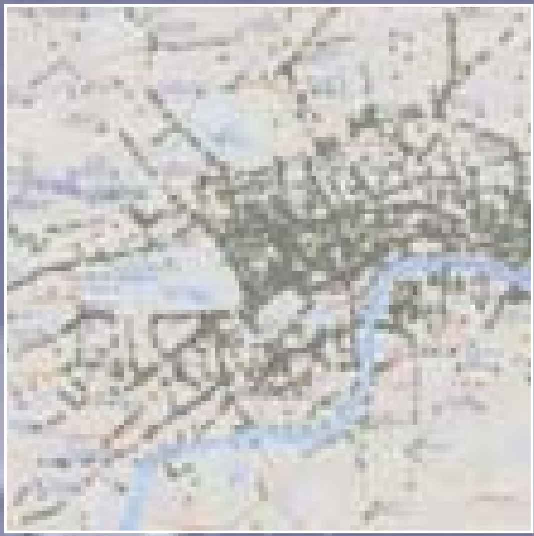


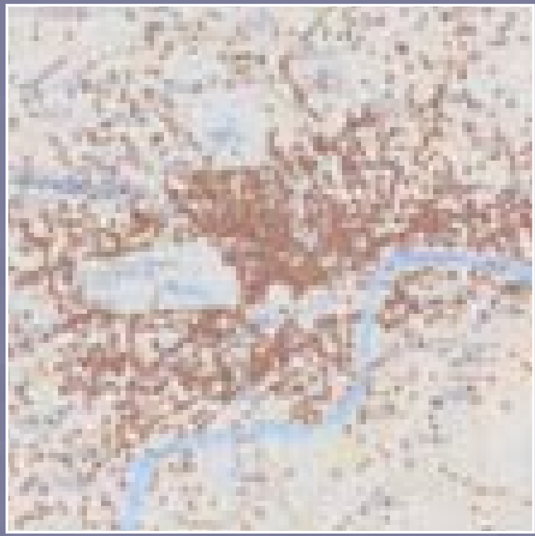
FINANCIAL HIGHLIGHTS

	2002 Turnover £000	2001 Turnover £000	**2002 Profit/(Loss) before tax £000**	2001 Profit/(Loss) before tax As restated £000
Vehicles Division	**86,932**	81,597	**1,263**	(101)
Components Division	**31,730**	33,388	**(1,052)**	124
Zingo	**–**	–	**(2,411)**	(299)
Exceptional item	**–**	–	**–**	(2,000)
Turnover/Operating loss	**118,662**	114,985	**(2,200)**	(2,276)
Finance charge – net			**(686)**	(691)
Loss before tax			**(2,886)**	(2,967)
Net assets			**35,802**	37,975

	2002	2001
Loss per Ordinary Share	**(11.88)p**	(12.97)p
Dividend per Ordinary Share	**1.00p**	3.00p
Price range of Ordinary Shares (1 Jan – 1 Sept 2002; Jan – Dec 2001)	**74 – 151p**	61 – 133p
Weighted average number of Ordinary Shares in issue	**17,979,088**	17,933,360
Market Capitalisation at 1 September	**£13.30m**	£17.53m
Net assets per Ordinary Share	**195.3p**	207.4p

During the year Manganese Bronze Holdings PLC has continued the process of reducing its reliance on traditional engineering activities and markets. Development of the Zingo taxi hailing system is substantially complete and we have started the process of entering significant new overseas markets for our taxis and components.





CHAIRMAN'S STATEMENT

We started the year with three challenges: introducing major changes to our taxi, launching our Zingo mobile phone hailing service and making a profit. We have made solid progress on two out of the three.

Before interest, tax and adjustment for major development costs we made a profit of £1.1m for the year compared with a profit of £0.2m at the half year and a loss of £0.1m last year. The loss before tax was £2.9m, a slight improvement over last year. As expected, gearing reduced from 34% to 25%, due to the reduction in our stocks of finished taxis during the year.

We were able to introduce the TXII, with the new Ford Duratorq diesel engine on time and it certainly makes a positive difference to the performance and fuel economy of the taxi. A taxi with astonishing acceleration and no cloud of smoke can only be a new TXII with, I hope, a happy customer driving it. The hard work by our staff in our manufacturing, retail and finance businesses that turned a £0.1m loss last year into a £1.3m profit, on marginally increased taxi sales, is much appreciated.

The problems of our partner in China, Brilliance China Automotive Holdings Ltd., have been well covered in the press, but the effect on our project with them is as yet unclear.

This time last year, we announced that we were going to develop a new service called Zingo to enable passengers to hail a taxi using their mobile phones. As a customer you will phone our telephone number, which will prompt our computer to obtain your 'cell of origin' or location from your phone company. Using a database of Global Positioning System locations for the empty taxis in London, we will connect your incoming call to the nearest empty taxi to you, so that you have hailed a taxi that may be out of sight. The problem that caused a delay has been obtaining consistently reliable location data from the mobile networks. We believe that there have recently been great advances made there.

We will be commencing a trial of the system with about 200 taxis and 1,000 passengers starting in October. If any London based shareholder would like to volunteer to take part in this test plan, they can register at www.manganese.com and we will get back to them. We are looking for a wide variety

These red dots show the end of taxi journeys, scattered around London, the green dots show the pick up points, firmly along main roads. Currently most journeys are not door to door, but main road to door. The Zingo taxi hailing service will be truly door to door, or office to door, or restaurant to door, or bar to door, or club to door . . .

of taxi passengers who will help us perfect this revolutionary system. If our tests go well, we hope to launch in this financial year at the original total cost of £8m.

This is an ambitious proposal for a small company with little experience of the integration of complex telephony systems. While following the small fleet of taxis fitted with the Zingo hardware we found that they are predominately hailed on main roads but that the drop off points are scattered all around London. This shows that the journey of a passenger is not normally a door to door service, but rather a 'main road to door' service. I hope that in future years the pick up points will be equally scattered, proving that we are serving the passengers of London with the transport that they desire and making a profit on the way.

Our Components Division has had another difficult year, but made a profit in the second half. At Ipswich, our Sintered Components business is finally nearing full capacity and is trading consistently profitably now. We are pleased that a large capital investment previously made in this business is now coming into full use with new customers. Metal Powders in Birmingham and Precision Castings at Redditch have both had serious trading losses, but as before Deans Powered Doors has been the star performer in the Division.

In January, Mark Fryer joined the Board as Group Finance Director from GKN plc. This year, William Salomon has decided to retire at the Annual General Meeting after 15 years service as a non-executive director of your Group. He has been very popular among our senior staff for his insightful questions, and no less important in the boardroom for his independence and intelligence. Thank you, William.

Group trading remains difficult. The major challenges are to launch Zingo successfully, resolve the China situation, sell more taxis and make a profit in the Components Division. We see no change in market conditions and the result for the year will reflect the performance of Zingo.

Jamie Borwick

CHIEF EXECUTIVE'S REVIEW

During the year, we have continued the process of reducing the Group's reliance on its traditional engineering activities and markets. Development of the Zingo taxi hailing system is substantially complete and we have started the process of entering significant new overseas markets for our taxis and components.

Trading

The Group made a loss before tax for the year of £2.9m principally due to expenditure on Zingo. New taxi sales of 2,602 were at a similar level to those in the prior year. Despite this, the Vehicles Division turned a loss of £0.1m into a profit of £1.3m.

Our Components Division suffered a reversal of the progress made in recent years and incurred a significant loss in the year, principally due to loss making automotive contracts in the Precision Castings business which have been terminated. As expected, the Components Division made a small profit in the second half of the year, resulting in a loss for the year as a whole of £1.1m.

As well as making hailing a taxi easier, Zingo will enable passengers to pay for their journey using a credit card.

Manganese Bronze Services

Zingo

We announced with last year's results that we planned to develop a new mobile phone hailing service to be known as Zingo. The Zingo concept has been well received by taxi drivers. Over 1,000 of London's 20,000 taxi drivers have registered to join the service when it is launched. They each take an average of about 20 fares a day. Zingo will earn a share of the booking fee of up to £2 for each journey hailed using our system.

We planned to launch Zingo during the year, but have suffered delays with the mobile phone networks supplying Zingo with the passenger's location. The development of the Zingo system is now substantially complete and we plan to conduct a limited trial of the service in London in the near future. If this trial is successful we expect to launch Zingo commercially in the second half of the new financial year.

We spent £2.4m of revenue expenditure and £1.5m of capital expenditure on the Zingo project during the year. The total cost of developing and launching the service is still estimated to be £8.0m.

LTI Finance

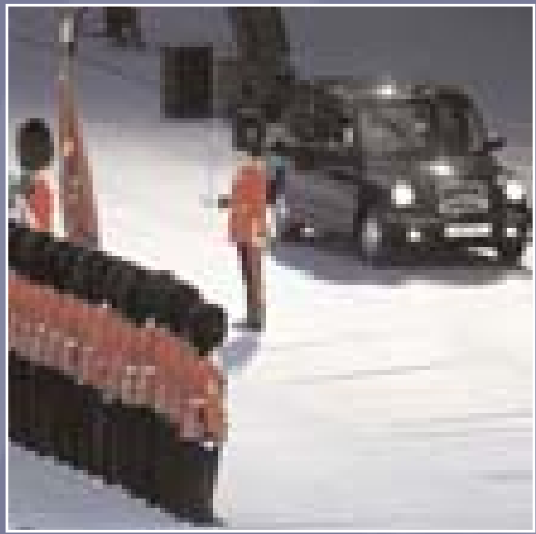
LTI Finance had another good year continuing to arrange finance for the majority of the Group's new taxi sales, and made a significant contribution to the Group.

Vehicles Division

The new TXII taxi was launched successfully in January of this year and has received a positive reception from the taxi industry. The new Ford Duratorq engine provides improved performance and complies with the latest Euro III emission regulations. Development expenditure of £0.9m and capital expenditure of £1.1m was incurred on the TXII program during the year.

We were particularly pleased to be able to join in the Queen's Golden Jubilee celebrations by producing a Special Edition Jubilee taxi. Several of these vehicles took part in the Jubilee parades in London in June and events around the country. The Jubilee taxis also featured in the closing ceremony of the Commonwealth Games, the biggest ever sporting event held in the UK. Both these taxis, and the more familiar black cabs that were used in the opening ceremony, were watched by a television audience of hundreds of millions around the world and described by the BBC as "One of the icons of Britain with its unique shape".

Over recent years exports of our taxis have been limited by the cost of our vehicle compared to the price of saloon cars used as taxis in many parts of the world. In January, we announced that we had signed a licence agreement with Brilliance China Automotive Holdings Ltd.. The licence agreement will allow Brilliance to make and sell taxis based on the design of the TXII in China. We anticipated that sales in China would be aided by lower local manufacturing costs.



Under the terms of the agreement Brilliance should make four initial payments over 18 months to LTI, totalling £2.7m and royalty payments thereafter based on the number of taxis sold.

We received the first of the payments of £0.9m in February. Since that time, there has been a change in the management of Brilliance which has been widely reported in the press. The second payment, due in August of this year, of £0.6m has not yet been received, and we are now discussing Brilliance's current plans to start taxi production with the new management. The agreement stipulates that all of the initial payments, totalling £2.7m, are payable whether production starts or not. We continue to believe that China represents an exciting new market for our taxi so if Brilliance does not wish to manufacture the vehicle we will look for a new partner. In the meantime, we have started the process of buying low cost component supplies from Chinese manufacturers.

The new TXII with its advanced Ford engine is setting off on an expedition from Beijing to London to be shown on Chinese television. The TXII also featured in the BBC's coverage of the Commonwealth Games opening and closing ceremonies seen by millions of viewers around the world.

Last year we signed a distribution agreement for the United States and Canada with London Taxis of North America Inc who have already taken orders for 70 vehicles. They have continued the process of identifying the modifications needed to make the taxi comply with US vehicle regulations during the year and we expect to start deliveries of taxis to North America in 2003.

The results of the review of the London Conditions of Fitness announced by the Mayor of London last summer have been delayed. They are not now expected until May 2003 while research commissioned by Transport for London into the need for the turning circle is completed. Our research shows that the manoeuvrability of our taxi is used very frequently by the drivers. More recently an investigation by the Office of Fair Trading into UK taxi services was announced. The principal focus of the review will be the regulations in a number of licensing areas outside London that limit the number of taxis that are licensed to ply for hire. The review may result in an increase in the number of licensed taxis across the UK.

Coventry City Council have not yet made a decision on the planning application for the redevelopment of the taxi factory site in Coventry for retail use. We continued to discuss the proposal with the Council's planning officers during the year and expect to submit an amended plan for further consultation shortly.

Our factory maintained a steady production rate of 59 taxis per week throughout the financial year. We had two periods of short time working to reduce the level of taxi stocks that had been increased prior to the launch of the TXII.

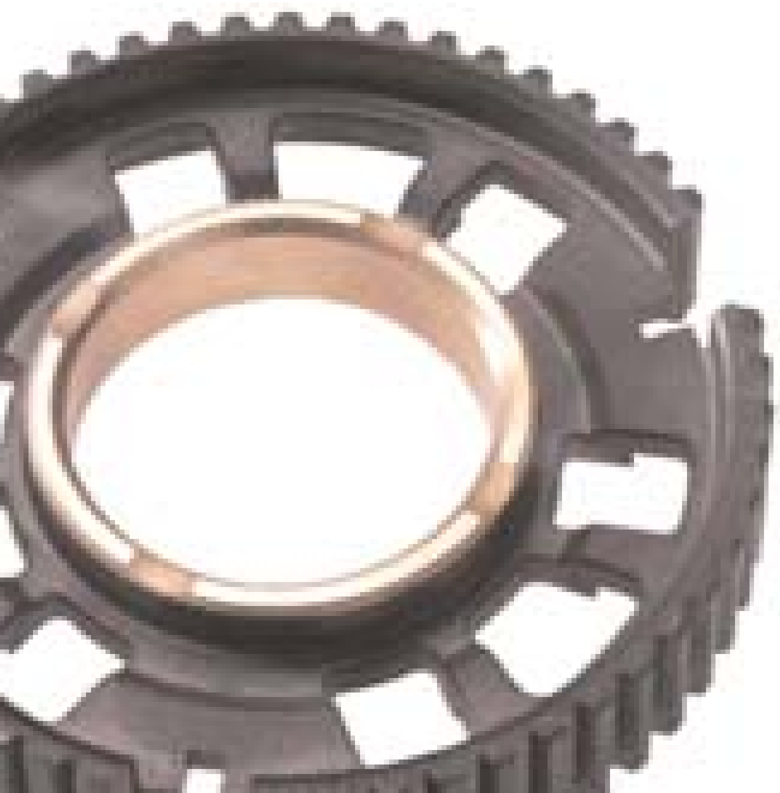
The manufacturer of the taxi chassis, UPF Thompson Limited, went into receivership at the end of 2001. The business of UPF was subsequently acquired by GKN plc and we have entered into a long term supply agreement with GKN for the supply of chassis for our future production requirements. No disruption in taxi production was suffered as a result of these difficulties.

Our Mann & Overton taxi dealerships had a much improved performance during the year. Margins on both new and used taxi sales were tightly controlled and spares and service activity increased. Our parts business had an excellent year.

CHIEF
EXECUTIVE'S
REVIEW

Components Division
Deans

Our bus door, ramp and handrail business had another successful year although sales and profits were below the levels achieved in recent years. Demand for buses particularly in London was at a reduced level but improved towards the end of the year. The spares and service operation in Hong Kong, George Vint, acquired in November 2000 made a useful contribution to sales and profits throughout the year and Hong Kong remains an important overseas market for Deans' products.



A number of new vehicles are being introduced which use complex sintered parts made by Advanced Sintering at Ipswich.

Advanced Sintering

Advanced Sintering continued the process of replacing work lost from its traditional customer base. Although the business suffered a loss for the year as a whole it traded profitably in the second half. Several new parts that have been developed in the past few years have now entered production and volumes are now increasing. We are now supplying components for a number of key European transmission companies and almost 25% of output is being exported. The growth in orders for these new components has continued in the new financial year. Demand for the traditional bronze bearing range was weak in the first half of the year but also improved in the second half.

Precision Castings

The Precision Castings business at Redditch incurred substantial losses in the first half principally because of loss making high volume automotive contracts. These contracts were terminated in the second half and we have started the process of replacing this work with new low volume, higher margin niche products. However due to the reduced level of orders we have decreased staff numbers from 148 at the start of the year to 79 at the end. The business has continued to be loss making and we have made a further number of staff redundant at the start of the new financial year. The cost base now matches the current level of orders.

Metal Powders

Metal Powders suffered a substantial reduction in orders from its largest customer during the year and we expect that the reduced demand will continue in the new financial year. The cost base has been reduced accordingly and the sales team is focusing on growing the other areas of the business.

People

Mike Hankins has been recruited as Managing Director of Precision Castings and has appointed a new management team to turn the business around.

In the coming months John Cooke, Managing Director of Metal Powders, plans to retire. He has made a major contribution to the Group for 40 years. We wish him a long and happy retirement.

The Group continues to face major challenges in each of its activities. The management and staff of all of them are committed to facing these challenges and growing their businesses. I would like to thank all our employees for their unstinting effort and contribution.

Ian Pickering

Jamie Borwick, Ian Pickering and Mark Fryer.

FINANCE DIRECTOR'S REVIEW

The Group has had a year of investing in its future and has therefore had a loss before tax of £2.9m (2001 loss £3.0m). The loss before interest and tax is £2.2m. Excluding major development costs of £3.3m, which includes Zingo of £2.4m and TXII of £0.9m, profit for the year was £1.1m. The Group also incurred other development costs of £0.6m.

Sales and Profit

Group turnover has increased 3.2% to £118.7m. Vehicles Division has increased turnover 6.5% through an increase in the number of taxis sold to 2,602 from 2,588 (exports reduced to 41 in 2002 from 92 in 2001), higher unit price for the TXII, higher sales of used cabs and inclusion of China licence income of £0.9m. Components Division turnover has decreased 5.0%, with three of the four businesses recording reductions. The exception is MBC Advanced Sintering, which reported a 15.2% increase in sales from higher orders of complex iron sintered parts for first tier automotive customers.

Cost of sale, excluding the asset impairment provision of £2.0m in 2001, increased to 84.3% of sales in 2002 from 83.7% in 2001. This is due to the £0.9m cost of supporting the China licence contract, the impact of the higher cost of the taxi chassis while UPF Thompson, the supplier of the chassis, was in administration and the inclusion of redundancy costs of £0.6m.

Group net operating expenses have increased to £20.8m (2001 £19.0m) principally due to the increase in Zingo revenue expenditure to £2.4m (2001 £0.3m).

The second half of the financial year has seen reduced losses notably in the Components Division. The second half has also seen improved performance from the Vehicles Division with operating profit of £0.8m (first half profit of £0.5m), Components Division made an operating profit of £0.1m (first half loss of £1.2m) and Zingo expenditure has increased to £1.5m (first half £0.9m). Interest expense has remained at the same level in each half.

Taxation

The Group tax credit for the year was £0.8m (2001 £0.7m), an effective rate of 28.7%. The effective rate of the tax credit is below the standard tax rate of 30.0% due to the impact of items of expenditure not allowed for taxation.

The financial statements include for the first time the impact of the new accounting standard, FRS19, which requires deferred tax to be charged on the full liability basis. The deferred tax credit to the profit and loss account is £0.3m. Adoption of FRS19 requires the restatement of opening reserves. The impact of which is £1.4m reflecting prior years' unprovided deferred tax.

FINANCIAL CALENDAR

Financial year end	31 July 2002
103rd Annual General Meeting	22 November 2002
Final Ordinary Dividend payable	2 December 2002
To shareholders registered on	1 November 2002
Preference Share Dividend payable	31 December 2002 and 27 June 2002
Announcement of results – Interim	March 2003
Announcement of results – Full year	September 2003

Returns to Shareholders

The directors have recommended a final dividend of 1.0p (2001 1.0p). The total dividend for the year is 1.0p (2001 3.0p). The loss per share for the year is 11.9p (2001, restated for FRS19, 13.0p).

Fixed Assets

The Board has carried out a further review of the book values of all plant and equipment as at 31 July 2002 and decided that no impairment provision is required.

Cashflow and Borrowings

The Group has worked hard to generate strong cash flow for the year which has contributed to reduce gearing. Cash generated for the year before financing of £4.3m (2001 outflow £9.0m) benefited from £5.7m of working capital reduction. Depreciation was £1.7m in excess of net capital expenditure.

Net debt, at 31 July 2002, reduced by £3.8m, to £8.9m, of which the stock of finished taxis on the stocking loan, is £7.4m. With bank loans of £3.0m and finance contracts of £1.0m, the Group had £2.4m of cash on deposit at 31 July 2002. The overall reduction in debt is particularly pleasing given the £3.9m invested in Zingo (of which £1.5m was capitalised). A further £0.2m of capital has been committed to Zingo. The Board continues to believe Zingo will be launched within the original launch budget of £8.0m despite the delay.

Interest expense was at a similar level to the prior year with the benefit of lower interest rates offset by a higher level of average debt during the year. The increase in average debt was due to the build up of taxi stocks at the end of our last financial year to cover the risk of a disruption to production as a result of the introduction of the new TXII taxi. With TXII having been successfully introduced we have decreased stock levels allowing the stocking loan to decrease to £7.4m (2001 £12.2m).

The debt on our balance sheet includes the finance for all finished taxis, whether they are to be sold by our subsidiaries or franchised dealers. Group gearing at the end of the year was 25.0% compared with 33.5% at the start of the year.

The Group's exposure to the Japanese Yen has reduced with the phasing in of the new Ford Duratorq engine, which is priced in sterling. The Group does however maintain a policy of hedging purchases of gearboxes denominated in Yen by purchasing forward to meet six months' future requirements.

Capital Expenditure

Capital expenditure for the year was £4.0m (2001 £3.2m). The main elements of capital expenditure are completion of the Zingo operating system of £1.5m, Euro III engine development of £1.1m and investment in MBC Advanced Sintering of £0.4m.

Development Expenditure

Development expenditure for the year increased to £3.9m from £2.5m, the principal increase being Zingo development expenditure of £2.4m (2001 £0.3m) offset partially by a reduction in TXII development expenditure to £0.9m from £1.8m in 2001.

The Board still expects a broadly equal split of total Zingo expenditure between development and capital.

Bank Facilities

The Group's main bankers HSBC and Lloyds TSB have renewed all our main facilities. This includes a Zingo borrowing facility of £7.0m maturing in March 2003. At 31 July 2002, only £3.0m of the facility had been utilised. This has been secured against part of the Holyhead Road, Coventry site, leased to two non-group motor dealerships.

Taxi Finance

The Group sells a high percentage of new and used taxis financed through London Taxi Finance Ltd, a wholly owned subsidiary of Lloyds TSB Group PLC. This has been a long standing relationship, which is highly valued by the Group.

Pensions

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 has been carried out in accordance with the requirements of FRS17. This indicates a deficit of £9.2m at 31 July 2002 (2001 £5.4m). The principal changes in the deficit are cash contributions by the Group totalling £1.0m and a reduction in the value of the scheme assets of £4.7m.

In accordance with Minimum Funding Requirement Regulations, a schedule of contributions to make good the deficit has been agreed. This requires contributions of £1.5m per annum. This is an increase from £1.0m previously agreed with the pension trustees. In addition, the Group has agreed to fund an additional sum of £1.0m by 31 August 2003.

The Accounting Standards Board has deferred full adoption of FRS17. We continue to show the potential adjustment to implement FRS17 in the notes to the financial statements. It should be remembered that FRS17 only gives a snap shot view of assets and liabilities at the balance sheet date and is therefore volatile. It is also important to note the very long term nature of scheme liabilities.

Summary

The Group had a year of investment with strong cash generation being used to invest in our future. The reduction in working capital this year has helped fund our investment in Zingo and reduce debt levels. With debt of £8.9m our gearing is just 25.0% at year end.

Mark Fryer

Mark Fryer

FIVE YEAR STATISTICS

	1998 £000	1999 £000	2000 £000	2001 As restated £000	**2002 £000**
Turnover					
Vehicles	79,456	89,440	100,077	81,597	**86,932**
Components	35,513	28,743	30,140	33,388	**31,730**
	114,969	118,183	130,217	114,985	**118,662**
Operating Profit/(Loss)					
Vehicles	5,527	5,384	5,435	(101)	**1,263**
Components	2,899	(263)	(326)	124	**(1,052)**
Zingo	–	–	–	(299)	**(2,411)**
	8,426	5,121	5,109	(276)	**(2,200)**
Exceptional items	(2,505)	(723)	–	(2,000)	**–**
Profit/(Loss) on ordinary activities	5,921	4,398	5,109	(2,276)	**(2,200)**
Finance charge – net	(887)	(885)	(357)	(691)	**(686)**
Profit/(Loss) on ordinary activities before tax	5,034	3,513	4,752	(2,967)	**(2,886)**
Taxation (charge)/credit	(1,546)	(1,095)	(1,600)	719	**827**
Dividends	(1,934)	(1,921)	(2,009)	(589)	**(234)**
Transfer to/(from) Reserves	1,554	497	1,143	(2,837)	**(2,293)**

Capital Expenditure	7,696	4,213	4,180	4,195	**4,509**
Net Assets	38,533	39,080	40,221	37,975	**35,802**
Net Debt	(8,829)	(6,907)	(2,865)	(12,739)	**(8,939)**
Gearing	22.9%	17.7%	7.1%	33.5%	**25.0%**

		1998	1999	2000	2001	**2002**
Earnings/(Loss) per Ordinary Share	Basic	19.32p	13.25p	17.42p	(12.97)p	**(11.88)p**
	Diluted	19.06p	13.13p	17.26p	(12.97)p	**(11.88)p**
Dividends per Ordinary Share	Interim	4.0p	4.0p	4.0p	2.0p	**–**
	Final	6.5p	6.5p	7.0p	1.0p	**1.0p**
		10.5p	10.5p	11.0p	3.0p	**1.0p**
Vehicle sales	UK	2,849	3,101	3,364	2,496	**2,561**
	Export	33	19	27	92	**41**
		2,882	3,120	3,391	2,588	**2,602**

The 1998, 1999 and 2000 comparatives are not restated to comply with FRS19 (Deferred Tax).

DIRECTORS

Jamie Borwick * •

Jamie Borwick (47) was appointed Chairman in January 2001, after 14 years as Chief Executive. He is also non-executive chairman of Hansa Trust PLC, a member of the Listing Authority Advisory Committee of the Financial Services Authority, a trustee of Whizz-Kidz and a member of the Council of the British Lung Foundation.

Ian Pickering

Ian Pickering (46) 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.

Mark Fryer

Mark Fryer (35) was appointed Group Finance Director in January 2002 and Company Secretary in June 2002. A Chartered Accountant, he joined the Group from GKN plc where he had been Finance Director of the Industrial Services Division and latterly Chief Financial Officer of a GKN subsidiary in the United States.

Tim Melville-Ross * • ▲

Tim Melville-Ross (57) 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, deputy chairman of Royal London Insurance and a director of Bovis Homes Group plc.

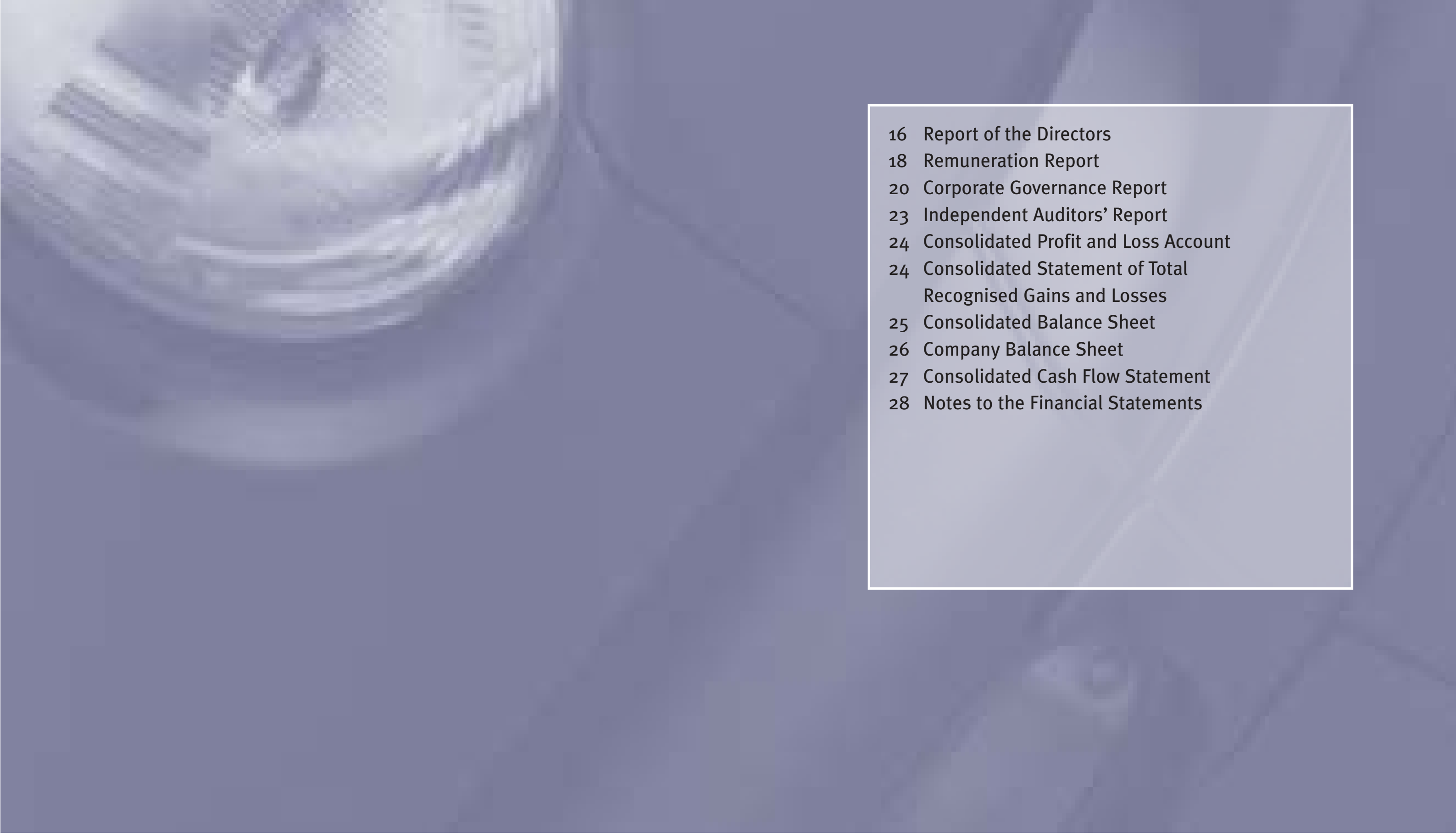
Christopher Ross FREng * • +

Christopher Ross (58) 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 Ctex Limited and a non-executive director of Lander Group Limited.

William Salomon * • +

William Salomon (44) is managing partner of Hansa Capital Limited, deputy chairman of Ocean Wilsons Holdings Limited and a director of Hansa Trust PLC. He was previously chairman of Rea Brothers Group plc and subsequently vice chairman of Close Asset Management Holdings Limited, and is a director of a number of other investment and trading companies both private and quoted.

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



Manganese Bronze Holdings PLC
Financial Statements 2002

The directors present the annual report and audited financial statements of the Company and the Group for the year ended 31 July 2002.

1 Principal Activities

Manganese Bronze Holdings PLC is a UK based engineering group whose strategy is to increase the extent of its non-manufacturing activities. Details of our activities, future prospects and research and development are given in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review on pages 2 to 12.

2 Results and Dividends

The loss for the year before taxation was £2.9m (2001 £3.0m). The directors are recommending a final dividend of 1.0p (2001 1.0p). The final dividend, if approved, will be paid on 2 December 2002 to all shareholders who are on the register at close of business on 1 November 2002.

3 Share Capital

Changes in the issued share capital during the year together with details of outstanding share options are set out in note 22 on page 40.

4 Directors

A full list of directors who have been in office throughout the year together with brief biographies are set out on page 14.
Mark Fryer having been appointed by the Board since the last Annual General Meeting offers himself for election.
William Salomon will retire as a non-executive director at the Annual General Meeting.
This year Jamie Borwick and Tim Melville-Ross retire by rotation and, being eligible, offer themselves for re-election. Mark Fryer and Ian Pickering each have service contracts which are terminable by the Company with one year's notice. Jamie Borwick as chairman has a service contract which is terminable by the Company with one year's notice. The services of Christopher Ross, Tim Melville-Ross and William Salomon as non-executive directors are terminable by the Company with six months' notice.

5 Directors' Interests

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

	31 July 2002 Shares	**31 July 2002 Options**	31 July 2001 Shares	31 July 2001 Options
Beneficial interests				
Jamie Borwick	**266,195**	**–**	266,195	–
Family companies of Jamie Borwick	**333,227**	**–**	333,227	–
Ian Pickering	**–**	**200,000**	–	200,000
Mark Fryer	**–**	**–**	–	–
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. For further details see note 29 on page 44.
There were no changes in the interests of any of the directors between 31 July 2002 and the date of this report.
No director had any interest in any contract of significance with the Company during the year to 31 July 2002 other than their service contracts and as disclosed in note 31 on page 45.

6 Directors' Remuneration

Details of the remuneration of each of the directors is set out in the Remuneration Report on pages 18 and 19.

7 Annual General Meeting

This year's Annual General Meeting will be held at noon on Friday 22 November 2002. 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 financial statements.

8 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 2002 (2001 £nil).

9 Health, Safety and the Environment

The directors consider the health, safety and environmental protection aspects of our business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment, all contribute to the running of an efficient business.

The Chief Executive is ultimately responsible, so far as is reasonably practicable, for the health, safety and welfare of our employees, contractors and visitors, the health and safety of all other persons affected by our business activities and the effective planning and review of environmental controls, in line with appropriate legislation, standards and best practice.

10 Donations

The Group made donations for charitable purposes during the year ended 31 July 2002 of £15,287 (2001 £17,787). No political donations were made (2001 £nil).

11 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 origin, 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.

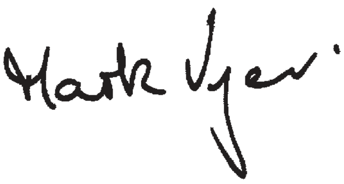
12 Employment of Disabled Persons

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.

13 Auditors

Arthur Andersen resigned as the auditors of the Group effective as of 31 July 2002, and confirmed that no issues were required to be brought to shareholders' attention. The Board appointed Deloitte & Touche to fill the casual vacancy and would propose their election at the Annual General Meeting.

By order of the Board



Mark Fryer Company Secretary
16 September 2002

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, the Group Chairman, and the three other 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.

1 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 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 budget. 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 non pensionable.

2 Service Contracts

The service contracts of Jamie Borwick, Mark Fryer and Ian Pickering are terminable on one year's notice by the Company and at least six months' by the director. The agreements with the other non-executive directors are not for fixed terms, but are each terminable on six months' notice, and they are subject to re-election at least every three years.

3 Directors' Remuneration

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

	Basic salary/fees 2002 £	Bonus 2002 £	Other benefits[1] 2002 £	Total (excluding pension contribution) 2002 £	Pension contribution by the Company[2] 2002 £	**Total 2002 £**	Total 2001 £
Chairman							
Jamie Borwick	75,000	–	22,007	97,007	10,500	**107,507**	143,693
Executives							
Ian Pickering	154,000	25,000	20,975	199,975	13,440	**213,415**	181,003
Mark Fryer[3]	64,167	–	3,080	67,247	7,875	**75,122**	–
Non-Executives							
Tim Melville-Ross	20,000	–	–	20,000	–	**20,000**	20,000
Christopher Ross	20,000	–	–	20,000	–	**20,000**	20,000
William Salomon	20,000	–	–	20,000	–	**20,000**	20,000
Totals	353,167	25,000	46,062	424,229	31,815	**456,044**	384,696

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 Mr Fryer commenced employment on 2 January 2002.

4 Directors' Share Options

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

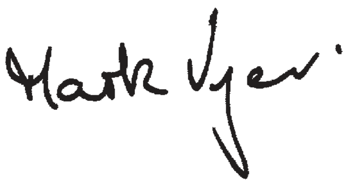
It is a condition of exercise of the Company and Approved Share Option Schemes, which were approved by shareholders in 1997, that the growth in the Group's earnings per share must exceed by 10% the increase in RPI over any period of three consecutive years.

5 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 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



Mark Fryer Company Secretary
16 September 2002

1 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 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 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.

2 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 financial statements.

3 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 2002. 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.

4 The Board

As at 16 September 2002, the date of signing these financial statements, the Board comprises two 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 14.

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.

5 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 14.

6 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 Financial Statements 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.

7 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 monitors 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 retire by rotation each year and seeks re-appointment at the Annual General Meeting.

8 Relationships with Shareholders

The directors recognise the importance of dialogue with investors. Meetings with certain 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.

9 Internal Controls

The directors are responsible for the Group's system of internal control and have put in place an organisational structure and framework of controls which is periodically reviewed for its effectiveness. The key procedures within the Group's systems of internal 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;
- the maintenance of a small, experienced Group finance function which monitors the financial performance of operating companies and divisions through analysis of regular financial and management reports together with regular direct contact with operating division management. Consolidated reports and independent commentaries are prepared and submitted to the Board for review at Board meetings. In addition, interim reports are issued regarding cash and working capital;
- maintenance of local divisional boards, enabling the Board to delegate appropriate levels of authority to a small number of divisional company directors and managers, all of whom are accountable to the Board.

Operations throughout the Group are subject to the overall Group internal 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 controls as operated during the year ended 31 July 2002 and will continue to review controls at least annually and more frequently should the need arise.

10 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 at least every three years;
- provision B.2.2 as the Chairman of the Group was the former Chief Executive and is therefore not considered independent 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

Mark Fryer Company Secretary
16 September 2002

We have audited the financial statements of Manganese Bronze Holdings PLC for the year ended 31 July 2002 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement, reconciliation of movement in consolidated shareholders' funds and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 July 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
London

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 July 2002

	Notes	2002 £000	2001 As restated £000
Turnover	2	**118,662**	114,985
Cost of sales (including 2001 impairment cost of £2.0m)		**(100,034)**	(98,228)
Gross Profit		**18,628**	16,757
Net operating expenses	3	**(20,828)**	(19,033)
Operating Loss	4	**(2,200)**	(2,276)
Finance charges – net	5	**(686)**	(691)
Loss on Ordinary Activities before Taxation	2	**(2,886)**	(2,967)
Tax on loss on ordinary activities	7	**827**	719
Loss for the Financial Year		**(2,059)**	(2,248)
Dividends (including non-equity dividends)	11	**(234)**	(589)
Transfer from Reserves	23	**(2,293)**	(2,837)
Basic Loss per Ordinary Share	10	**(11.88)p**	(12.97)p
Diluted Loss per Ordinary Share	10	**(11.88)p**	(12.97)p

Historical Cost Profits and Losses

On an historical cost basis, the loss on ordinary activities before taxation and the retained loss after taxation and dividends would have reduced by £164,000 (2001 £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 2002

	2002 £000	2001 As restated £000
Loss for the financial year	**(2,059)**	(2,248)
Unrealised surplus on revaluation of properties	**95**	2,293
Currency translation differences	**25**	–
Total recognised losses and gains relating to the year	**(1,939)**	45
Prior year adjustment (see note 8)	**(1,426)**	–
Total recognised losses and gains since the last Annual Report	**(3,365)**	45

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

	Notes	2002 £000	2002 £000	2001 As restated £000	2001 As restated £000
Fixed Assets					
Intangible assets – Goodwill	12		**191**		201
Tangible assets	13		**40,297**		41,301
Investments	14		**142**		178
			40,630		41,680
Current Assets					
Stocks	15	**19,731**		23,756	
Debtors	16	**8,139**		9,352	
Cash at bank and in hand		**2,398**		1,591	
		30,268		34,699	
Creditors Amounts falling due within one year	17	**(30,267)**		(33,238)	
Net Current Assets			**1**		1,461
Total Assets Less Current Liabilities			**40,631**		43,141
Creditors Amounts falling due after more than one year	18		**(105)**		(772)
Provisions for Liabilities and Charges	20		**(4,724)**		(4,394)
Net Assets			**35,802**		37,975
Capital and Reserves					
Called up share capital	22		**5,179**		5,179
Share premium account	23		**3,593**		3,593
Capital redemption reserve	23		**916**		916
Revaluation reserve	23		**11,328**		11,397
Profit and loss account	23		**14,786**		16,890
Shareholders' Funds Including Non-Equity Interests	24		**35,802**		37,975
Net Assets per Ordinary Share			**195.3p**		207.4p

Approved by the Board

Jamie Borwick Chairman
Ian Pickering Director
16 September 2002

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

	Notes	2002 £000	2002 £000	2001 £000	2001 £000
Fixed Assets					
Tangible assets	13		**90**		71
Investments	14		**8,643**		8,679
			8,733		8,750
Current Assets					
Debtors	16	**20,533**		12,736	
Cash at bank and in hand		**–**		7,659	
		20,533		20,395	
Creditors Amounts falling due within one year	17	**(3,178)**		(3,796)	
Net Current Assets			**17,355**		16,599
Total Assets Less Current Liabilities			**26,088**		25,349
Net Assets			**26,088**		25,349
Capital and Reserves					
Called up share capital	22		**5,179**		5,179
Share premium account	23		**3,593**		3,593
Capital redemption reserve	23		**916**		916
Profit and loss account	23		**16,400**		15,661
Shareholders' Funds Including Non-Equity Interests	24		**26,088**		25,349

Approved by the Board

Jamie Borwick Chairman
Ian Pickering Director
16 September 2002

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

	Notes	2002 £000	2002 £000	2001 £000	2001 £000
Reconciliation of Operating Loss to Net Cash Inflow/(Outflow) from Operating Activities:					
Operating loss			**(2,200)**		(2,276)
Depreciation			**5,231**		5,520
Amortisation of intangible fixed assets			**10**		7
Provision against ESOT shares			**36**		309
Profit on sale of fixed assets			**(101)**		(8)
Asset impairment			**–**		2,000
Decrease/(increase) in stocks			**4,025**		(7,393)
Decrease/(increase) in debtors			**1,213**		(891)
Increase/(decrease) in creditors and provisions			**490**		(662)
Net Cash Inflow/(Outflow) from Operating Activities			**8,704**		(3,394)
Returns on Investments and Servicing of Finance					
Interest received		**22**		35	
Interest paid		**(584)**		(620)	
Interest element of finance contract payments		**(124)**		(106)	
Preference dividend paid		**(56)**		(56)	
Net Cash Outflow from Returns on Investments and Servicing of Finance			**(742)**		(747)
Taxation					
UK Corporation Tax paid			**22**		(625)
Capital Expenditure					
Purchase of tangible fixed assets		**(4,004)**		(3,241)	
Proceeds from sale of tangible fixed assets		**503**		848	
Net Cash Outflow from Capital Expenditure			**(3,501)**		(2,393)
Acquisitions					
Purchase of trade and assets			**–**		(208)
Equity Dividends paid			**(178)**		(1,599)
Net Cash Inflow/(Outflow) before Financing			**4,305**		(8,966)
Financing					
Issue of Ordinary Share capital		**–**		46	
Capital element of finance contract payments		**(690)**		(723)	
(Decrease)/increase in stocking loan		**(4,808)**		7,950	
Increase in bank loan		**2,000**		1,000	
Net Cash (Outflow)/Inflow from Financing			**(3,498)**		8,273
Increase/(Decrease) in Cash	25		**807**		(693)

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

1 ACCOUNTING POLICIES

Basis of accounting

(i) The financial statements are prepared under the historical cost convention except as stated below.

(ii) The Group financial statements incorporate the results of the Company and all its subsidiaries. New subsidiaries, if any, are consolidated from the effective date of acquisition. 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 over 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 financial statements 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 2001.

(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 2002.

(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 there has been an impairment 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. At each revaluation point the directors review the useful economic life of the buildings.

(ii) Vehicles – 4 years.

(iii) Computers and associated equipment – 4 years.

(iv) Plant and equipment – 5-10 years.

Turnover

Group turnover comprises the value of sales (excluding VAT, similar taxes and intra-Group transactions) of goods and services provided in the normal course of business.

Financing of stocks

Stocks of taxis held by Group and also 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.

1 ACCOUNTING POLICIES CONTINUED

Taxation

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

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

Research and development

Revenue expenditure on 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 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 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.

Government Grants

Government grants are recognised as to match them with the capital and revenue expenditure towards which they are intended to contribute, to the extent that the conditions for receipt have been met and there is reasonable assurance that the grant will be received.

2 ANALYSIS OF RESULTS

(a) By division

	2002 Turnover £000	2001 Turnover £000	2002 Profit/(loss) before tax £000	2001 (Loss)/profit before tax £000
Vehicles – ordinary activities	**86,932**	81,597	**1,263**	(101)
Components – ordinary activities	**31,730**	33,388	**(1,052)**	124
Components – exceptional charge for asset impairment			**–**	(2,000)
Zingo			**(2,411)**	(299)
Turnover/Operating loss	**118,662**	114,985	**(2,200)**	(2,276)
Finance charges – net			**(686)**	(691)
			(2,886)	(2,967)

(b) By market area

	2002 Turnover £000	2001 Turnover £000
Rest of Europe	**4,611**	4,038
Asia	**3,464**	3,259
North America	**1,138**	1,116
Other	**537**	200
Total exports	**9,750**	8,613
United Kingdom	**108,912**	106,372
Total turnover	**118,662**	114,985

(c) Segmental net assets

	2002 £000	2001 As restated £000
Vehicles	**23,630**	30,313
Components	**19,787**	20,335
Zingo	**1,324**	66
	44,741	50,714
Less net borrowings	**(8,939)**	(12,739)
Total net assets as restated	**35,802**	37,975
Additional deferred tax provision resulting from movement to full basis		1,426
Total net assets as previously published		39,401

3 NET OPERATING EXPENSES

	2002 £000	2001 £000
Operating expenses:		
Distribution costs	**6,227**	4,830
Administration expenses	**14,850**	14,231
Other operating income	**(249)**	(28)
Net operating expenses	**20,828**	19,033

4 OPERATING LOSS

	2002 £000	2001 £000
The operating loss is stated after charging:		
Depreciation of tangible fixed assets – owned	**5,055**	5,360
– leased	**176**	160
Amortisation of intangible assets	**10**	7
Provision against ESOT shares	**36**	309
Research and development – general	**1,471**	2,196
– Zingo development	**2,411**	299
Directors' remuneration (note 28)	**456**	633
Auditors' remuneration – audit (i)	**110**	142
– other (ii)	**191**	44
Operating lease rentals – plant	**531**	557
– land and buildings	**238**	224
and after crediting:		
Aggregate rentals receivable in respect of operating leases of taxis	**(316)**	(172)

(i) The Company audit fee is £21,000 (2001 £31,000).

(ii) These fees include £154,000 paid to the previous auditor Arthur Andersen and £37,000 payable to Deloitte & Touche, principally for taxation services.

5 FINANCE CHARGES – NET

	2002 £000	2001 £000
Payable on:		
Bank overdrafts and loans	**226**	193
Finance contracts	**124**	106
Stocking loan	**358**	427
Total payable	**708**	726
Receivable	**(22)**	(35)
Net payable	**686**	691

6 STAFF NUMBERS AND COSTS

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

	2002 Number	2001 Number
Administration and sales	**309**	293
Production	**622**	687
	931	980

The aggregate remuneration of these employees was as follows:

	2002 £000	2001 £000
Wages and salaries	**23,102**	21,635
Social security costs	**1,982**	2,155
Other pension costs (note 32)	**1,809**	1,821
	26,893	25,611

7 TAXATION

The taxation credit which is based on the loss for the year comprises:

	2002 £000	2001 As restated £000
UK Corporation Tax	**(445)**	302
Adjustments relating to prior years – current taxation	**(242)**	(50)
	(687)	252
Deferred taxation	**(301)**	(1,001)
Adjustments relating to prior years – deferred taxation	**161**	30
Total taxation (credit)	**(827)**	(719)

Tax reconciliation:

	2002 £000	2001 As restated £000
Loss on ordinary activities before taxation	**(2,886)**	(2,967)
Corporation tax thereon at 30%	**(866)**	(890)
Sundry disallowed expenses	**120**	191
Timing differences	**301**	1,001
Adjustment to prior years	**(242)**	(50)
Taxation (credit)/charge for current year	**(687)**	252

8 PRIOR YEAR ADJUSTMENT

In previous years provision for deferred tax was only made to the extent that timing differences were likely to reverse. FRS19 now requires full provision to be made on such items.

Impact on Profit and Loss Account for 2001:	£000
Tax on loss on ordinary activities:	
Corporation tax	(252)
Deferred tax – partial basis	649
Tax credit as previously stated	397
Deferred tax credit resulting from movement to full provision	322
Tax credit on loss on ordinary activities:	719

Impact on Balance Sheet for 2001:	£000
Deferred tax provision – partial basis	1,126
Additional deferred tax provision resulting from movement to full basis:	
– prior periods	1,748
– current period	(322)
	1,426
At 1 August 2001 as restated	2,552

9 HOLDING COMPANY PROFIT FOR THE FINANCIAL YEAR

The profit for the year of the Company before dividends was £973,000 (2001 £997,000).

10 LOSS PER ORDINARY SHARE

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

	2002 £000	2001 As restated £000
Loss for the financial year	**(2,059)**	(2,248)
Preference dividends	**(56)**	(56)
	(2,115)	(2,304)

	2002 Number	2001 Number
Weighted average number of shares in issue, less shares upon which dividends waived (shares held under ESOT)	**17,813,460**	17,767,732
Potential exercise of share options	**3,708**	13,645
For diluted loss per share	**17,817,168**	17,781,377

11 DIVIDENDS

	2002 £000	2001 £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 – Nil per share (2001 2p)	**–**	355
Final dividend – proposed 1p per share (2001 1p)	**178**	178
Total dividends payable	**234**	589

12 INTANGIBLE FIXED ASSETS

	Total £000
Cost of goodwill on acquisition:	
At 1 August 2001	208
Additions	–
At 31 July 2002	**208**
Amortisation:	
At 1 August 2001	7
Provision for the year	10
At 31 July 2002	**17**
Net Book Value at 31 July 2002	**191**
Net Book Value at 31 July 2001	201

13 TANGIBLE FIXED ASSETS

Consolidated	Freehold land and buildings (note(ii)) £000	Investment property (notes (iii) & (iv)) £000	Plant and equipment owned £000	Total £000
Cost or valuation (note (ii)):				
At 1 August 2001	17,117	1,755	54,834	73,706
Currency realignment	–	–	29	29
Additions	8	–	4,501	4,509
Revaluation	–	95	–	95
Disposals	–	–	(845)	(845)
At 31 July 2002	**17,125**	**1,850**	**58,519**	**77,494**
Comprising:				
At professional valuation 31 July 2001	17,055	–	–	17,055
At professional valuation 31 July 2002	–	1,850	–	1,850
At cost	70	–	58,519	58,589
	17,125	1,850	58,519	77,494

13 TANGIBLE FIXED ASSETS CONTINUED

	Freehold land and buildings (note(ii)) £000	Investment property (notes (iii) & (iv)) £000	Plant and equipment owned £000	Total £000
Depreciation:				
At 1 August 2001	18	–	32,387	32,405
Currency realignment	–	–	4	4
Charge for the year	413	–	4,818	5,231
Disposals	–	–	(443)	(443)
At 31 July 2002	**431**	**–**	**36,766**	**37,197**
Net book value at 31 July 2002	**16,694**	**1,850**	**21,753**	**40,297**
Net book value at 31 July 2001	17,099	1,755	22,447	41,301

Notes:

(i) DTZ Debenham Thorpe revalued the freehold land and buildings on 31 July 2001 on an 'open market value for existing use basis' and the investment property on 31 July 2002 on an 'open market value' basis.

(ii) £6.6m (2001 £6.6m) of the gross book value of freehold land and buildings has not been depreciated. This relates to freehold land. Had there been no revaluations, the book amounts of land and buildings using the historical cost accounting rules, would have been:

	Consolidated 2002 £000	Consolidated 2001 £000
Cost	**10,520**	10,512
Depreciation	**(3,464)**	(3,121)
Net book value	**7,056**	7,391

(iii) The Group has charged the Investment Property at Holyhead Road, Coventry against the £3.0m bank loan (see note 19).

(iv) The depreciation which would have otherwise have been charged amounts to £59,000 (2001 £53,000).

(v) The net book value of fixed assets held under finance leases or hire purchase is £1.2m (2001 £1.3m). The gross amount of assets held for use in operating leases is £603,000 (2001 £791,000); the related accumulated depreciation charge is £40,000 (2001 £26,000).

Company

	Plant and equipment owned £000
Cost:	
At 1 August 2001	261
Additions	89
Disposals	(103)
At 31 July 2002	**247**
Depreciation:	
At 1 August 2001	190
Charge for the year	44
On disposals	(77)
At 31 July 2002	**157**
Net book value at 31 July 2002	**90**
Net book value at 31 July 2001	71

14 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 2002 and 2001	**165,628**	**500**
Amounts written off:		
At 1 August 2001		322
Charge for the year		36
At 31 July 2002		**358**
Net book value at 31 July 2002		**142**
Net book value at 31 July 2001		178

Company

	Own Shares Number	Own Shares £000	Shares in subsidiaries £000	Total £000
Cost:				
At 31 July 2002 and 2001	**165,628**	**500**	**8,501**	**9,001**
Amounts written off:				
At 1 August 2001		322	–	322
Charge for the year		36	–	36
At 31 July 2002		**358**	**–**	**358**
Net book value at 31 July 2002		**142**	**8,501**	**8,643**
Net book value at 31 July 2001		178	8,501	8,679

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 2002 was £142,440 (2001: £178,050).

Group Companies

Principal subsidiary undertakings at 31 July 2002:

Company	Activities
LTI Limited	Taxi manufacture and retailing
Manganese Bronze Services Limited	Supplier of services to the taxi industry
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.

15 STOCKS

	Consolidated 2002 £000	Consolidated 2001 £000
Raw materials and bought out items	**2,946**	4,158
Work in progress	**3,310**	3,331
Finished goods	**13,475**	16,267
Total stocks	**19,731**	23,756

16 DEBTORS

	Consolidated 2002 £000	Consolidated 2001 £000	Company 2002 £000	Company 2001 £000
Trade debtors	**6,631**	7,726	**–**	–
Amounts owed by subsidiary companies	**–**	–	**19,302**	11,588
Other debtors	**740**	909	**32**	6
Corporation Tax recoverable	**–**	–	**1,024**	1,045
Prepayments	**768**	717	**175**	97
	8,139	9,352	**20,533**	12,736

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

17 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2002 £000	Consolidated 2001 £000	Company 2002 £000	Company 2001 £000
Bank overdraft and other short term debt	**3,000**	1,000	**372**	1,000
Stocking loan (note)	**7,359**	12,167	**–**	–
Finance contracts (note)	**873**	391	**–**	–
Trade creditors	**12,428**	13,560	**–**	–
Amounts owed to subsidiary companies	**–**	–	**1,320**	1,355
Corporation Tax	**98**	763	**–**	–
Social security, payroll and other taxes	**2,184**	1,720	**196**	248
Other creditors	**1,102**	998	**718**	584
Accruals	**3,045**	2,461	**394**	431
Proposed dividend	**178**	178	**178**	178
	30,267	33,238	**3,178**	3,796

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

18 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2002 £000	Consolidated 2001 £000	**Company 2002 £000**	Company 2001 £000
Finance contracts	**105**	772	**–**	–

Note
All obligations fall due within one to two years.

19 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 2002, the Group had cash deposits of £2.4m (2001 £1.6m). 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 2002 £000	**Floating 2002 £000**	**Total 2002 £000**	Fixed 2001 £000	Floating 2001 £000	Total 2001 £000
Borrowings						
Bank Loan	**–**	**3,000**	**3,000**	–	1,000	1,000
Stocking Loan	**–**	**7,359**	**7,359**	–	12,167	12,167
Finance Contracts	**978**	**–**	**978**	1,163	–	1,163
	978	**10,359**	**11,337**	1,163	13,167	14,330
Non-equity shares						
Preference Shares	**684**	**-**	**684**	684	–	684
	1,662	**10,359**	**12,021**	1,847	13,167	15,014

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

	Consolidated 2002 £000	Consolidated 2001 £000
Within one year – finance leases	**873**	391
Within one year – other loans	**10,359**	13,167
In more than one but no more than two years	**105**	714
In more than two but no more than five years	**–**	58
	11,337	14,330

19 FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

The Group has an uncommitted overdraft facility of £3.0m which is linked to base rate. A committed London Inter Bank Offer Rate (LIBOR) linked bank loan facility of £5.5m is also available until March 2003. £Nil was drawn at 31 July 2002. Zingo has a £7.0m facility including a £0.5m overdraft. £3.0m was drawn at 31 July 2002. This is repayable in full on 31 March 2003. The uncommitted stocking finance facility of £13.4m, including non-group dealers, is linked to Finance House Base Rate (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 £1.7m, comprising Preference Share capital (note 22) and £1.0m of finance contracts. Floating rate financial liabilities total £10.4m comprising £3.0m bank loan and £7.4m stocking loan. The weighted average interest rate of fixed rate liabilities at the year end was 8.11%.

Currency

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

Net Foreign Monetary (Liabilities)/Assets	**2002 £000**	2001 £000
Euro and related currencies	**(41)**	653
US Dollar	**66**	68
Swiss Franc	**12**	31
	37	752

Fair Values

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

	Book Value 2002 £000	**Fair Value 2002 £000**	Book Value 2001 £000	Fair Value 2001 £000
Primary financial instruments to finance the Group's operations				
Cash	**(2,398)**	**(2,398)**	(1,591)	(1,591)
Bank loan	**3,000**	**3,000**	1,000	1,000
Stocking loan	**7,359**	**7,359**	12,167	12,167
Finance contracts	**978**	**978**	1,163	1,163
Preference Share Capital	**684**	**686**	684	688
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts loss	**–**	**(25)**	–	(63)

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 £63,000 was carried forward at 31 July 2001 and recognised during the course of the year ended 31 July 2002. An unrecognised loss of £25,000 was carried forward at the end of the year ended 31 July 2002 and is expected to be recognised in the profit and loss account during the year ended 31 July 2003.

20 PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated

	Deferred taxation £000	Warranty £000	Total £000
At 1 August 2001 as previously stated	1,126	1,842	2,968
Prior year adjustment (see note 8)	1,426	–	1,426
As restated	2,552	1,842	4,394
Transfer (to)/from profit and loss account	(140)	470	330
At 31 July 2002	**2,412**	**2,312**	**4,724**

Company

The Company had no deferred tax liability at 31 July 2002 (2001 £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.

21 DEFERRED TAXATION

Consolidated

The elements of deferred taxation are as follows:

	2002 £000	2001 As restated £000
Accelerated capital allowances	**2,461**	2,654
Other	**(49)**	(102)
	2,412	2,552

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

Company

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Accelerated capital allowances	**(30)**	–

22 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 31 July 2002 and 2001	**17,979,088**	**4,495**
8.25% Cumulative Preference Shares of £1 each:		
Preference Shares in issue at 31 July 2001	684,165	684
Preference Shares repurchased	(206)	–
At 31 July 2002	**683,959**	**684**
Total called up share capital		**5,179**

22 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 no Ordinary Shares.
As at 31 July 2002 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	25
6 November 1993	113.0	8
11 October 1996	360.5	32
31 March 1998	412.0	97
8 May 1998	428.0	100
23 September 1999	229.0	340
5 November 2001	66.5	30
		632

Options outstanding under the Group's SAYE scheme at 31 July 2002 were as follows:

Date of Grant	Exercise Price pence	Outstanding number 000
10 April 1997	420.0	7
8 April 1998	359.0	16
9 April 1999	157.2	128
		151

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

23 RESERVES

Consolidated	Share premium account £000	Other reserves £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 August 2001 as previously stated	3,593	916	11,397	18,316	34,222
Prior year adjustment (see note 8)	–	–	–	(1,426)	(1,426)
As restated	3,593	916	11,397	16,890	32,796
Surplus on revaluation	–	–	95	–	95
Net exchange differences	–	–	–	25	25
Transfer to profit and loss account	–	–	(164)	164	–
Retained loss for the year	–	–	–	(2,293)	(2,293)
At 31 July 2002	**3,593**	**916**	**11,328**	**14,786**	**30,623**

£915,000 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 2001	3,593	916	–	15,661	20,170
Retained profit for the year	–	–	–	739	739
At 31 July 2002	**3,593**	**916**	**–**	**16,400**	**20,909**

24 SHAREHOLDERS' FUNDS

Reconciliation of Movements in Group Shareholders' Funds

	Consolidated 2002 £000	Consolidated 2001 As restated £000
Loss for the financial year	**(2,059)**	(2,248)
Dividends	**(234)**	(589)
	(2,293)	(2,837)
Surplus on revaluation	**95**	2,293
Net exchange differences	**25**	–
New share capital subscribed	**–**	46
Net reduction to Shareholders' Funds	**(2,173)**	(498)
Opening Shareholders' Funds as previously stated	**37,975**	40,221
Prior period adjustment: from partial to full deferred tax basis (see note 8)	**–**	(1,748)
Closing Shareholders' Funds as restated	**35,802**	37,975

Analysis of Shareholders' Funds

	Consolidated 2002 £000	Consolidated As restated 2001 £000	**Company 2002 £000**	Company 2001 £000
Equity interests	**35,118**	37,291	**25,404**	24,665
Non-equity interests: Preference Shares	**684**	684	**684**	684
	35,802	37,975	**26,088**	25,349

25 ANALYSIS OF CASH, DEBT AND GEARING

Consolidated
Reconciliation of Net Cash Flow to Movement in Net Debt:

	2002 £000	2001 As restated £000
Increase/(decrease) in cash in the period	**807**	(693)
Capital element of finance contracts payments	**690**	723
Decrease/(increase) in stocking loan	**4,808**	(7,950)
(Increase) in bank loan	**(2,000)**	(1,000)
Change in net debt resulting from cash flows	**4,305**	(8,920)
Non-cash items – new finance contracts	**(505)**	(954)
Movement in net debt in year	**3,800**	(9,874)
Net debt brought forward	**(12,739)**	(2,865)
Net debt carried forward	**(8,939)**	(12,739)
Shareholders' Funds	**35,802**	37,975
Gearing	**25.0%**	33.5%

25 ANALYSIS OF CASH, DEBT AND GEARING CONTINUED

Analysis of Net Debt	2002 £000	2001 £000
Cash at bank and in hand	**2,398**	1,591
Bank loan	**(3,000)**	(1,000)
Stocking loan	**(7,359)**	(12,167)
Finance contracts due within one year	**(873)**	(391)
Finance contracts due after more than one year	**(105)**	(772)
Net Debt	**(8,939)**	(12,739)

26 CAPITAL COMMITMENTS

Consolidated	2002 £000	2001 £000
Expenditure authorised and contracted at 31 July	**608**	1,039

The Company had no capital commitments at 31 July 2002 (2001 £nil).

27 FINANCIAL COMMITMENTS

Consolidated

At 31 July 2002 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2002 £000	Other 2002 £000	Land and Buildings 2001 £000	Other 2001 £000
Operating leases which expire:				
Within one year	**92**	**53**	–	62
In the second to fifth years inclusive	**75**	**366**	346	382
Over five years	**85**	**–**	97	–
	252	**419**	443	444

The Company had financial commitments of £97,000 at 31 July 2002 (2001 £nil).

28 DIRECTORS

	2002 £000	2001 £000
Aggregate emoluments	**424**	461
Company pension contributions to money purchase schemes	**32**	38
Compensation for loss of office	**–**	134
	456	633

28 DIRECTORS CONTINUED

	2002 £000	2001 £000
Highest paid director		
The highest paid director was Ian Pickering (2001 Barry Widdowson)		
Aggregate emoluments	**200**	52
Company pension contributions to money purchase schemes	**13**	8
Compensation for loss of office	**–**	134
	213	194

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 18 to 19.

29 SUBSTANTIAL INTERESTS IN ORDINARY SHARES

At 1 September 2002 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	37.00
Schroder Investment Management Limited	2,166,637	12.05
Jupiter Asset Management	944,608	5.25
Nominee companies of Julian Richer	939,500	5.23
Liontrust Investment Funds Ltd	891,200	4.96
Jamie Borwick and family companies	599,422	3.33

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.

30 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 2002 the relevant Group net borrowings amounted to £3.0m (2001 £1.0m).

(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.

(c) On 2 September 2002 a claim was brought by Alex Mullins against Manganese Bronze Holdings PLC claiming loss and damage as a result of a claimed breach of a mutual confidentiality and mutual exclusivity agreement dated 16 February 2001. The directors, on the basis of legal advice, consider this claim to have no substance.

31 RELATED PARTY TRANSACTIONS

(a) Group employees comprise three of the seven directors of London Taxi Finance Ltd (LTF), a wholly owned subsidiary of Lloyds TSB Group plc.
The Group is paid management charges and fees associated with the day-to-day administration of LTF and the introduction of new business. Total fees earned in the year were £2.5m (2001 £2.5m) prior to deduction of Group costs. A total of £215,000 (2001 £217,000) was outstanding at year end.

(b) The Group head office and Zingo project office are occupied under licence from Love Lane Investments Ltd of which Jamie Borwick is the Managing Director. The respective rents of £96,000 (2001 £108,000) and £58,000 (2001 £nil) are negotiated on an arms-length basis and at a rate which is comparable to other tenants in the same building that are unrelated to Love Lane Investments Ltd and Jamie Borwick. There are no onerous contractual conditions in this licence.

32 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 charge to the consolidated profit and loss account of the Group's two pension arrangements under Financial Reporting Standard 17 would be £915,000 (2001 £885,000). The net pension liability is £6.5m (2001 £3.8m). This is not recognised on the balance sheet at year end. A full actuarial valuation was last carried out at 31 December 2001 and was rolled forward for Minimum Funding Regulations (MFR) purposes to 31 July 2002.

(a) Account Plus

The pension charge for Account Plus for the year was £809,000 (2001 £821,000).

(b) Manganese Bronze Group Pension Scheme

The valuation position of the Manganese Bronze Group Pension Scheme (the Scheme), which was closed in 1995, was assessed at 31 July 2002 by a qualified independent actuary. Although the Scheme primarily provides defined benefits, it also has a small defined contribution section.
Additional contributions required under MFR totalling £1.0m (2001 £1.0m) 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 2003 are likely to be in the region of £1.4m.

Actuarial Assumptions

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

	At year-end 31 July 2002	At year-end 31 July 2001
Discount rate	**6.0%**	5.9%
Rate of increase in salaries	**3.5%**	4.1%
Inflation assumption	**2.5%**	2.6%

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

32 PENSIONS CONTINUED

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 2002 %	**Value at 31 July 2002 £000**	Expected long term rate of return at 31 July 2001 %	Value at 31 July 2001 £000
Equities	**7.5**	**15,653**	7.5	17,927
Bonds	**4.9**	**7,613**	5.0	7,634
Cash/Net Current Assets/(Liabilities)	**4.9**	**205**	5.0	(235)
Total fair value of assets		**23,471**		25,326
Present value of defined benefit liabilities		**(32,719)**		(30,774)
Deficit in the schemes		**(9,248)**		(5,448)
Related deferred tax asset		**2,774**		1,634
Net pension liability		**(6,474)**		(3,814)

Analysis of the amount charged to operating profit

The current service cost charged to operating profit would be nil under FRS17 (2001 £nil).

Analysis of the amount charged to other finance costs under FRS17	**2002 £000**	2001 £000
Expected return on pension scheme assets	**1,710**	1,753
Interest on pension scheme liabilities	**(1,816)**	(1,817)
Net cost	**(106)**	(64)

Analysis of amount that would be recognised in the Consolidated Statement of Total Recognised Gains and Losses (STRGL) under FRS17	**2002 £000**	2001 £000
Actual return less expected return on pension scheme assets	**(4,571)**	(3,900)
Experienced gains and losses arising on the scheme liabilities	**(845)**	(266)
Changes in assumptions underlying the present value of the scheme liabilities	**722**	(1,676)
Actuarial loss recognised in STRGL	**(4,694)**	(5,842)

Movement in deficit during the year	**2002 £000**	2001 £000
Deficit in scheme at beginning of year	**(5,448)**	(542)
Movement in year:		
Contributions	**1,000**	1,000
Other finance cost	**(106)**	(64)
Actuarial loss	**(4,694)**	(5,842)
Net deficit in scheme at end of year	**(9,248)**	(5,448)

32 PENSIONS CONTINUED

History of amounts that would have been recognised in the STRGL under FRS17	**2002**	2001
Difference between expected and actual return on scheme assets:		
amount (£000)	**(4,571)**	(3,900)
percentage of scheme assets	**(19)**	(15)
Experience gains and losses on scheme liabilities:		
amount (£000)	**(845)**	(266)
percentage of the present value of scheme liabilities	**(3)**	(1)
Total amount recognised in statement of total recognised gains and losses:		
amount (£000)	**(4,694)**	(5,842)
percentage of the present value of scheme liabilities	**(14)**	(19)

Reserves

Closing Group Shareholders' Funds of £35.8m would reduce to £26.6m under FRS17.

Company Secretary
Mark Fryer

Group Financial Controller
Alastair Till

Registered Office
1 Love Lane, London EC2V 7HJ
Telephone 020 7776 9000 Fax 020 7776 9001

Company Number
61050

Internet Address
jborwick@manganese.com

Website
www.manganese.com

News Service
Reuters MNGS.L

Auditors
Deloitte & Touche

Bankers
HSBC Bank PLC
Lloyds TSB Group PLC

Merchant Bankers
N M Rothschild & Sons Limited

Stockbrokers
ING Barings Limited

Financial PR Consultants
Haggie Financial Limited
Telephone 020 7417 8989 Fax 020 7417 8247

Solicitors
Hammond Suddards Edge
Martineau Johnson

Actuary
Gissings

Registrars
Capita IRG PLC
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone 020 8639 2406 Fax 020 8639 2423

Senior Management Team
Mimi Ajibade
John Blight
Simon Chacksfield
David Chapman
John Cooke
Mike Durham
Damien Etherington
Mike Hankins
Simon Hollidge
Mike Lycett
Mark MacDougall
Andy Male
Michael McRedmond
Dave Millward
Ian Mullen
Tony Pearman
Malcolm Phillips
Nigel Plant
David Power
Trevor Power
Peter Shillcock
Derrick Skidmore
Dave Thomas
Jevon Thorpe
Alastair Till
Mark Wall
Aidan Ward
Nicki Websper
Andy White
Paul Woolley

GROUP CONTACTS

VEHICLES DIVISION

London Taxis International Manufacture of the London Taxi	Holyhead Road Coventry CV5 8JJ	Contact Peter Shillcock Telephone 02476 572000
London Taxis Research & Development Vehicle Research & Development	Holyhead Road Coventry CV5 8JJ	Contact Jevon Thorpe Telephone 02476 572000
London Taxis International – Export Export Sales of the London Taxi	Holyhead Road Coventry CV5 8JJ	Contact John Blight Telephone 02476 572000
Mann & Overton London Taxi Sales	48-52 Holloway Road London N7 8JL	Contact Peter Rigden Telephone 020 7700 0888
Mann & Overton Birmingham Taxi Sales	147-150 Charles Henry Street Birmingham B12 0SD	Contact Roger Bull Telephone 0121 622 7777
Mann & Overton Bristol Taxi Sales	16-20 Fishponds Road Bristol BS5 6SB	Contact Matthew Cheyne Telephone 0117 952 7777
Mann & Overton Leeds Taxi Sales	Unit 3A, Bankfield Industrial Estate Kitson Road, Leeds LS10 1NT	Contact Neil Carter Telephone 0113 388 8600
Mann & Overton Manchester Taxi Sales	Raynes Way, Cheetham Manchester M8 8NN	Contact Andrew Shaw Telephone 0161 831 3434
LTI America Inc Taxi Sales	1557 Shore Club Drive St Clair Shores, MI 48080 USA	Contact William Doelle Telephone 001 810 775 4905
LTI Finance Finance for Taxi Purchase	7 Quayside Lodge, William Morris Way, London SW6 2UZ	Contact Michael McRedmond Telephone 020 7371 9299
Zingo Taxi Mobile Phone Hailing Service	1 Love Lane London EC2V 7HJ	Contact Trevor Power Telephone 020 7776 9003

COMPONENTS DIVISION

MBC Precision Components and **MBC Advanced Sintering** Sintered Iron and Bronze Components	Hadleigh Road, Ipswich Suffolk IP2 0ZH	Contact Nigel Plant Telephone 01473 233 300
MBC Metal Powders Water and Gas Atomised Metal Powders	Montgomery Street Birmingham B11 1DT	Contact John Cooke/David Chapman Telephone 0121 773 7386
MBC Precision Castings and **MBC Lightalloys** Lost Wax Stainless Steel and Aluminium Castings	Shawbank Road Lakeside, Redditch Worcestershire B98 8YN	Contact Mike Hankins Telephone 01527 527 501
Deans Powered Doors Manufacture of Bus Door Systems	PO Box 8, Grovehill Road Beverley, East Yorkshire HU17 0JL	Contact Derrick Skidmore Telephone 01482 868 111

Designed and produced by Financial Design (www.simplifydesign.com). Design by Jonathan Parkin. Photography by B.10 and David Leahy. Printed by Moore.

Manganese Bronze Holdings PLC
1 Love Lane London EC2V 7HJ
Telephone 020 7776 9000
Fax 020 7776 9001
www.manganese.com