

MANGANESE BRONZE HOLDINGS PLC

UNAUDITED INTERIM RESULTS

Manganese Bronze Holdings PLC, the speciality automotive products and services group, announces its unaudited interim results for the six months to 31 January 2003.

Key financial points

- Turnover £51.4 million (2002: £55.5 million)
- Loss before interest, tax and major development costs* is £0.1 million (2002: £0.7 million loss)
- Reduced loss before tax £1.6 million (2002: £2.0 million loss)
- Loss per share 5.45p (2002: 8.68p loss per share)
- Net assets per share 189.9p

Operational highlights

- Zingo, the innovative mobile phone taxi hailing service, completes successful technical trial, Vodafone and O2 sign agreements
- Commercial launch in April and telephone number launched today on 08700 700 700
- UK taxi sales increase by 13% in January and 44% in February compared with last year, TXII strongly established
- Initial sales to Thailand achieved
- Arbitrator in New York to decide £1.9 million claim against Brilliance China Automotive
- Detailed review of Components Division underway

* Major development costs include £1.2million relating to Zingo

Ian Pickering, Chief Executive, said;

“We have reduced the first half loss, we are positioning the businesses for growth and we are increasingly confident of our ability to increase shareholder value.

“Taxi sales have improved in January and February and we are undertaking a detailed review of our Components Division. We are making good progress in identifying a new partner in China while our claim against Brilliance China will be heard by a New York appointed arbitrator.

“Zingo will achieve commercial launch in April and we are confident about its prospects. Our strategy of increasing the proportion of revenues we derive from services, diversifying our customer base and pursuing controlled international expansion is beginning to deliver real results.”

For further information:

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CHAIRMAN'S STATEMENT

This is my first report as Chairman of your Company, and I would like to begin by paying tribute to the contribution of my predecessor, Jamie Borwick, over a period of 20 years.

Results

The Group reduced its operating loss (before the costs of developing Zingo) to £0.1m in the six months to 31 January 2003 (2002 £0.7m). Overall the Group incurred a loss before tax of £1.6m (2002 £2.0m).

The result includes a profit of £1.0m following the surrender of a leasehold property in London and after charging additional pension contributions of £0.6m. In addition, the Group incurred one-off redundancy costs of £0.2m in its Components Division.

After a tax credit of £0.6m (2002 £0.5m) the loss per share improved to 5.45p (2002 8.68p). Borrowings increased to £13.7m from £12.3m at the same time last year and £8.9m at 31 July 2002 reflecting a further investment in Zingo of £2.1m in the first half. Net borrowings include the financing of the stocks of finished vehicles of £8.8m (2002 £9.3m).

Vehicles Division

Vehicles Division turnover decreased by 4.4% to £37.9m (2002 £39.7m). Taxi sales fell to 1,046 in the first half of 2003 (including 8 exports) from 1,224 (including 24 exports) in 2002 due to the current difficult economic conditions. However, sales in the first two months of the new calendar year are well ahead of last year.

Despite the 15% reduction in taxi sales, the Vehicles Division achieved a profit of £0.7m (2002 £0.5m). In response to decreased vehicle sales, we have reduced the weekly production of vehicles from 59 to 55 vehicles. Following the termination of the licence agreement between LTI and Brilliance China Automotive Holdings Limited (Brilliance) in October last year, we have been attempting to recover the amounts outstanding under the agreement totalling £1.9m. The agreement is subject to New York law and our dispute with Brilliance will be determined by arbitration proceedings in New York. In the meantime, we have had positive discussions with several other Chinese companies which are interested in manufacturing the TXII for the Chinese market.

The Public Carriage Office has stated that the results of their review of the London Conditions of Fitness should be published in May of this year. The Office of Fair Trading recently commenced a review of the market for taxi services which has now been widened to include the private hire industry.

Zingo

In the first half we made significant progress in the development of Zingo - the innovative mobile phone taxi hailing service. This culminated in the successful completion of the technical trial in January. We have signed agreements with Vodafone and O2 and expect to do so with the other major networks soon. From today, we are making the service generally available in London on the new Zingo number which is 08700 700 700. We will continue to grow the Zingo fleet in the coming weeks and plan to start our passenger marketing campaign at the end of this month.

Cumulatively, we have now invested £6.3m in Zingo of which £2.4m is capital expenditure and £3.9m revenue expenditure. We plan to launch Zingo this month for a total investment of £8.5m. This investment is financed through bank facilities provided by HSBC and internal resources. A new medium term loan facility of £8.0m has been agreed which is repayable in December 2005.

Components Division

The Components Division improved its performance compared with the previous year though it still recorded a loss in the first half. Turnover for the Division declined by 15.0% to £13.4m resulting in a loss of £0.8m (2002 £1.2m). All businesses within the division experienced reduced sales except Advanced Sintering where further significant sales growth was achieved. This rapid growth has led to operational problems and management has been strengthened to improve productivity.

Headcount in the Division was reduced from 407 at the start of the financial year to 391 in January, with a further 49 redundancies now being implemented. A detailed review of loss making businesses is being performed and we plan to either close or make selective disposals of peripheral activities as appropriate.

Tentative Approach by the former Chairman

We announced in January that Jamie Borwick had resigned from the Board of the Company and that he is behind a tentative approach made in December 2002. A further announcement will be made in due course. The Group incurred costs of £0.1m in relation to these events in the first half.

Dividend

With the Group progressing through its period of transition the Board has again decided not to pay an interim dividend, but to review the position at the year-end.

Current Trading and Prospects

We expect the Group results for the year to be significantly influenced by the outcome of the arbitration of our dispute with Brilliance and the performance of Zingo post launch.

The results will also be subject to the outcome of the current political and economic uncertainties. Nonetheless, the recent improvement in taxi sales is welcome and supports the Board's view that the Vehicles Division will achieve a satisfactory outcome in the second half.

Finally, the Board believes that the executive management team is well placed to successfully implement the strategy of developing Zingo, pursuing overseas markets for the TXII and eliminating the losses in the Components Division.

Tim Melville – Ross

MANGANESE BRONZE HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 31 January 2003

Notes	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
	51,394	55,493	118,662
	(44,172)	(47,363)	(100,034)
	7,222	8,130	18,628
	Net operating expenses		
	(9,026)	(9,255)	(20,077)
2	(625)	(500)	(1,000)
3	1,188	15	249
	(8,463)	(9,740)	(20,828)
	(1,241)	(1,610)	(2,200)
	(335)	(375)	(686)
	(1,576)	(1,985)	(2,886)
4	633	468	827
	(943)	(1,517)	(2,059)
5	(28)	(28)	(234)
	(971)	(1,545)	(2,293)
6	(5.45)p	(8.68)p	(11.88)p
6	(5.45)p	(8.67)p	(11.88)p
	-	-	1.00p

ANALYSIS OF RESULTS

Notes	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
	37,943	39,670	86,932
	13,446	15,823	31,730
	5	-	-
	51,394	55,493	118,662
	Operating Profit/(Loss)		
3	725	482	1,263
	(796)	(1,164)	(1,052)
	(1,170)	(928)	(2,411)
	(1,241)	(1,610)	(2,200)

CONSOLIDATED BALANCE SHEET as at 31 January 2003

	As at 31 Jan 2003 (Unaudited) £000	As at 31 Jan 2002 (Unaudited) £000	As at 31 July 2002 (Audited) £000
Fixed Assets	39,910	41,068	40,630
Current Assets			
Stocks	21,058	22,580	19,731
Debtors	8,584	9,028	8,139
Cash at bank and in hand	967	470	2,398
	30,609	32,078	30,268
Creditors Amounts falling due within one year			
Bank overdraft and other short term debt	-	-	(3,000)
Stocking loan	(8,836)	(9,346)	(7,359)
Finance contracts	(288)	(686)	(873)
Creditors	(17,120)	(19,021)	(18,759)
Corporation Tax	(58)	(682)	(98)
Dividends	-	-	(178)
	(26,302)	(29,735)	(30,267)
Net Current Assets	4,307	2,343	1
Total Assets Less Current Liabilities	44,217	43,411	40,631
Creditors Amounts falling due after one year			
Bank loan	(5,250)	(2,500)	-
Finance contracts	(300)	(254)	(105)
Provisions for liabilities and charges	(3,836)	(4,227)	(4,724)
Net Assets	34,831	36,430	35,802
Capital and Reserves			
Called up share capital	5,179	5,179	5,179
Share premium account	3,593	3,593	3,593
Capital redemption reserve	916	916	916
Revaluation reserve	11,246	11,300	11,328
Profit and loss account	13,897	15,442	14,786
Shareholders' Funds Including Non-Equity Interests	34,831	36,430	35,802
Net Assets per Ordinary Share	189.9p	198.8p	195.3p

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 January 2003

	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
Reconciliation of Operating Loss to			
Net Cash (Outflow)/Inflow from Operating Activities:			
Operating loss	(1,241)	(1,610)	(2,200)
Depreciation	2,479	2,453	5,231
Amortisation of intangible fixed assets	5	5	10
Provision against ESOT shares	-	-	36
(Profit)/loss on sale of fixed assets	(169)	7	(101)
(Increase)/decrease in working capital	(3,666)	2,002	5,728
Net Cash (Outflow)/Inflow from Operating Activities	(2,592)	2,857	8,704
Returns on Investments and Servicing of Finance			
Interest received	2	-	22
Interest paid	(284)	(315)	(584)
Interest element of finance contract payments	(53)	(60)	(124)
Preference dividends paid	(28)	(28)	(56)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(363)	(403)	(742)
Taxation			
UK Corporation Tax paid	(40)	-	22
Capital Expenditure			
Purchase of tangible fixed assets	(2,005)	(1,982)	(4,004)
Proceeds from sale of tangible fixed assets	719	196	503
Net Cash Outflow from Capital Expenditure	(1,286)	(1,786)	(3,501)
Equity Dividends Paid	(178)	(178)	(178)
Net Cash (Outflow)/Inflow before Financing	(4,459)	490	4,305
Financing			
Capital element of finance contract payments	(699)	(290)	(690)
Increase/(decrease) in stocking loan	1,477	(2,821)	(4,808)
Increase in bank loan	2,250	1,500	2,000
Net Cash Inflow/(Outflow) from Financing	3,028	(1,611)	(3,498)
(Decrease)/increase in Cash	(1,431)	(1,121)	807

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These interim statements have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 July 2002.

The Interim Report and Financial Statements were approved by the Board of Directors on 7 March 2003. The results for the six months ended 31 January 2003 and 31 January 2002 have not been audited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The abridged financial information for the year ended 31 July 2002 has been extracted from the Annual Report 2002, which has been filed with the Registrar of Companies and on which the auditors reported without qualification.

2 OPERATING EXPENSES - PENSIONS

Additional contributions required under Minimum Funding Regulations totalling £625,000 in the half-year, (2002 £500,000) and £1,000,000 in the year ended 31 July 2002, were paid into the Manganese Bronze Group Defined Benefit Scheme. The Scheme closed in 1995 and there are no employees who currently contribute to the Scheme. All other pension costs are included in other operating expenses.

3 OTHER OPERATING INCOME

Other operating income includes £1.0m compensation for surrender of a leasehold property in London, which is included in the results of the Vehicles Division.

4 TAXATION

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

	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
UK Corporation Tax	-	(43)	(445)
Adjustments relating to prior years - current taxation	-	(38)	(242)
Deferred taxation	(633)	(494)	(687)
Adjustments relating to prior years - deferred taxation	-	107	161
Total taxation (credit)	(633)	(468)	(827)

Tax reconciliation:

	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
Loss on ordinary activities before taxation	(1,576)	(1,985)	(2,886)
Corporation tax thereon at 30%	(473)	(596)	(866)
Sundry disallowed expenses	(160)	59	120
Timing differences	633	494	301
Adjustment to prior years	-	(38)	(242)
Taxation (credit) for current year	-	(81)	(687)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5 DIVIDENDS

Distributions to shareholders include preference dividends of £28,000 in the half-year (2002 £28,000) and £56,000 in the year ended 31 July 2002.

6 LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share is calculated on the loss on ordinary activities after both taxation and the preference dividend and on the weighted average number of ordinary shares in issue, excluding those upon which dividends are waived (shares held under ESOT).

Diluted loss per Ordinary Share is calculated using an adjusted number of shares reflecting the number of dilutive shares under option.

7 SEGMENTAL NET ASSETS

	As at 31 Jan 2003 (Unaudited) £000	As at 31 Jan 2002 (Unaudited) £000	As at 31 July 2002 (Audited) £000
Vehicles Division	26,444	29,391	23,630
Components Division	19,554	19,407	19,787
Zingo	2,540	(52)	1,324
	48,538	48,746	44,741
Less net borrowings	(13,707)	(12,316)	(8,939)
Total net assets	34,831	36,430	35,802

8 ANALYSIS OF CASH, DEBT AND GEARING

Reconciliation of net cash flow to movement in net debt:

	Six months to 31 Jan 2003 (Unaudited) £000	Six months to 31 Jan 2002 (Unaudited) £000	Twelve months to 31 July 2002 (Audited) £000
(Decrease)/increase in cash in the period	(1,431)	(1,121)	807
Capital element of finance contract payments	699	290	690
(Increase)/decrease in stocking loan	(1,477)	2,821	4,808
(Increase) in bank loan	(2,250)	(1,500)	(2,000)
Change in net debt resulting from cash flows	(4,459)	490	4,305
Non-cash items - new finance contracts	(309)	(67)	(505)
Movement in net debt in period	(4,768)	423	3,800
Net debt brought forward	(8,939)	(12,739)	(12,739)
Net debt carried forward	(13,707)	(12,316)	(8,939)
Gearing	39.4%	33.8%	25.0%