

Manganese Bronze Holdings PLC
Annual Report 2003



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FINANCIAL HIGHLIGHTS

	2003 Turnover £000	2002 Turnover £000	2003 Operating profit/(loss) £000	2002 Operating profit/(loss) £000
Continuing operations:				
Vehicles	85,974	86,932	4,454	3,676
Zingo	57	–	(3,345)	(2,411)
Head office – general costs	–	–	(2,586)	(2,285)
– pension contributions to closed scheme			(2,375)	(1,000)
– exceptional income			956	–
	86,031	86,932	(2,896)	(2,020)
Discontinued operations:				
Components	27,228	31,730	(1,005)	(180)
	27,228	31,730	(1,005)	(180)
Turnover/operating loss	113,259	118,662	(3,901)	(2,200)
Exceptionals:				
Profit on sale of fixed assets			1,857	–
Loss on disposal of discontinued operations			(7,524)	–
Loss on ordinary activities before finance charges			(9,568)	(2,200)
Finance charges – net			(516)	(686)
Loss on ordinary activities before taxation			(10,084)	(2,886)
Net assets			22,773	35,802
			2003	2002
Basic loss per ordinary share			(45.52)p	(11.88)p
Dividend per ordinary share			27.00p	1.00p
Price range during period of ordinary shares (1 January – 1 September 2003; 1 January – 31 December 2002)			67–139p	50–151p
Weighted average number of ordinary shares in issue			17,979,088	17,979,088
Market capitalisation at 1 September			£20.32m	£13.30m
Net assets per ordinary share			122.9p	195.3p

Manganese Bronze Holdings PLC.

LTI builds the TXII London Taxi in Coventry and has a network of dealerships throughout the UK. We also provide a range of services to taxi owners including finance, parts supply, maintenance and repair.

Zingo is our recently launched innovative mobile phone taxi hailing service.



It has been a year of transformation for Manganese Bronze. We are now a focused, speciality automotive and taxi services group.

This is my first full year statement since I was appointed as Chairman of your Company. I would like to begin by paying particular tribute to my predecessor. Jamie Borwick was Chief Executive for many years before becoming Chairman and led the Group to some remarkable successes, most notably the launch of the new TXI taxi in 1997. The shape of the Group today owes much to Jamie's vision for which we are very grateful.

Jamie resigned from the Board in January of this year to pursue a bid for the Company. The Board felt that the 80p per share indicative price of the potential bid materially undervalued the Company and the approach was withdrawn in May. The costs incurred by the Group in relation to this exercise were £0.2 million.

The year under review has been challenging, with continued uncertainty in our main London market due to the decline in economic activity and concerns over the outcome of the review of the London Conditions of Fitness. Taxi sales have declined by 10.8% to 2,320 vehicles (2002 2,602), which includes 67 exports. In June, Transport for London announced the results of the review, which confirmed the benefits of the purpose built taxi. This ended the uncertainty for taxi drivers that has adversely impacted sales for the last two years, although certain aspects of the decision including those relating to the turning circle are now subject to a further review, the outcome of which should be known within the next six months.

In July we announced the disposal of the Components Division and the Coventry site. Over the past five years the performance of the Components Division has been very disappointing. As well as incurring losses, the Division required a disproportionate amount of management time.

The planning application for the Coventry site, which we pursued over several years, was also time consuming and costly. We were advised that the application was unlikely to be successful. The sale and leaseback of the Coventry site was a unique opportunity to realise value for shareholders.

The completion of both of these transactions enabled the Group to pay a special dividend of 25p per share, repay our medium-term loan and fund the additional contribution of £1.0 million to the Group's closed defined benefit pension scheme.

During the year we also completed the development of our Zingo mobile phone taxi hailing service which was launched in April. Zingo is now installed in over 700 taxis and there is a steady growth in use of the system.

The operating result of our core taxi business, on lower turnover, was an increased profit of £4.5 million (2002 £3.7 million) due to receipt of the settlement of our dispute with Brilliance China Automotive Holdings Limited ("China Brilliance") and the tight operational controls imposed by management. The loss on ordinary activities before finance charges and tax of £9.6 million (2002 £2.2 million) includes a number of non-recurring items (which are detailed below) as well as the cost of developing Zingo.

We ended the year with net funds of £1.7 million (2002 £8.9 million debt). We had a cash balance of £8.7 million available to pay the special dividend of £4.5 million in August. In the light of our confidence in implementing our long-term strategy we are recommending the payment of a 2p final dividend making total dividends for the year of 27p (2002 1p).

I would like to welcome Andrew Walker to your Board as a non-executive director. Andrew brings a wealth of engineering and international experience to the Board and I am sure that he will make a valuable contribution to the future success of the Group.

The economic outlook remains uncertain and any improvement in UK taxi sales will depend on an upturn in activity for our taxi driver customers. We will continue our strategy of controlled international expansion and growth of our service activities. We expect to make steady progress with a new partner in China. Early experience with our Zingo service is promising, and progress with this will have a significant impact on our results for the current year.



Tim Melville-Ross
Chairman

1 October 2003

This has been a year of transition for the Group. The achievements of the last few months leave us in a strong position to implement our strategy of growing the core taxi business and the Zingo mobile phone hailing system.

Operating losses from continuing businesses increased from £2.0 million to £2.9 million. There were, however, a number of one-off and exceptional items included in this year's operating numbers, namely £1.0 million compensation on surrender of a lease, £1.1 million profit from the settlement with China Brilliance and £1.0 million additional pension contribution. A review of each Division is set out below.

Vehicles Division

The Vehicles Division produced an operating profit of £4.5 million (2002 £3.7 million) on sales of £86.0 million (2002 £86.9 million).

UK taxi sales fell by 12.0% to 2,253 vehicles (2002 2,561) affected by the uncertainty caused by the review of the London Conditions of Fitness as well as the general decline in activity within the taxi trade, particularly in London. Taxi use was also impacted by the effects of the SARS outbreak and the second Gulf War. The outcome of the review of the London Conditions of Fitness was announced by Transport for London in June and confirmed the benefits of the key features of the purpose built taxi, notably the turning circle and accessibility requirements. Following the announcement of an application for a judicial review of the decisions reached by Transport for London, the Public Carriage Office has announced that it plans to carry out a further limited review of the Conditions of Fitness, which should be completed within the next six months.

In July, we completed the sale and leaseback of the Coventry site, where the taxi is produced, for £8.0 million. We have tried twice in the last six years to gain planning permission to redevelop the site for retail use. Although the last application had not yet been formally rejected by the Coventry City Council, we received professional advice that the application was unlikely to be granted. The sale of the site represented the best opportunity to generate increased value for shareholders.

In line with the reduced level of sales, taxi production was cut to 55 vehicles per week in November 2002. At the beginning of October 2003, we will start deliveries of an improved version of the TXII including a new one-piece strengthened partition between the driver and passenger compartments and increased luggage space next to the driver.

The licence agreement signed in January 2002 with China Brilliance for the manufacture of taxis for the Chinese market was terminated by Brilliance in October last year. We settled our dispute with Brilliance, over their non-payment of sums due under the agreement, receiving £1.25 million in July.

Good progress has been made since October in finding a new partner for the Chinese market. We still believe that China presents a significant opportunity both for our taxi product and as a low cost source of components for our UK production.

Our distributor in the US successfully completed the process of certifying our taxi for use in the US and Canada including passing stringent emission regulations in California. We recently delivered the first 26 taxis to the US.

The results of our Mann & Overton dealerships were affected by the reduction in taxi sales and lower finance commission. Our spare parts business benefited from low new taxi sales and produced excellent profits. Our finance business had another profitable year although its share of the London market reduced.

Zingo

Development of the Zingo mobile phone taxi hailing service was completed during the year and the service was launched to the public in London in April 2003. Since the launch we have achieved steady growth in the number of drivers who have joined the service and in the number of journeys hailed using the system, although at a slower rate than expected when we started on the development of the system in 2000. Over 700 drivers have now joined Zingo.

As expected, we spent £5.5 million in total on the development of Zingo during the year including £3.0 million (2002 £2.4 million) of revenue expenditure (excluding depreciation charge) and £2.5 million of capital expenditure. Zingo is expected to continue to incur monthly losses from the start of the new financial year but we expect these to be eliminated as use of the service grows and we benefit from the revenue from the £1.60 hailing charge.

The service was launched when we had agreements for the provision of passenger location data from Vodafone and O2. We now have agreements in place with the two other major mobile phone networks. One is now operational and we are currently testing the interface between Zingo and the fourth network. Nearly all Londoners with a mobile phone will soon be able to use Zingo.

In September, we launched a corporate account service using a Zingo account card to promote the use of Zingo to London businesses. Zingo is now a business-to-business as well as a business-to-consumer service.

Components Division

The Components Division incurred losses in four of the last five years. Last year the loss increased to £1.0 million (2002 £0.2 million). The individual activities of each unit in the Division fared differently.

Deans Powered Doors again had a successful year and achieved good profits despite a reduction in orders for double decker buses for London.

Advanced Sintering had strong growth in orders for the new products developed over the last three years. Problems were encountered in the first half in ramping up production to meet this new demand and despite the increased level of activity losses were incurred.

Following Precision Castings' withdrawal from loss-making automotive contracts last year the business suffered a sharp fall in orders from its traditional customer base. Although new products were in development they did not lead to orders in time to offset this fall in demand. The business incurred significant losses despite further cost base reductions implemented in the year.

Metal Powders grew orders from a number of new customers but suffered from a sharp reduction in orders from its major customers and also incurred losses.

As set out in the recent circular to shareholders, in parallel with the review of the loss-making activities outlined in the interim statement, we commissioned advisers to seek offers for the whole Division. This resulted in the sale of the Division for £8.0 million which was approved by shareholders at the Extraordinary General Meeting in July 2003. A book loss of £7.5 million was realised on the disposal.

We have retained the two properties occupied by the Division at Birmingham and Ipswich. We are currently seeking buyers for these properties which have a net book value of £3.8 million.

Head office

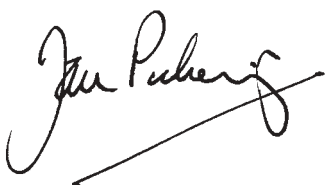
This year we have separately disclosed the costs of the Group's head office, which in prior years had been charged against the operating results of our two Divisions. These have increased from last year due to costs associated with the potential bid from the Group's former Chairman and redundancy costs. We have taken action to reduce these central costs and further cost-saving measures will be implemented following the sale of the Components Division.

Pensions

In common with many companies, the funding deficit of the Group's closed defined benefit scheme increased during the year to £10.0 million before tax as calculated in compliance with Financial Reporting Standard 17 (Retirement Benefits). The level of funding to eliminate the deficit is currently £1.5 million per year. On advice from the Group's independent actuary an additional amount of £1.0 million was paid last year and has been charged to the profit and loss account.

People

The disposal of the Components Division has meant that a large number of friends and colleagues have left the Group, many after many years' service. We wish them every success in the future. In difficult economic and market conditions our people have to work harder to generate returns for shareholders but also to fulfil long-term strategic objectives. I would like to thank all our employees for their hard work, support and loyalty, in what has been a challenging year, but one with many successes. I feel confident that the team we have is well placed to build on this year and successfully deliver our long-term strategy.

A handwritten signature in black ink, appearing to read 'Ian Pickering', with a long horizontal stroke extending to the right.

Ian Pickering
Chief Executive

1 October 2003

The Group has had a successful year in terms of achievement of our strategic objectives. The disposal of our Components Division for a loss of £7.5 million has reduced our reliance on traditional engineering activities and markets.

The loss is higher than the pro forma loss of £6.8 million included as part of the circular distributed to shareholders in July, due to higher transaction costs and an increase in the Components Division net assets actually sold.

The loss on ordinary activities before finance charges and tax, including the loss on the Components Division disposal, is £9.6 million. This loss includes £3.3 million of Zingo development expenditure (including £0.3 million depreciation charge) and £2.4 million of pension contributions to the closed defined benefit scheme.

Sales and profit

Group turnover decreased by 4.6% to £113.3 million. Turnover from continuing operations has marginally decreased by 1.0% to £86.0 million. The decrease in the number of taxis sold (from 2,602 to 2,320) was offset by an improved mix of higher priced vehicles.

Total profit before finance charges for the Vehicles Division is £4.5 million (2002 £3.7 million) which includes the £1.1 million profit from China.

Group results have been adversely impacted by the continuing losses of the discontinued Components Division, with a further loss of £1.0 million. The result has also been adversely impacted by £2.4 million of pension contributions in respect of the closed defined benefit scheme. However, the result for the Group benefited from the profit on the sale of Group property of £1.9 million and compensation for surrender of a lease of £1.0 million.

Taxation

The Group tax credit for the year was £2.0 million (2002 £0.8 million). The effective rate of the tax credit of 20.2% is

below the standard tax rate of 30% due to the impact of items not allowed for taxation. The deferred tax provision is £0.4 million (2002 £2.4 million) releasing a deferred tax credit to the profit and loss account of £2.0 million.

Return to shareholders

The directors have recommended a final dividend of 2p (2002 1p) making the total dividend for the year 27p (2002 1p) including the special dividend paid in August. The basic loss per share for the year is 45.52p (2002 11.88p).

Net assets

Following completion of the disposal of the Components Division and the Coventry property, the Group has net assets of £22.8 million (2002 £35.8 million), equivalent to 122.9p (2002 195.3p) per share.

Total assets include £3.6 million of Zingo related fixed assets, net of depreciation provided of £0.3 million. The Board has carried out a review of the carrying values of these assets and concluded that no impairment provision is required. These assets are being depreciated over three years.

Our balance sheet includes stock of £15.4 million (2002 £19.7 million). We plan to further reduce stocks in 2004.

After completion of the disposal of the Components Division and providing for dividends, the Group is left with a profit and loss reserve of £10.7 million.

Cash flow

Cash flow has benefited strongly from receipt of £8.0 million for the disposal of the Components Division, £8.0 million for the Coventry property, £1.25 million from China Brilliance and £1.0 million for the surrender of the lease.

Total net cash inflow before financing is £11.2 million (2002 £4.3 million) with capital expenditure of £4.3 million which is £1.1 million less than depreciation. Total cash investment in Zingo in 2003 was £5.5 million (2002 £3.9 million) of which £2.5 million (2002 £1.5 million) was capital expenditure.

The Group had a cash balance of £8.7 million (2002 £2.4 million cash less £3.0 million bank loan) at year end and a stocking loan of £6.7 million (2002 £7.4 million) which finances the Group's stock of finished taxis. The Group also had finance contracts of £0.4 million (2002 £1.0 million).

Capital expenditure

Capital expenditure for the year was £4.9 million (2002 £4.5 million) including new finance contracts of £0.6 million (2002 £0.5 million). The main element related to Zingo expenditure of £2.5 million, which includes a significant investment in 3,000 sets of Zingo in-vehicle hardware. Total capital expenditure in discontinued operations of £0.9 million was primarily capital expenditure at Advanced Sintering to increase capacity.

Bank facilities and taxi finance

The Group's main banks, HSBC Bank plc and Lloyds TSB Group PLC continue to support the Group with our bank facilities. We have repaid the medium-term loan facility of £8.0 million, which was set up in the first half of the year. We now have a £3.0 million overdraft facility with HSBC and a £13.4 million stocking facility with Lloyds TSB. The latter is used to finance unsold taxis. 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.

These are long standing relationships, which are 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 FRS 17. This indicates a deficit of £10.0 million at 31 July 2003 (2002 £9.2 million). The principal changes in the deficit are cash contributions by the Group totalling £2.4 million and a £3.2 million actuarial loss.

In accordance with Minimum Funding Requirement Regulations, a schedule of contributions to make good the deficit has been agreed. This requires contributions of £1.5 million per annum paid monthly commencing in September 2002. This year the actuary advised that an additional payment of £1.0 million should be made and this has been written off to the profit and loss account.

By order of the Board



Mark Fryer
Group Finance Director

1 October 2003

DIRECTORS



The Board of Directors, from left to right:

Ian Pickering, Andrew Walker, Tim Melville-Ross, Christopher Ross, Mark Fryer

Directors

Tim Melville-Ross * • +

Tim Melville-Ross (58) 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.

Ian Pickering

Ian Pickering (47) 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.

- * Member of the Audit Committee
- Member of the Remuneration and Nominations Committee

† Deputy Chairman/Senior Independent Director

+ Independent Director

Mark Fryer

Mark Fryer (36) 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.

Andrew Walker * • +

Andrew Walker (52) was appointed Non-Executive Director on 1 August 2003. Formerly he was Group Chief Executive of McKechnie plc from 1997 to 2001 and of South Wales Electricity plc from 1993 to 1996 having previously spent 14 years with Dowty Group PLC. He is currently a non-executive director of Ultra Electronics Holdings plc, Halma plc, Galileo Innovations plc, Bioganix Limited and API Group plc.

Christopher Ross FREng * • † +

Christopher Ross (59) 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 Seat Comfort Holdings Limited, a non-executive director of Carclo plc and a non-executive director of Lander Holdings Limited.

Financial calendar

Financial year end	31 July 2003
104th Annual General Meeting	26 November 2003
Final ordinary dividend payable	1 December 2003
To shareholders registered on	31 October 2003
Preference share dividend payable	31 December 2003 and 30 June 2004
Announcement of results – interim	March 2004
Announcement of results – full year	September 2004

Company Secretary

Mark Fryer

Registered office

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Fax 020 7153 1102

Company number

61050

Website

www.manganese.com

News service

Reuters MNGS.L

Auditors

Deloitte & Touche LLP

Bankers

HSBC Bank plc
Lloyds TSB Group PLC

Merchant bankers

N M Rothschild & Sons Limited

Stockbrokers

Collins Stewart Limited

Financial PR consultants

Financial Dynamics
Tel 020 7831 3113
Fax 020 7831 7961

Solicitors

Simmons & Simmons

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel 0870 162 3700
Fax 020 8658 3430

DIRECTORS' REPORT

The directors present the annual report and audited financial statements of the Company and the Group for the year ended 31 July 2003.

1 Principal activities

Manganese Bronze Holdings PLC is a UK-based speciality automotive and taxi services group. Details of our activities, future prospects and research and development are given in the Chairman's statement, the Chief Executive's review and the Finance Director's review on pages 2 to 9.

2 Acquisitions and disposals

During the year the Group disposed of the Components Division which comprised Deans Powered Doors, MBC Advanced Sintering, MBC Precision Castings, and MBC Metal Powders along with the freehold properties held in Redditch and Beverley. The Group also separately disposed of its freehold property in Coventry, which is leased back from Matega Limited.

Full details of the above transactions are available in the Chief Executive's review on pages 4 to 7.

3 Results and dividends

The loss for the year before taxation was £10.1 million (2002 £2.9 million). The directors are recommending a final dividend of 2p (2002 1p). The final dividend, if approved, will be paid on 1 December 2003 to all shareholders who are on the register at close of business on 31 October 2003.

As a result of the Group successfully disposing of the Components Division and the freehold property in Coventry, the Board recommended a special dividend of 25p be paid to ordinary shareholders. The dividend was paid on 29 August 2003.

4 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 42.

5 Directors

A list of the directors in office throughout the year, except as noted, is set out below. Brief biographies of the directors at the date of this report are set out on page 10.

Tim Melville-Ross	
Ian Pickering	
Mark Fryer	
Christopher Ross	
Andrew Walker	(appointed 1 August 2003)
Jamie Borwick	(resigned 17 January 2003)
William Salomon	(retired 22 November 2002)

Following the resignation of Jamie Borwick as Chairman and Director of the Company, Tim Melville-Ross was appointed Chairman with effect from 17 January 2003. Christopher Ross was appointed Deputy Chairman on 7 March 2003. Andrew Walker, having been appointed by the Board since the last Annual General Meeting, offers himself for election. This year Ian Pickering retires by rotation and, being eligible, offers himself for re-election.

DIRECTORS' REPORT

6 Directors' interests

The interests of the directors in the ordinary share capital of the Company were as follows:

	31 July 2003 Shares	31 July 2003 Options	1 August 2002 Shares	1 August 2002 Options
Beneficial interests				
Ian Pickering	8,000	253,215	–	200,000
Mark Fryer	4,000	85,377	–	–
Tim Melville-Ross	8,000	–	–	–
Christopher Ross	7,500	–	–	–
Jamie Borwick ¹	266,195	–	266,195	–
Family companies of Jamie Borwick ¹	333,227	–	333,227	–
Non-beneficial interests				
Jamie Borwick ¹	1,168,316	–	1,168,316	–

¹ Jamie Borwick's interest up to date of resignation

Jamie Borwick, until his resignation, had 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 of the Group's charities.

No director had any interest in the preference share capital of the Company or in the shares of any other company in the Group.

There were no changes in the interests of any of the directors between 31 July 2003 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 2003 other than their service contracts and as disclosed in the remuneration report on pages 15 to 19.

7 Directors' remuneration

Details of the remuneration of each of the directors is set out in the remuneration report on pages 15 to 19.

8 Annual General Meeting

This year's Annual General Meeting will be held at noon on Wednesday 26 November 2003. 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.

9 Policy on the payment of creditors

The Group's policy in respect of its suppliers is 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 2003 (2002 £nil).

10 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.

11 Donations

The Group made donations for charitable purposes during the year ended 31 July 2003 of £12,647 (2002 £15,287). No political donations were made (2002 £nil).

12 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.

13 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.

14 Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-election of Deloitte & Touche LLP as the auditors of the Company will be put to the Annual General Meeting (AGM).

On 1 August 2003, Deloitte & Touche transferred its business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989.

By order of the Board



Mark Fryer
Company Secretary

1 October 2003

REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company on 26 November 2003 at which the financial statements will be approved. The Regulations require the auditors to report to the Company's members on the "auditable part" of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

The following sections of the remuneration report are not subject to audit:

Remuneration Committee

For the financial year ended 31 July 2003, remuneration policy for executive and non-executive directors and the determination of individual directors' remuneration packages have been delegated to the Board's Remuneration Committee (the "Committee") which consists only of independent non-executive directors. The non-executive directors have no personal financial interest, other than as shareholders, in the Committee's decisions.

The Committee complies with the Combined Code on Corporate Governance, appended to the Listing Rules, as issued by the Financial Services Authority ("Combined Code"). It is accountable to shareholders through its annual report on executive directors' remuneration.

During the financial year to 31 July 2003 the following have been members of the Remuneration Committee: Jamie Borwick, Tim Melville-Ross (Chairman of the Committee since 17 January 2003), Christopher Ross and William Salomon. William Salomon left the Committee on 22 November 2002 and Jamie Borwick left the Committee on 17 January 2003. A new non-executive director, Andrew Walker, joined the Board and the Committee on 1 August 2003. There were no other changes to the composition of the Committee between the end of the financial year and the date of this report.

The Committee met seven times in the financial year. All the Committee's recommendations in 2003 have been implemented by the Board.

The Remuneration Committee appointed Deloitte & Touche LLP, the Group's auditors and tax advisers, to review the Group's share option schemes. During 2003 the Chief Executive Officer and the Company Secretary submitted items for consideration by the Committee.

The Committee's terms of reference are to:

- review and recommend the Group's overall remuneration policy;
- determine the remuneration and pay structures for executive directors to ensure they are fairly rewarded for their individual contributions to the Company's overall performance; and
- monitor the remuneration arrangements of senior executives throughout the Group.

Remuneration policy

The Remuneration Committee has established a policy on the remuneration of executive and non-executive directors for the current financial year and subsequent financial years. The key principles of this policy are as follows:

- attract and retain individuals of the right calibre, taking account of industry, market and country benchmarks and the Company's position relative to its competitors;
- ensure incentives are appropriate, will encourage enhanced performance and are applied in a fair and responsible manner to reward individual contributions;
- reward executive directors by reference to overall financial and strategic performance of the Group and so in turn growth in shareholder value; and
- encourage share ownership to help align the interests of directors and executive management with that of shareholders.

REMUNERATION REPORT

Remuneration of 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 terms of engagement, within the limits set by the Articles of Association of the Company. No member takes part in the process of determining his own emoluments.
- The fees of the non-executive directors are based upon independent surveys. With the exception of Jamie Borwick none of the non-executive directors receives benefits in kind, nor do they participate in the Group's bonus, share option or pension schemes.

The Committee has consulted the Chief Executive and the Group Finance Director to assist them in determining remuneration for the Group's senior executives excluding the directors.

Remuneration of executive directors

The Committee's aim is to provide a balanced package with both fixed and variable elements to ensure that an appropriate proportion is performance related.

The main components are:

1 Basic salary and benefits

Salaries are reviewed annually by the Committee and are benchmarked against data from selected quoted companies of similar size primarily from the transport, communications and engineering sectors. The following factors were taken into account when comparing data:

- turnover and employee numbers;
- market capitalisation;
- complexity of the business; and
- scope of the roles.

The general benefits provided to executive directors are a fully-expensed car or car allowance, pension, life assurance, disability and health insurance and where applicable relocation costs.

2 Group Executive Bonus Scheme

The Committee awards an annual discretionary bonus to the executive directors based on their performance and that of the Group in achieving financial and non-financial targets established by the Committee. The maximum bonus payable under these arrangements is 50% of the director's basic salary. Bonus payments are non-pensionable.

3 Retirement benefits

Mr Pickering and Mr Fryer are members of the Manganese Bronze Account Plus pension scheme. This is an Inland Revenue approved occupational defined contribution pension plan. The Company contributes 14% of basic salary for executive directors. Pension entitlements are based on basic salary only.

4 Share options

Executive directors are eligible for share options granted at the discretion of the Board under the Company's share option schemes (for scheme details see the section on share options on page 18).

There is a contractual obligation effective from January 2002 to grant share options (of an equivalent value of annual basic salary) to Mr Fryer in four equal annual instalments subject to London Stock Exchange and Inland Revenue regulations.

REMUNERATION REPORT

Directors' service contracts

The Company has adopted the following policy on directors' service contracts:

Executive directors' contracts may be terminated by the Company giving 12 months' written notice or by the director giving at least 12 months' written notice. There are no termination payments other than those determined by notice periods (pay in lieu) or by the Company instituting a fundamental breach of the contract.

On the Company serving notice for any reason to terminate the contract, the Company is obliged to terminate the director's appointment by payment in lieu of notice. Pay in lieu includes basic salary, pension contributions, life cover and insurance benefits, fully expensed car or car allowance. If a non-executive director is voted out of office by shareholders before the three-year term is completed, the director will leave the Board immediately and receive six months' fees or the amount due up to the end of the three-year term whichever is the less.

The following have rolling service contracts with the Company:

Ian Pickering	dated 24 November 1998
Mark Fryer	dated 15 October 2002

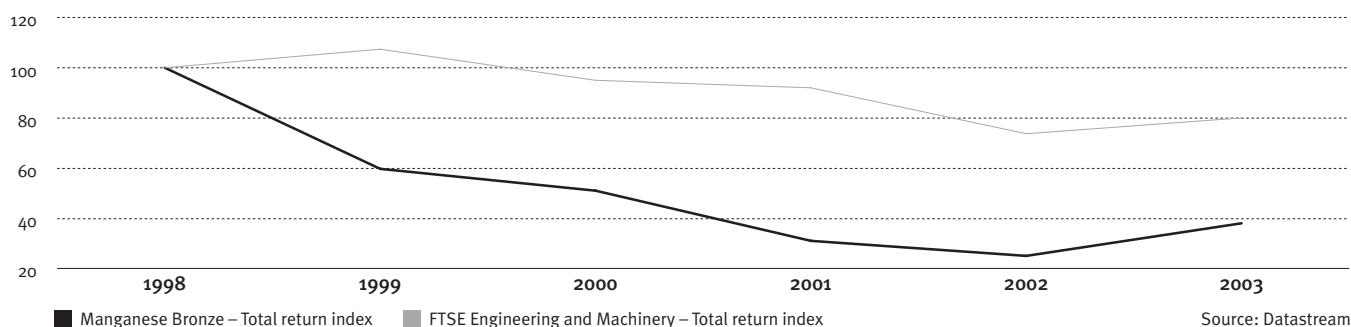
The agreements with non-executive directors are not for fixed terms, but are each terminable on six months' notice. The directors are subject to re-election at least every three years. On termination, no compensation is payable other than the outstanding six months of fees.

The following joined as non-executive directors:

Tim Melville-Ross	1 March 2000
Christopher Ross	22 June 1995
Andrew Walker	1 August 2003

Performance graph

The following line graph shows, for the financial year ended 31 July 2003 and for each of the previous five financial years, the total shareholder return on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which the FTSE Engineering and Machinery Index is calculated. As the Company has been a constituent of this index over this period, the Committee considers this index to be the most appropriate for this purpose.



REMUNERATION REPORT

The following sections of the remuneration report are subject to audit:

Directors' emoluments and compensation

The remuneration, excluding pension contributions, of the directors of the Company for the year ending July 2003 is set out in the table below:

	Basic salary/fees 2003 £	Bonus 2003 £	Other benefits ¹ 2003 £	Total ² 2003 £	Total ³ 2002 £
Chairman					
Tim Melville-Ross	36,250	–	–	36,250	20,000
Executive directors					
Ian Pickering	163,920	81,960	14,158	260,038	199,975
Mark Fryer ³	122,000	61,000	11,881	194,881	67,247
Non-executive directors					
Christopher Ross	24,005	–	–	24,005	20,000
Directors who resigned/retired in 2003					
Jamie Borwick ⁴	34,712	–	10,521	45,233	97,007
William Salomon ⁴	8,333	–	–	8,333	20,000
Total	389,220	142,960	36,560	568,740	424,229

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

2 Total excludes pension contributions made by the Company

3 Mark Fryer commenced employment on 2 January 2002

4 Remuneration to date of resignation/retirement

Long-term incentives – share options

The following table shows details of the options for ordinary shares held by directors under the Company's approved and unapproved share option schemes:

	Balance at 1 August 2002	Granted during year	Balance at 31 July 2003	Exercise price Pence	Date from which exercisable	Expiry date
Ian Pickering	100,000	–	100,000	428.0	8 May 2001	8 May 2008
	100,000	–	100,000	229.0	23 Sep 2002	23 Sep 2009
	–	53,215	53,215	73.5	7 May 2006	7 May 2013
Mark Fryer	–	46,769	46,769	58.8	23 Oct 2005	23 Oct 2012
	–	38,608	38,608	73.5	7 May 2006	7 May 2013

No options lapsed during the financial year

The market price of the shares at 31 July 2003 was £1.30 and the range during the financial year ended 31 July 2003 was £0.50 to £1.30

For both the approved and unapproved schemes the performance period is the three financial years of the Company, starting with the financial year in which the option or award is granted

It is a condition of the exercise of the Company's 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.

REMUNERATION REPORT

In addition, for the options granted in May 2003 the following performance criteria were applied:

- Achievement of an average share price over six months, measured on or after the third anniversary of the grant as follows:

Share price £	1.40	1.60	1.80	2.00	2.20	2.40
% of exercisable options	50	60	70	80	90	100

- Options cannot be exercised unless the growth in earnings per share for the Company expressed as a percentage in any consecutive period of three financial years commencing with the financial period in which the Option is granted or any subsequent financial period shall have exceeded the growth expressed as a percentage in the Retail Price Index in the same period (commencing with the figure published for the month in which the first of such financial periods commenced) by 10% ("the Target EPS") or higher. Provided that the Target EPS shall be subject to such adjustment (if any) as the Auditors (as defined in the Scheme Rules) shall confirm in writing to the Company to be, in their opinion, fair and reasonable to take account of any sub-division, consolidation, capitalisation, rights issue (other than an issue pursuant to the exercise of an option given to shareholders to receive shares in lieu of a dividend) or reduction of the share capital of the Company or change in the accounting date of the Company. Given that EPS is currently negative, an absolute target of 8p is set as the base position for calculating the growth hurdle.

There are no other long-term incentive plans in place for directors.

Pensions

The following table shows details of the pension contributions made for directors by the Company. All contributions were paid into the defined contribution pension scheme. No pension contributions were made to other directors.

	2003 £	2002 £
Ian Pickering	47,682	13,440
Mark Fryer ¹	17,068	7,875
Jamie Borwick ²	4,860	10,500
Total	69,610	31,815

¹ Mark Fryer commenced employment on 2 January 2002

² Pension contributions to date of resignation

The report was approved by the Remuneration Committee and signed on its behalf by



Tim Melville-Ross

Chairman of the Remuneration Committee

1 October 2003

1 Corporate governance

Except for the matters listed at the end of this report, the Group has been in compliance with the Principles of Good Corporate Governance, Code of Best Practice and Code Provisions set out in Section 1 of The Combined Code on Corporate Governance, appended to The Listing Rules as issued by the Financial Services Authority (“Combined Code”) throughout the year ended 31 July 2003. This statement describes how the principles of good governance and the provisions of the Combined Code 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.

2 Statement of directors’ responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the financial year end and of the profit or loss of the Group 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.

3 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.

4 The Board

As at 24 September 2003, the date of signing these financial statements, the Board comprises two executive directors and three independent non-executive directors, who include the Chairman and the Deputy Chairman, who is the senior independent non-executive. All directors make a significant contribution to the functioning of the Board.

The posts of Chairman and Chief Executive are separate. The brief biographies of the Board members shown on page 10 demonstrate the wide range of skills, commercial and professional experience that they bring to the Board.

The Board is responsible for overseeing strategic, financial, operational, compliance issues and reporting to shareholders where appropriate. The Board is also responsible for presenting a balanced and understandable assessment of the Group's position and prospects, achieved by complying with non-mandatory statements and new accounting standards.

The Board now meets formally at least 12 times a year. This year the Board met 16 times. 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.

All directors have access to independent professional advice as and when required. The Company also ensures appropriate training as and when necessary.

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 Board aims to have the terms of reference of each committee reviewed to ensure utmost compliance with the newly amended Combined Code, due to come into force on 1 November 2003. The membership of the committees is shown on page 10.

6 Audit Committee

This committee is chaired by Tim Melville-Ross and meets at least twice a year. Meetings are attended by the Chief Executive and the Group Finance Director, and representatives of the auditors are in attendance as required. The committee assists the Board in the discharge of its duties concerning the announcements of results, the preparation of 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, also chaired by Tim Melville-Ross, 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 managing directors of Divisions within the Group; and
- 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 seek re-appointment at the Annual General Meeting.

Appointments remain the responsibility of the Nominations Committee. To fulfil its duties the Nominations Committee retains the services of external consultants as necessary.

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 at least 21 working 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, the developments and strategy of the Company.

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 system 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; and
- bi-annual review of the key risks facing the Group and its businesses and key mitigating actions.

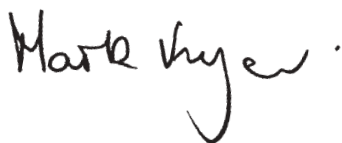
Operations throughout the Group are subject to the overall Group internal control framework, but such a system can provide only reasonable and not absolute assurance against material mis-statement or loss. The directors confirm that they have carried out a review of the effectiveness of the system of internal controls as operated during the year ended 31 July 2003 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 but on a six-monthly rolling basis, however, they are subject to re-election at least every three years; and
- provision B.2.2 as the former Chairman of the Group was the former Chief Executive and was therefore not considered independent. He was also Chairman of the Remuneration Committee. The membership of the rest of the committee comprised at least two independent non-executive directors. The former Chairman was not present for discussions concerning his own remuneration.

By order of the Board



Mark Fryer
Company Secretary

1 October 2003

INDEPENDENT AUDITORS' REPORT

To the members of Manganese Bronze Holdings PLC

We have audited the financial statements of Manganese Bronze Holdings PLC for the year ended 31 July 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the historical cost profits and losses, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited. This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited 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 whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed. We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the 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 including the unaudited part of the directors' remuneration report 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 and the part of the directors' remuneration report described as having been audited. 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 circumstances of the Company and the Group, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

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 2003 and of the loss of the Group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

1 October 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 July 2003

	Notes	Continuing operations 2003 £000	Discontinued operations 2003 £000	Total 2003 £000	Continuing operations 2002 £000	Discontinued operations 2002 £000	Total 2002 £000
Turnover	2	86,031	27,228	113,259	86,932	31,730	118,662
Cost of sales		(72,856)	(22,820)	(95,676)	(73,228)	(26,806)	(100,034)
Gross profit		13,175	4,408	17,583	13,704	4,924	18,628
Operating expenses		(14,735)	(5,619)	(20,354)	(14,819)	(5,258)	(20,077)
Pension contributions to closed scheme		(2,375)	–	(2,375)	(1,000)	–	(1,000)
Exceptional income		956	–	956	–	–	–
Other operating income		83	206	289	95	154	249
Net operating expenses	3	(16,071)	(5,413)	(21,484)	(15,724)	(5,104)	(20,828)
Operating loss	4	(2,896)	(1,005)	(3,901)	(2,020)	(180)	(2,200)
Profit on sale of fixed assets (continuing operations)	2(d)			1,857			–
Loss on disposal of discontinued operations	2(e)			(7,524)			–
Loss on ordinary activities before finance charges				(9,568)			(2,200)
Finance charges – net	5			(516)			(686)
Loss on ordinary activities before taxation	2			(10,084)			(2,886)
Tax credit on loss on ordinary activities	7			2,033			827
Loss on ordinary activities after taxation for the financial year				(8,051)			(2,059)
Dividends (including non-equity dividends)	10			(4,863)			(234)
Transferred from reserves	23			(12,914)			(2,293)
Basic loss per ordinary share	9			(45.52)p			(11.88)p
Diluted loss per ordinary share	9			(45.52)p			(11.88)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 £6.7m (2002 £164,000), £6.5m (2002 nil) due to the realisation of property revaluation gains of previous years and £176,000 (2002 £164,000) 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 2003

	2003 £000	2002 £000
Loss for the financial year	(8,051)	(2,059)
Unrealised net (deficit)/surplus on revaluation of properties	(109)	95
Currency translation differences	(6)	25
Total recognised gains and losses relating to the year	(8,166)	(1,939)

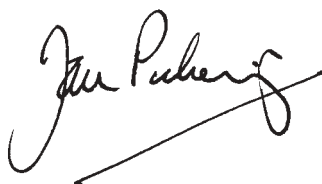
CONSOLIDATED BALANCE SHEET at 31 July 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets – goodwill	11		–		191
Tangible assets	12		23,339		40,297
Investments	13		215		142
			23,554		40,630
Current assets					
Stocks	15	15,419		19,731	
Debtors	16	5,702		8,139	
Cash at bank and in hand		8,726		2,398	
		29,847		30,268	
Creditors Amounts falling due within one year	17	(27,638)		(30,267)	
Net current assets			2,209		1
Total assets less current liabilities			25,763		40,631
Creditors Amounts falling due after more than one year	18		(42)		(105)
Provisions for liabilities and charges	20		(2,948)		(4,724)
Net assets			22,773		35,802
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		2,429		11,328
Profit and loss account	23		10,656		14,786
Shareholders' funds including non-equity interests	24		22,773		35,802
Net assets per ordinary share			122.9p		195.3p

Approved by the Board



Tim Melville-Ross
Chairman



Ian Pickering
Director

1 October 2003

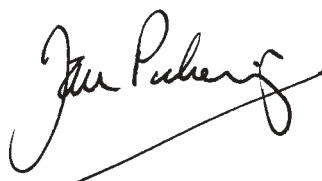
COMPANY BALANCE SHEET at 31 July 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Tangible assets	12		207		90
Investments	13		5,182		8,643
			5,389		8,733
Current assets					
Debtors	16	20,179		20,533	
Cash at bank and in hand		836		–	
		21,015		20,533	
Creditors Amounts falling due within one year	17	(9,015)		(3,178)	
Net current assets			12,000		17,355
Total assets less current liabilities			17,389		26,088
Net assets			17,389		26,088
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		7,701		16,400
Shareholders' funds including non-equity interests	24		17,389		26,088

Approved by the Board



Tim Melville-Ross
Chairman



Ian Pickering
Director

1 October 2003

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2003

Notes	Continuing operations 2003 £000	Discontinued operations 2003 £000	Total 2003 £000	Continuing operations 2002 £000	Discontinued operations 2002 £000	Total 2002 £000
Reconciliation of operating loss to net cash inflow/(outflow) from operating activities:						
Operating loss	(2,896)	(1,005)	(3,901)	(2,020)	(180)	(2,200)
Depreciation	3,892	1,561	5,453	3,739	1,492	5,231
Amortisation of intangible fixed assets	–	11	11	–	10	10
(Write back)/provision against ESOT shares	(73)	–	(73)	36	–	36
Loss/(profit) on sale of fixed assets	126	(147)	(21)	(9)	(92)	(101)
Decrease in stocks	863	281	1,144	3,451	574	4,025
(Increase)/decrease in debtors	(2,766)	(607)	(3,373)	(15)	1,228	1,213
Increase/(decrease) in creditors and provisions	1,570	(460)	1,110	1,836	(1,346)	490
Net cash inflow/(outflow) from operating activities	716	(366)	350	7,018	1,686	8,704
Net cash inflow/(outflow) from operating activities:						
Continuing operating activities			716			7,018
Discontinued operating activities			(366)			1,686
			350			8,704
Returns on investments and servicing of finance						
Interest received			1			22
Interest paid			(563)			(584)
Interest element of finance contract payments			46			(124)
Preference dividend paid			(56)			(56)
Net cash outflow from returns on investments and servicing of finance			(572)			(742)
Taxation						
UK corporation tax (paid)/recovered			(40)			22
Net cash (outflow)/inflow from taxation			(40)			22
Capital expenditure						
Purchase of tangible fixed assets			(4,327)			(4,004)
Proceeds from sale of tangible fixed assets			8,720			503
Net cash outflow from capital expenditure			4,393			(3,501)
Acquisitions and disposals						
Net proceeds from sale of business			7,268			–
Equity dividends paid			(175)			(178)
Net cash inflow before financing			11,224			4,305
Financing						
Capital element of finance contract payments			(1,208)			(690)
Decrease in stocking loan			(688)			(4,808)
(Decrease)/increase in bank loan			(3,000)			2,000
Net cash outflow from financing			(4,896)			(3,498)
Increase in cash in the year	25		6,328			807

The net cash flow from operating activities includes an inflow of £956,000 (2002 £nil) from continuing operations which related to exceptional income, and a £366,000 outflow (2002 £1,686,000 inflow) from discontinued activities.

1 ACCOUNTING POLICIES

Basis of accounting

- (i) The financial statements are prepared under the historical cost convention except for the revaluation of certain properties as stated below.
- (ii) The Group financial statements incorporate the results of the Company and all its subsidiary undertakings drawn up to 31 July each year. New subsidiaries, if any, are consolidated from the effective date of acquisition. Subsidiaries disposed of are consolidated until the effective date of disposal. Goodwill on the acquisition of subsidiaries prior to 31 July 1998 has been written off against reserves in the year in which it arose. Goodwill arising on the acquisition of a subsidiary undertaking, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is 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 United Kingdom 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 2003.
- (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 2003.
- (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 for impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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 to 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) Plant and equipment – three to ten 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.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES CONTINUED

Taxation continued

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development

Revenue expenditure on research and development costs are written off in the year in which they are incurred, except where capitalised in respect of Zingo.

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 rates 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 on a straight line basis over the lease term.

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, except to the extent that a significant event has occurred necessitating the payment of additional contributions to the scheme which are written off as incurred.

Government grants

Government grants are recognised as to match them with the capital and revenue expenditure toward 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.

NOTES TO THE FINANCIAL STATEMENTS

2 ANALYSIS OF RESULTS

(a) By division

	2003 Turnover £000	2002 Turnover £000	2003 Operating profit/(loss) £000	2002 Operating profit/(loss) £000
Continuing operations:				
Vehicles	85,974	86,932	4,454	3,676
Zingo	57	–	(3,345)	(2,411)
Head office – general costs	–	–	(2,586)	(2,285)
– pension contributions to closed scheme			(2,375)	(1,000)
– exceptional income			956	–
	86,031	86,932	(2,896)	(2,020)
Discontinued operations:				
Components	27,228	31,730	(1,005)	(180)
	27,228	31,730	(1,005)	(180)
Turnover/operating loss	113,259	118,662	(3,901)	(2,200)
Exceptionals:				
Profit on sale of fixed assets			1,857	–
Loss on disposal of discontinued operations			(7,524)	–
Loss on ordinary activities before finance charges			(9,568)	(2,200)
Finance charges – net			(516)	(686)
Loss on ordinary activities before taxation			(10,084)	(2,886)

(b) By market area

	2003 Turnover £000	2002 Turnover £000
Rest of Europe	6,216	4,611
Asia	2,911	3,464
North America	1,675	1,138
Rest of world	111	537
Total exports	10,913	9,750
United Kingdom	102,346	108,912
Total turnover	113,259	118,662

All turnover originates in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

2 ANALYSIS OF RESULTS CONTINUED

(c) Segmental net assets

	2003 £000	2002 £000
Continuing operations:		
Vehicles	19,891	24,540
Zingo	3,911	1,653
Head office	(3,391)	(1,344)
	20,411	24,849
Discontinued operations:		
Components	668	19,892
	668	19,892
	21,079	44,741
Plus net funds/(less net borrowings)	1,694	(8,939)
Total net assets	22,773	35,802

All operations are conducted within the United Kingdom.

(d) Profit on sale of fixed assets

The profit on sale of fixed assets relates to the sale of property at Coventry.

(e) Loss on disposal of discontinued operations:

The loss on disposal of discontinued operations relates to the disposal of the Components Division (note 14).

3 NET OPERATING EXPENSES

	Continuing operations 2003 £000	Discontinued operations 2003 £000	Total 2003 £000	Continuing operations 2002 £000	Discontinued operations 2002 £000	Total 2002 £000
Operating expenses:						
Distribution costs	4,509	1,297	5,806	4,934	1,293	6,227
Administration expenses	10,226	4,322	14,548	9,885	3,965	13,850
	14,735	5,619	20,354	14,819	5,258	20,077
Pension contributions to closed scheme	2,375	–	2,375	1,000	–	1,000
Exceptional income	(956)	–	(956)	–	–	–
Other operating income	(83)	(206)	(289)	(95)	(154)	(249)
Net operating expenses	16,071	5,413	21,484	15,724	5,104	20,828

The exceptional income relates to compensation for the surrender of a lease.

On advice from the Group's actuary an additional £1.0m was paid into the defined benefit scheme during 2003 to help offset the increased deficit principally arising from the significant fall in the value of the stock market investments.

NOTES TO THE FINANCIAL STATEMENTS

4 OPERATING LOSS

	2003 £000	2002 £000
The operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	5,249	5,055
Depreciation of tangible fixed assets – leased	204	176
Amortisation of intangible assets	11	10
(Write back)/provision against ESOT shares	(73)	36
Research and development – general	724	1,471
Research and development – Zingo development	3,345	2,411
Directors' remuneration (note 28)	639	456
Auditors' remuneration – audit (i)	110	110
Auditors' remuneration – other (ii)	201	191
Operating lease rentals – plant and equipment	424	531
Operating lease rentals – land and building	209	238
Redundancy	987	595
Government grants	–	(100)
Aggregate rentals receivable in respect of operating leases of taxis	(195)	(316)

(i) The Company audit fee is £24,000 (2002 £21,000).

(ii) These fees include £nil (2002 £154,000) paid to the previous auditor Arthur Andersen and £201,000 (2002 £37,000) payable to Deloitte & Touche LLP, principally for taxation services. £85,000 of this is included within the loss on disposal of discontinued operations.

5 FINANCE CHARGES – NET

	2003 £000	2002 £000
Interest payable on:		
Bank overdrafts and loans	257	226
Finance contracts	(46)	124
Stocking loan	302	358
Other	4	–
Total interest payable	517	708
Interest receivable	(1)	(22)
Net interest payable	516	686

NOTES TO THE FINANCIAL STATEMENTS

6 STAFF NUMBERS AND COSTS

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

	2003 Number	2002 Number
Administration and sales	314	309
Production	566	622
	880	931

The aggregate remuneration of these employees was as follows:

	2003 £000	2002 £000
Wages and salaries	21,377	22,507
Social security costs	2,080	1,982
Other pension costs (note 32)	3,236	1,809
	26,693	26,298

7 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

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

	2003 £000	2002 £000
UK corporation tax	–	(445)
Adjustments relating to prior years – current taxation	(57)	(242)
	(57)	(687)
Deferred taxation	(1,913)	(301)
Adjustments relating to prior years – deferred taxation	(63)	161
	(2,033)	(827)

The difference between total current tax as shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is:

	2003 £000	2002 £000
Loss on ordinary activities before taxation	(10,084)	(2,886)
Corporation tax thereon at 30% (2002 30%)	(3,025)	(866)
Non taxable income	(643)	–
Disallowed in relation to the Components sale	1,595	–
Sundry disallowed expenses	160	120
Timing differences	1,913	301
Adjustment to prior years	(57)	(242)
	(57)	(687)

As a result of the profit on sale of the property at Coventry the taxable loss decreased by £524,000. This arose in relation to a reclaim of industrial building allowances.

The loss on disposal of discontinued operations (Components Division) is not deductible for tax purposes.

8 HOLDING COMPANY LOSS FOR THE FINANCIAL YEAR

The loss for the year of the Company before the payment of dividends was £3,836,000 (2002 £973,000 profit).

NOTES TO THE FINANCIAL STATEMENTS

9 LOSS PER ORDINARY SHARE

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

	2003 £000	2002 £000
Loss for the financial year	(8,051)	(2,059)
Preference dividends	(56)	(56)
	(8,107)	(2,115)
	2003 Number	2002 Number
Weighted average number of shares in issue, less shares upon which dividends waived (shares held under ESOT)	17,813,460	17,813,460
Potential exercise of share options	–	3,708
For diluted loss per share	17,813,460	17,817,168

10 DIVIDENDS

	2003 £000	2002 £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 paid	56	56
Equity – ordinary shares of 25p each		
Special dividend payable – 25p per share (2002 nil p)	4,453	–
Final dividend payable – proposed 2p per share (2002 1p)	354	178
Total dividends	4,863	234

11 INTANGIBLE FIXED ASSETS

	Total £000
Cost of goodwill on acquisition:	
At 1 August 2002	208
Disposals	(208)
At 31 July 2003	–
Amortisation:	
At 1 August 2002	17
Charge for the year	11
Disposals	(28)
At 31 July 2003	–
Net book value at 31 July 2003	–
Net book value at 31 July 2002	191

The goodwill related to the Components Division.

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE FIXED ASSETS

Consolidated

	Freehold land and buildings (note (ii) & (iii)) £000	Investment property (note (iv)) £000	Plant and equipment owned £000	Total £000
Cost or valuation (note (ii) & (iii))				
At 1 August 2002	17,125	1,850	58,519	77,494
Additions	243	–	4,675	4,918
Revaluations	195	(780)	–	(585)
Disposals	(8,535)	(1,850)	(25,682)	(36,067)
Reclassification	(4,600)	4,600	–	–
Exchange adjustment	–	–	(3)	(3)
At 31 July 2003	4,428	3,820	37,509	45,757
Comprising:				
At professional valuation 31 July 2003	4,130	3,820	–	7,950
At cost	298	–	37,509	37,807
	4,428	3,820	37,509	45,757
Depreciation:				
At 1 August 2002	431	–	36,766	37,197
Charge for the year	414	–	5,039	5,453
Disposals	(317)	–	(19,440)	(19,757)
Adjustments on revaluations	(476)	–	–	(476)
Exchange adjustment	–	–	1	1
At 31 July 2003	52	–	22,366	22,418
Net book value at 31 July 2003	4,376	3,820	15,143	23,339
Net book value at 31 July 2002	16,694	1,850	21,753	40,297

Notes:

- (i) On 31 July 2003 DTZ Debenham Thorpe revalued the freehold land and buildings on an “open market value for existing use basis” and the investment property on an “open market value” basis.
- (ii) £1.7m (2002 £6.6m) of the cost or valuation 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 2003 £000	Consolidated 2002 £000
Cost	6,385	10,520
Depreciation	(1,791)	(3,464)
Net book value	4,594	7,056

- (iii) £298,000 (2002 £70,000) of freehold land and buildings has not been revalued but held at cost. This relates to building improvements at leased premises.
- (iv) The depreciation which would have otherwise have been charged on the investment properties amounts to £62,000 (2002 £59,000). At 31 July 2003 the investment properties comprised the Ipswich and Birmingham properties.
- (v) The net book value of fixed assets held under finance leases or hire purchase is £623,000 (2002 £1.2m). The gross amount of assets held for use in operating leases is £436,000 (2002 £603,000); the related accumulated depreciation is £36,000 (2002 £40,000).

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE FIXED ASSETS CONTINUED

Company

	Plant and equipment owned £000
Cost:	
At 1 August 2002	247
Additions	172
Disposals	(30)
At 31 July 2003	389
Depreciation:	
At 1 August 2002	157
Charge for the year	50
Disposals	(25)
At 31 July 2003	182
Net book value at 31 July 2003	207
Net book value at 31 July 2002	90

13 FIXED ASSET INVESTMENTS

Consolidated

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

	Own shares Number	Own shares £000
Cost:		
At 31 July 2003 and 2002	165,628	500
Amounts provided for:		
At 1 August 2002		358
Written back		(73)
At 31 July 2003		285
Net book value at 31 July 2003		215
Net book value at 31 July 2002		142

Company

	Own shares Number	Own shares £000	Shares in subsidiaries £000	Total £000
Cost:				
At 31 July 2003 and 2002	165,628	500	8,501	9,001
Amounts provided for:				
At 1 August 2002		358	–	358
Provision made		–	3,534	3,534
Written back		(73)	–	(73)
At 31 July 2003		285	3,534	3,819
Net book value at 31 July 2003		215	4,967	5,182
Net book value at 31 July 2002		142	8,501	8,643

NOTES TO THE FINANCIAL STATEMENTS

13 FIXED ASSET INVESTMENTS CONTINUED

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 2003 was £215,314 (2002 £142,440). Accordingly a proportion of the provision made in prior years has been written back.

Group companies

Principal subsidiary undertakings at 31 July 2003:

Company	Activities
LTI Limited	Taxi manufacture and retailing
Manganese Bronze Services Limited	Supplier of services to the taxi industry
Old BSA Limited	Group property

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

14 SALE OF A SUBSIDIARY UNDERTAKING

On 29 July 2003 the Group sold its 100% interest in the ordinary share capital of MBC 1 Limited which included the whole of the Components Division following a hive-down of the trade and assets of the Division. The operating loss of the Components Division up to the date of disposal was £1.0m (2002 £0.2m loss).

Net assets disposed of and the related sale proceeds were as follows:

	£000	£000
Sale proceeds satisfied by cash		8,000
Net assets disposed:		
Fixed assets	9,645	
Current assets	8,978	
Creditors	(3,831)	
		14,792
		(6,792)
Costs of disposal		(732)
Loss on disposal of discontinued operations		(7,524)

Net cash inflow in respect of the sale comprised £8,000,000 of cash consideration. No cash at bank and in hand or overdrafts were sold.

15 STOCKS

	Consolidated 2003 £000	Consolidated 2002 £000
Raw materials and bought-out items	2,387	2,946
Work in progress	1,263	3,310
Finished stocks	11,769	13,475
Total stocks	15,419	19,731

NOTES TO THE FINANCIAL STATEMENTS

16 DEBTORS

	Consolidated 2003 £000	Consolidated 2002 £000	Company 2003 £000	Company 2002 £000
Trade debtors	3,488	6,631	–	–
Amounts owed by subsidiary undertakings	–	–	19,707	19,302
Corporation tax recoverable	–	–	79	1,024
Other debtors	1,403	740	315	32
Prepayments	811	768	78	175
	5,702	8,139	20,179	20,533

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2003 £000	Consolidated 2002 £000	Company 2003 £000	Company 2002 £000
Bank overdraft and other short-term debt	–	3,000	–	372
Stocking loan (see note)	6,671	7,359	–	–
Finance contracts (see note)	319	873	–	–
Trade creditors	9,136	12,428	–	–
Amounts owed to subsidiary undertakings	–	–	1,320	1,320
Corporation tax	1	98	–	–
Social security, payroll and other taxes	1,605	2,184	95	196
Other creditors	1,885	1,102	1,452	718
Accruals	3,211	3,045	1,338	394
Proposed dividends	4,810	178	4,810	178
	27,638	30,267	9,015	3,178

Note:

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

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2003 £000	Consolidated 2002 £000	Company 2003 £000	Company 2002 £000
Finance contracts	42	105	–	–

Note:

All obligations fall due within one to two years.

NOTES TO THE FINANCIAL STATEMENTS

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 (FRS 13). 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 FRS 13 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 2003, the Group had cash deposits of £8.7m (2002 £2.4m). The Group's financial liabilities are all sterling denominated and comprise the various fixed and floating rate instruments detailed below. A maturity profile is also provided, together with information regarding debt management.

	Fixed 2003 £000	Floating 2003 £000	Total 2003 £000	Fixed 2002 £000	Floating 2002 £000	Total 2002 £000
Borrowings						
Bank loan	–	–	–	–	3,000	3,000
Stocking loan	–	6,671	6,671	–	7,359	7,359
Finance contracts	361	–	361	978	–	978
	361	6,671	7,032	978	10,359	11,337
Non-equity shares						
Preference shares	684	–	684	684	–	684
	1,045	6,671	7,716	1,662	10,359	12,021

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

	Consolidated 2003 £000	Consolidated 2002 £000
Within one year – finance leases	319	873
Within one year – other loans	6,671	10,359
In more than one but no more than two years	42	105
	7,032	11,337

The Group has an uncommitted overdraft facility of £3.0m (2002 £3.0m) which is linked to base rate. The uncommitted stocking finance facility of £13.4m (2002 £13.4m) is linked to Finance House Base Rate (FHBR). The finance contracts are fixed at an average rate of 8.28% (2002 8.00%). The preference shares were issued at a rate of 8.25% without a repayment date.

Fixed rate financial liabilities total £1.0m (2002 £1.7m), comprising preference share capital (note 22) and £0.4m (2002 £1.0m) of finance contracts. Floating rate financial liabilities total £6.7m (2002 £10.4m) comprising the £6.7m (2002 £7.4m) stocking loan. The weighted average interest rate of fixed rate liabilities at the year end was 8.26% (2002 8.11%).

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

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

	2003 £000	2002 £000
Euro and related currencies	(116)	(41)
US dollar	–	66
Swiss franc	–	12
	(116)	37

Fair values

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

	Book value 2003 £000	Fair value 2003 £000	Book value 2002 £000	Fair value 2002 £000
Primary financial instruments to finance the Group's operations				
Cash	(8,726)	(8,726)	(2,398)	(2,398)
Bank loan	–	–	3,000	3,000
Stocking loan	6,671	6,671	7,359	7,359
Finance contracts	361	361	978	978
Preference share capital	684	677	684	686
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts loss	–	(17)	–	(25)

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 £25,000 was carried forward at 31 July 2002 and recognised during the course of the year ended 31 July 2003. An unrecognised loss of £17,000 was carried forward at the end of the year ended 31 July 2003 and is expected to be recognised in the profit and loss account during the year ended 31 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

20 PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated	Deferred taxation £000	Warranty £000	Total £000
At 1 August 2002	2,412	2,312	4,724
(Credit)/charge to profit and loss account	(1,976)	2,924	948
Utilised in year	–	(2,724)	(2,724)
At 31 July 2003	436	2,512	2,948

Company

The Company had no deferred tax liability at 31 July 2003 (2002 £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:

	2003 £000	2002 £000
Accelerated capital allowances	519	2,461
Other	(83)	(49)
	436	2,412

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 included within other debtors are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	(18)	(30)
Other	(60)	–
	(78)	(30)

NOTES TO THE FINANCIAL STATEMENTS

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 2003 and 2002	17,979,088	4,495
8.25% cumulative preference shares of £1 each:		
At 31 July 2003 and 2002	683,959	684
Total called-up share capital		5,179

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 2003 the options outstanding under the Executive, Company and Unapproved Share Option Schemes were as follows:

Date of grant	Exercise price Pence	Outstanding Number 000
11 October 1996	360.5	26,000
31 March 1998	412.0	89,080
8 May 1998	428.0	100,000
23 September 1999	229.0	283,000
5 November 2001	66.5	30,000
2 October 2002	58.8	46,769
7 May 2003	73.5	197,835
	–	772,684

Options outstanding under the Group's SAYE scheme at 31 July 2003 were as follows:

Date of grant	Exercise price Pence	Outstanding Number 000
10 April 1997	420.0	7,000
8 April 1998	359.0	16,000
9 April 1999	157.0	128,000
	–	151,000

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

NOTES TO THE FINANCIAL STATEMENTS

23 RESERVES

Consolidated	Share premium account £000	Other reserves £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 August 2002	3,593	916	11,328	14,786	30,623
Net deficit on revaluation	–	–	(109)	–	(109)
Net exchange differences	–	–	–	(6)	(6)
Transfer to profit and loss account	–	–	(8,790)	8,790	–
Retained loss for the year	–	–	–	(12,914)	(12,914)
At 31 July 2003	3,593	916	2,429	10,656	17,594

£430,000 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 2002	3,593	916	–	16,400	20,909
Retained loss for the year	–	–	–	(8,699)	(8,699)
At 31 July 2003	3,593	916	–	7,701	12,210

24 SHAREHOLDERS' FUNDS

Reconciliation of movements in Group shareholders' funds

	Consolidated 2003 £000	Consolidated 2002 £000
Loss for the financial year	(8,051)	(2,059)
Dividends	(4,863)	(234)
	(12,914)	(2,293)
(Deficit)/surplus on revaluation	(109)	95
Net exchange differences	(6)	25
Net reduction in shareholders' funds	(13,029)	(2,173)
Opening shareholders' funds	35,802	37,975
Closing shareholders' funds	22,773	35,802

Analysis of shareholders' funds

	Consolidated 2003 £000	Consolidated 2002 £000	Company 2003 £000	Company 2002 £000
Equity interests	22,089	35,118	16,705	25,404
Non-equity interests: preference shares	684	684	684	684
	22,773	35,802	17,389	26,088

NOTES TO THE FINANCIAL STATEMENTS

25 ANALYSIS OF CASH, DEBT AND GEARING

Consolidated

Reconciliation of net cash flow to movement in net funds/(debt):

	2003 £000	2002 £000
Increase in cash in the year	6,328	807
Capital element of finance contracts payments	1,208	690
Decrease in stocking loan	688	4,808
Decrease/(increase) in bank loan	3,000	(2,000)
Change in net funds resulting from cash flows	11,224	4,305
Non-cash items – new finance contracts	(591)	(505)
Movement in net funds in year	10,633	3,800
Net debt brought forward	(8,939)	(12,739)
Net funds/(debt) carried forward	1,694	(8,939)
Shareholders' funds	22,773	35,802
Gearing	–	25.0%

Analysis of net funds/(debt)

	2003 £000	2002 £000
Cash at bank and in hand	8,726	2,398
Bank loan	–	(3,000)
Stocking loan	(6,671)	(7,359)
Finance contracts due within one year	(319)	(873)
Finance contracts due after more than one year	(42)	(105)
Net funds/(debt)	1,694	(8,939)

26 CAPITAL COMMITMENTS

Consolidated

	2003 £000	2002 £000
Expenditure authorised and contracted at 31 July	131	608

The Company had no capital commitments at 31 July 2003 (2002 £nil).

27 FINANCIAL COMMITMENTS

Consolidated

At 31 July 2003 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £000	Other 2003 £000	Land and buildings 2002 £000	Other 2002 £000
Operating leases which expire:				
Within one year	35	33	92	53
In the second to fifth years inclusive	441	229	75	366
Over five years	88	132	85	–
	564	394	252	419

The Company had financial commitments of £15,000 at 31 July 2003 (2002 £97,000).

NOTES TO THE FINANCIAL STATEMENTS

28 DIRECTORS

	2003 £000	2002 £000
Aggregate emoluments	569	424
Company pension contributions to money purchase schemes	70	32
	639	456
	2003 £000	2002 £000
Highest paid director		
The highest paid director was Ian Pickering (2002 Ian Pickering)		
Aggregate emoluments	260	200
Company pension contributions to money purchase schemes	48	13
	308	213

Further details of the emoluments, share options, pension benefits and long-term incentive scheme interests of the directors are disclosed in the remuneration report on pages 15 to 19.

29 SUBSTANTIAL INTERESTS IN ORDINARY SHARES

At 1 September 2003 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 (see note)	6,653,052	37.00
Schroder Investment Management Limited	2,155,898	11.99
Liontrust Investment Funds Ltd	1,015,400	5.65
Nominee companies of Julian Richer	937,000	5.21
Jupiter Asset Management	800,000	4.45
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 remuneration report on pages 15 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 2003 the relevant Group net borrowings amounted to £nil (2002 £3.0m).
- (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) The Company has provided certain warranties to the purchaser of the Components Division up to a maximum of £500,000. The directors do not believe that any valid claim will be made under these warranties and therefore no provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS

Group employees comprise three of the six directors of London Taxi Finance Ltd (LTF), a wholly-owned subsidiary of Lloyds TSB Group PLC. One of the three non-Group directors has the casting vote. 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 £2.3m (2002 £2.5m) prior to deduction of Group costs. A total of £185,000 (2002 £215,000) was receivable at year end.

The Group head office and Zingo project office were occupied until January and March 2003 respectively under lease from Love Lane Investments Ltd of which Jamie Borwick is the Managing Director. The respective rents were £42,000 (2002 £96,000) and £53,000 (2002 £58,000). There were no onerous contractual conditions in these leases.

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 (FRS) 17 would be £1,452,000 (2002 £915,000). The net pension liability is £7.0m (2002 £6.5m). 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 2003.

a) Account Plus

The pension charge for Account Plus for the year was £861,000 (2002 £809,000).

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 2003 by a qualified independent actuary. Although the Scheme primarily provides defined benefits, it also has a small defined contribution section.

The most recent valuation of the Scheme on an MFR basis was as at 31 December 2001. At this date the market value of the assets was £26.7m representing 85% of the liabilities at that date. Additional contributions have been agreed with the trustees to eliminate the deficit.

The pension charge for the year was the contributions of £2.4m (2002 £1.0m) which 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 2004 are likely to be in the region of £1.5m.

Actuarial assumptions

The major assumptions used in the calculations required under FRS 17 were:

	At year end 31 July 2003	At year end 31 July 2002
	%	%
Discount rate	5.8	6.0
Rate of increase in salaries	3.5	3.5
Inflation assumption	2.5	2.5

Rate of increase of pensions in payment were allowed for at the rates set out in the Scheme rules, which range between nil and 5%.

NOTES TO THE FINANCIAL STATEMENTS

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 2003 %	Value at 31 July 2003 £000	Expected long-term rate of return at 31 July 2002 %	Value at 31 July 2002 £000
Equities	7.5	8,026	7.5	15,653
Gilts	4.6	15,544	4.9	7,613
Cash/net current assets/(liabilities)	3.5	1,287	4.9	205
Total fair value of assets		24,857		23,471
Present value of scheme liabilities		(34,887)		(32,719)
Deficit in the schemes		(10,030)		(9,248)
Related deferred tax asset		3,009		2,774
Net pension liability		(7,021)		(6,474)

Analysis of the amount charged to operating profit

The current service cost charged to operating profit would be nil under a FRS 17 basis (2002 £nil).

Analysis of the amount charged to other finance cost

	2003 £000	2002 £000
Expected return on pension scheme assets	1,372	1,710
Interest on pension scheme liabilities	(1,963)	(1,816)
Net cost	(591)	(106)

Analysis of the amount recognised in the consolidated statement of total recognised gains and losses (STRGL)

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	(1,198)	(4,571)
Experienced gains and losses arising on the scheme liabilities	(413)	(845)
Changes in assumptions underlying the present value of the scheme liabilities	(955)	722
Actuarial loss recognised in the STRGL	(2,566)	(4,694)

Movement in deficit during the year

	2003 £000	2002 £000
Deficit in scheme at beginning of year	(9,248)	(5,448)
Movement in year:		
Contributions	2,375	1,000
Other finance cost	(591)	(106)
Actuarial loss	(2,566)	(4,694)
Net deficit in scheme at end of year	(10,030)	(9,248)

NOTES TO THE FINANCIAL STATEMENTS

32 PENSIONS CONTINUED

History of amounts recognised in the STRGL

	2003	2002
Difference between expected and actual return on scheme assets:		
Amount (£000)	(1,202)	(4,571)
Percentage of scheme assets	(5)	(19)
Experience gains and losses on scheme liabilities:		
Amount (£000)	(413)	(845)
Percentage of the present value of scheme liabilities	(1)	(3)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	(2,566)	(4,694)
Percentage of the present value of scheme liabilities	(7)	(14)

Reserves

Under FRS 17 closing Group shareholders' funds of £22.8m would reduce to £12.7m (before accounting for the related deferred tax asset).

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Zingo

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CONSOLIDATED FIVE YEAR STATISTICS

	1999	2000	2001	2002	2003	
	£000	£000	As restated £000	£000	£000	
Turnover:						
Vehicles	89,440	100,077	81,597	86,932	85,974	
Zingo					57	
Components	28,743	30,140	33,388	31,730	27,228	
	118,183	130,217	114,985	118,662	113,259	
Operating profit/(loss):						
Vehicles	7,310	7,781	2,194	3,676	4,454	
Zingo	–	–	(299)	(2,411)	(3,345)	
Components	(184)	866	(736)	(180)	(1,005)	
Head office – general costs	(1,540)	(2,048)	(2,435)	(2,285)	(2,586)	
– pension contributions to closed scheme	(1,188)	(1,490)	(1,000)	(1,000)	(2,375)	
– exceptional income	–	–	–	–	956	
Profit on sale of fixed assets (Coventry site)	–	–	–	–	1,857	
Loss on disposal of discontinued operations	–	–	–	–	(7,524)	
Profit/(loss) on ordinary activities before finance charges	4,398	5,109	(2,276)	(2,200)	(9,568)	
Finance charge – net	(885)	(357)	(691)	(686)	(516)	
Profit/(loss) on ordinary activities before taxation	3,513	4,752	(2,967)	(2,886)	(10,084)	
Taxation (charge)/credit	(1,095)	(1,600)	719	827	2,033	
Dividends	(1,921)	(2,009)	(589)	(234)	(4,863)	
Transferred to/(from) reserves	497	1,143	(2,837)	(2,293)	(12,914)	
Capital expenditure	4,213	4,180	4,195	4,509	4,918	
Net assets	39,080	40,221	37,975	35,802	22,773	
Net (debt)/funds	(6,907)	(2,865)	(12,739)	(8,939)	1,694	
Gearing	17.7%	7.1%	33.5%	25.0%	–	
	1999	2000	2001	2002	2003	
Earnings/(loss) per ordinary share	Basic	13.25p	17.42p	(12.97)p	(11.88)p	(45.52)p
	Diluted	13.13p	17.26p	(12.97)p	(11.88)p	(45.52)p
Dividends per ordinary share	Interim	4.0p	4.0p	2.0p	–	–
	Final	6.5p	7.0p	1.0p	1.0p	2.0p
	Special	–	–	–	–	25.0p
		10.5p	11.0p	3.0p	1.0p	27.0p
Vehicle sales (units)	UK	3,101	3,364	2,496	2,561	2,253
	Export	19	27	92	41	67
	3,120	3,391	2,588	2,602	2,320	

The 1999 and 2000 comparatives are not restated to comply with FRS 19 (Deferred Tax).

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