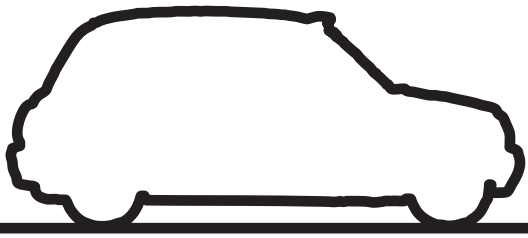
Manganese Bronze Holdings PLC
Annual Report 2004

CONTENTS

FINANCIAL CALENDAR

Financial year end	31 July 2004
105th Annual General Meeting	24 November 2004
Final ordinary dividend payable	1 December 2004
To shareholders registered on	5 November 2004
Preference share dividend payable	31 December 2004 and 30 June 2005
Announcement of interim results	March 2005
Announcement of full year results	October 2005

MANGANESE BRONZE HOLDINGS PLC AIMS TO MAKE TAXIS SAFE, CONVENIENT, COMFORTABLE AND AFFORDABLE FOR ALL.



HIGHLIGHTS

- Taxi sales increased by 7.5% to 2,494 vehicles (2003: 2,320)
- International sales up to 223 vehicles (2003: 67) – 168 taxis sold to US (2003: 26)
- Significantly reduced loss before taxation of £1.2 million (2003: £10.2 million loss)
- Letter of intent signed with China National Bluestar (Group) Corporation and Provincial Government of Lanzhou – project proposal for joint-venture manufacturing submitted to Chinese government
- License and distribution agreement for Mexico and Central America signed in March
- Core vehicles division produced £4.3 million operating profit
- Zingo losses increased to £4.1 million (2003: £3.3 million) despite rationalisation measures – impairment provision of £2.6 million taken
- Head Office costs sharply reduced by 49% to £1.3 million
- Holloway Road property sold for £7.9 million in March, larger long-leasehold premises in Brewery Road, Islington acquired for £4.6 million
- Recommended final dividend for the year of 2p (2003: 2p)

IT HAS BEEN A YEAR OF PROGRESS FOR MANGANESE BRONZE, WITH OUR LOSS BEFORE TAXATION SIGNIFICANTLY REDUCED.

Summary

The Group incurred a much reduced loss before tax for the year ended 31 July 2004 of £1.2 million compared to the £10.2 million loss the previous year. The result includes the net gain on the sale of two of the Group's properties of £4.7 million partially offset by an impairment provision against the carrying value of Zingo's fixed assets of £2.6 million.

Taxi sales for the year were 2,494 an increase of 7.5% over the prior year. In September 2003 the Public Carriage Office (PCO) announced that it was to undertake a second limited review of the London Conditions of Fitness. The results of this second review have been delayed and are now not expected to be announced until December of this year.

The successful growth of Zingo in the first half of the year has not been repeated in the second half and the business has remained loss making despite the re-organisation announced in March.

Strategy

Good progress has been made in implementing the Group's strategy of controlled international expansion with the signing of the letter of intent with China National Bluestar (Group) Corporation and the Municipal Government of Lanzhou for China and a licence agreement with London Taxi Mexico LLC covering Mexico and Central America.

We are actively seeking ways of working with other organisations in the London taxi trade to grow the Zingo fleet. This would allow us to satisfy the many customers who call Zingo but for whom a taxi may not be available. The Board is actively considering all options to halt the monthly losses being incurred by Zingo, but in light of the ongoing losses believes that it is appropriate to make the impairment provision referred to above.

Returns to shareholders

In March of this year, Rutland Investments Limited sold its 37% shareholding in the Company ending a long association with the company. Following on from this and the share placing in November 2003, we now have a number of new significant institutional shareholders, details of which are included in the Notes to the financial statements.

A resolution will be put to the Annual General Meeting (AGM) to give the directors the authority to buy, and subsequently cancel, shares in the Company to give the Board greater flexibility in improving returns for shareholders.

The Board is recommending the payment of a final dividend of 2p per share making a total for the year of 3p per share which, if approved, will be paid on 1 December 2004 to members on the register on 5 November 2004.

Board

At our AGM, on 24 November 2004, three of the members of the Board will be seeking election or re-election as directors of the Company. Mark Fryer retires by rotation in accordance with the Company's Articles and Ian Pickering is required to stand for election to the Board following his re-appointment as Chief Executive by the Board after last year's AGM.

Christopher Ross, the Deputy Chairman, has been a non-executive director of the Group for nine years and retires by rotation. The revised Combined Code (2003 FRC Code) considers directors who have served for nine or more years as not independent. All of the other directors of the Company view Christopher Ross as independent, and believe he offers valuable industry experience to the Board. The directors recommend that shareholders vote in favour of his re-election at the AGM.

OUR CORE BLACK TAXI BUSINESS INCREASED SALES AT HOME AND ABROAD.

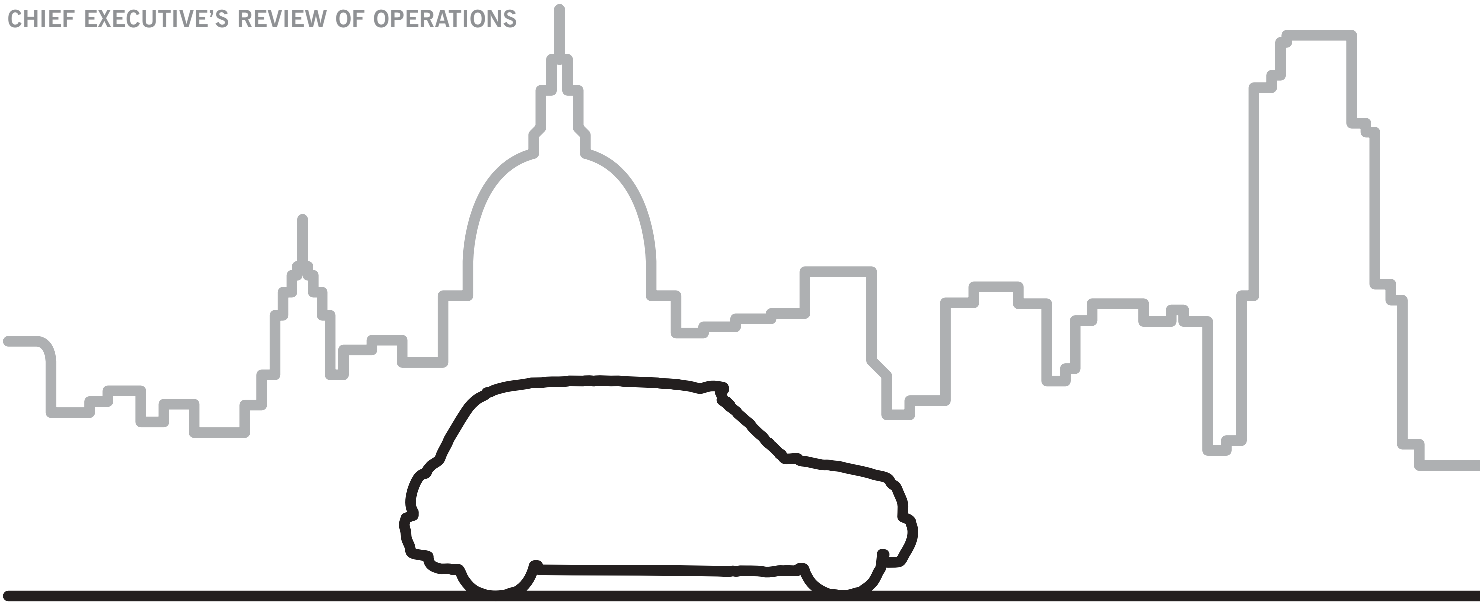
Prospects

The uncertainty created for taxi drivers in London by the second limited review of the Conditions of Fitness and the potential impact of the PCO's proposed emission regulations for taxis is causing drivers to delay purchases of new vehicles in what are otherwise more favourable conditions. The resolution of these two issues will have a significant effect on the Group's result for the financial year ending 31 July 2005. The overall result for the year will also depend on when we are able to eliminate the losses being incurred by Zingo.

We expect to make concrete progress with our overseas taxi projects during the course of the current financial year and remain confident that our strategy will deliver real value for all shareholders.

Tim Melville-Ross
Chairman

5 October 2004



FINANCIAL HIGHLIGHTS

	2004 Turnover £000	2003 Turnover £000	2004 Operating profit/(loss) £000	As restated 2003 Operating profit/(loss) £000
Continuing operations:				
Vehicles	**85,750**	85,974	**4,315**	4,454
Zingo	**650**	57	**(4,087)**	(3,345)
Exceptional cost	**–**	–	**(2,585)**	–
Head Office	**312**	–	**(1,343)**	(2,659)
Pension contributions to closed scheme	**–**	–	**(1,325)**	(2,375)
Exceptional income	**–**	–	**–**	956
	86,712	86,031	**(5,025)**	(2,969)
Discontinued operations:				
Components	**–**	27,228	**–**	(1,005)
	–	27,228	**–**	(1,005)
Turnover/ operating loss	**86,712**	113,259	**(5,025)**	(3,974)
Exceptionals:				
Profit on sale of fixed assets			**4,659**	1,857
Loss on disposal of discontinued operations			**(559)**	(7,524)
Loss on ordinary activities before finance charges			**(925)**	(9,641)
Finance charges – net			**(249)**	(516)
Loss on ordinary activities before taxation			**(1,174)**	(10,157)
Net assets			**22,818**	22,558

	2004	As restated 2003
Basic loss per ordinary share	**(1.96)p**	(45.92)p
Interim dividend per ordinary share	**1.00p**	–
Final dividend per ordinary share	**2.00p**	27.00p
Price range of ordinary shares during year ended 31 July	**105p – 275p**	50p – 130p
Weighted average number of ordinary shares in issue	**18,609,518**	17,979,088
Market capitalisation at 1 September	**£31.59m**	£20.32m
Net assets per ordinary share	**117.2p**	121.7p

TAXI SALES IN THE UK DURING THE YEAR WERE 2,271, A MARGINAL INCREASE OVER 2003 WHEN WE SOLD 2,253 VEHICLES.

United Kingdom taxi market

Taxi sales in the UK during the year were 2,271, a marginal increase over 2003 when we sold 2,253 vehicles. Just over half of these sales (55%) were in London. Whilst there has been an increase in the number of taxi journeys in London over the past 12 months, drivers have delayed purchasing new vehicles for a number of reasons; lingering concerns over the reliability of the new TXII model; the possibility of changes to the London Conditions of Fitness; and the potential impact of proposals for tighter emissions controls on London's taxis.

A number of teething problems were experienced when the TXII was introduced in January 2002. These problems were quickly rectified during 2002 although it has taken some time for the new model to gain the reputation for reliability enjoyed by the TXI.

The PCO announced in September 2003 that it would undertake a second limited review of the London Conditions of Fitness. This followed an application for a judicial review of the results of the first review, which had been announced in June 2003. The outcome of the second review is expected to be announced in December of this year after more detailed studies, particularly into the turning circle requirement. We believe that the new review will confirm that the existing regulations best suit the conditions experienced by London taxis.

The PCO has also circulated draft proposals for tighter emissions controls for London's taxis. In their initial form they would have required approximately 17,000 taxis to be modified or replaced over the next three years. We anticipate that the proposals will be refined before they are promulgated and may lead to an increase in sales in London in the coming years.

Our sales in the regions were unchanged from last year.

Overseas activities

US

The initial shipment of 26 taxis to the US was completed in July 2003 following which a further 168 vehicles have been sold to our US distributor, London Taxis North America (LTNA), in 2004. Sales to the US reduced in the second half of the year due to the strengthening of the pound against the dollar. Further sales to the US from the start of the next calendar year will require further engineering developments to make the vehicle comply with new US emission regulations. LTNA recently agreed a $4.7 million financing partly to fund the engine development programme. As part of this, LTI has taken a 10.2% stake in LTNA. The taxi has generated a lot of interest in the US which, over time, could become one of our largest markets.

China

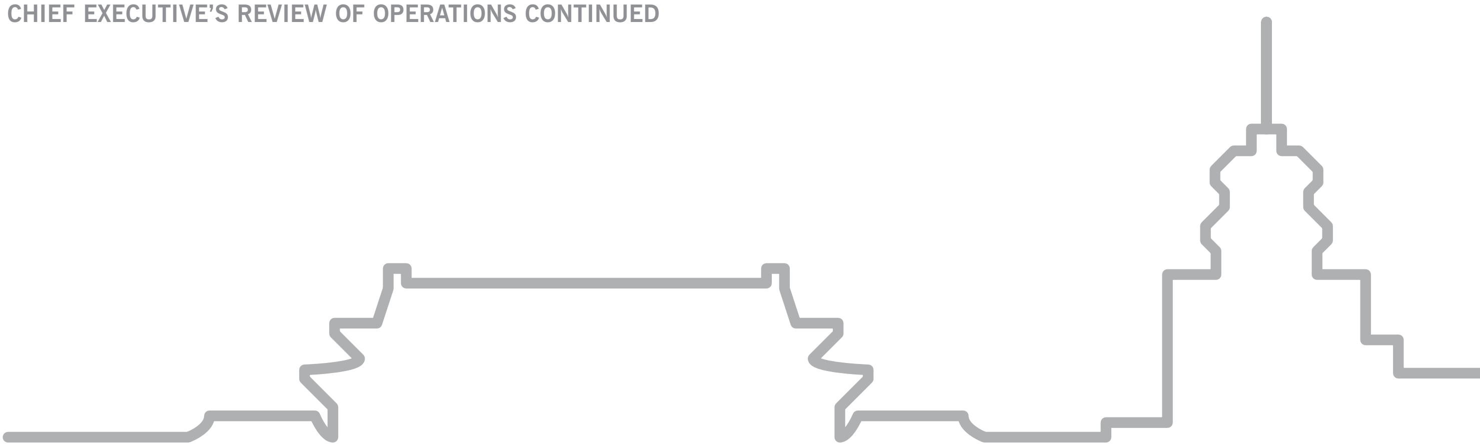
We signed a letter of intent in February of this year with China National Bluestar (Group) Corporation and the Provincial Government of Lanzhou for the creation of a joint-venture company to manufacture taxis in Lanzhou, the capital city of China's Gansu province. The three parties have jointly submitted a project proposal for the creation of the joint venture to the Chinese government to enable the joint-venture company to manufacture taxis under the provisions of the new Chinese automotive policy.

Mexico

We signed a licence and distribution agreement in March of this year for Mexico and Central America. We have been working with the licensee since that time to identify suitable manufacturing locations and product specifications.

Manufacturing

We maintained production volumes of 55 taxis per week throughout most of the year, although the rate was increased temporarily in May to 71 taxis per week following industrial



WE MAINTAINED PRODUCTION VOLUMES OF 55 TAXIS PER WEEK THROUGHOUT MOST OF THE YEAR.

action at the factory earlier in the year. Production has now returned to 55 per week.

The cost of warranty claims increased significantly in the year, particularly in relation to the second- and third-year warranty on the first few months' production of the new TXII model. We have accordingly increased the warranty provision held at the end of the year to £3.4 million compared to £2.5 million at the beginning of the year.

The agreement reached in July last year, for the sale and leaseback of the Coventry taxi factory, required us to vacate a 30,000 square foot building which had previously been used for stores and product development. The move has resulted in a more efficient layout of the remaining factory area, with no disruption to production.

Product development expenditure was again low during the year with no major product developments launched. This lower level of expenditure will continue until we begin the development programme to comply with the Euro IV emission regulations, which come into effect in January 2007.

Retail and service activities

In March, we sold the freehold of the site occupied by our Mann & Overton (M&O) London taxi dealership and simultaneously secured a lease for new premises nearby. We will be able to move into the new premises in 2006, when the current occupier's lease terminates. (Until then we have entered into a lease of the existing site from the new owner of the freehold.) The new premises provide increased showroom, service and parking space and will allow us to expand M&O's London operations.

We reduced the scale of our retail operation in Bristol during the year. The M&O dealership in the city was closed and replaced by a smaller sales office, supported by M&O Birmingham. We sold the freehold in the Bristol dealership at the end of the year.

The M&O dealerships' financial performance improved significantly from the previous year, particularly in London, although both the Bristol and Birmingham dealerships incurred losses. It is expected that the new combined operation will trade profitably.

Our spare parts operation, which is managed by Unipart, had another good year and achieved improved operating profits.

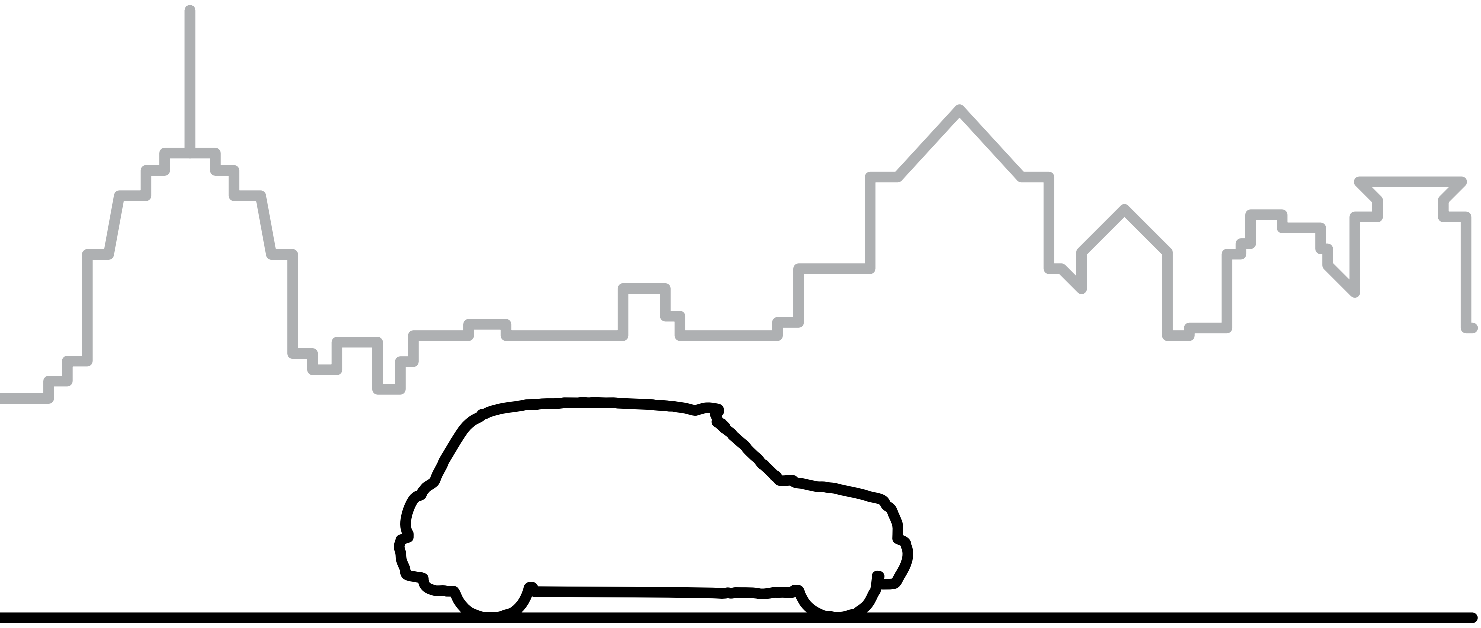
The contribution to the Group's taxi profits from our finance activities fell during the year due principally to a reduction in finance business from our independent London dealership.

Zingo

The Zingo mobile phone taxi hailing service was launched in April 2003 and grew strongly up to December 2003. Following the Christmas and New Year holiday period the growth in driver recruitment, and as a result, journey volumes, slowed. Consequently, we consolidated the cost base of the Zingo operation and our finance business in March to achieve a reduction of about half of the Zingo monthly operating expenditure. This action by itself has been insufficient to eliminate the monthly losses and Zingo is again expected to be loss making in the financial year ending 31 July 2005.

The Board has therefore decided that it is appropriate to make an impairment provision against the assets of Zingo of £2.6 million

The Zingo system has proven itself to be technically robust and well liked by passengers. We regularly have over twice as many hail requests than we can fulfil. The limitation to growth in usage of the system, and therefore to profitable operations, is the number of drivers who have joined Zingo. We will again



AFTER THE MAJOR RESTRUCTURING CARRIED OUT LAST YEAR, WE HAVE MADE FURTHER PROGRESS TOWARDS ACHIEVING OUR LONG-TERM GOALS.

increase our efforts to recruit drivers during the autumn, including continuing discussions with the existing radio circuits to use their drivers. We have had a number of discussions with organisations which wish to licence the Zingo system for use in cities abroad, which, if successful, will generate a new source of revenue.

Electric delivery vehicles and Taxi Hybrid

During the year we successfully completed two prototype electric delivery vehicles. We recently agreed the sale of this project for a small profit to book value. This project has increased our understanding of alternative powertrains, which we expect to be an important feature of our business in the future. We have also jointly developed with Azure Dynamics a series hybrid taxi demonstrator which will form the foundation of our future low-emission vehicle strategy.

Head office

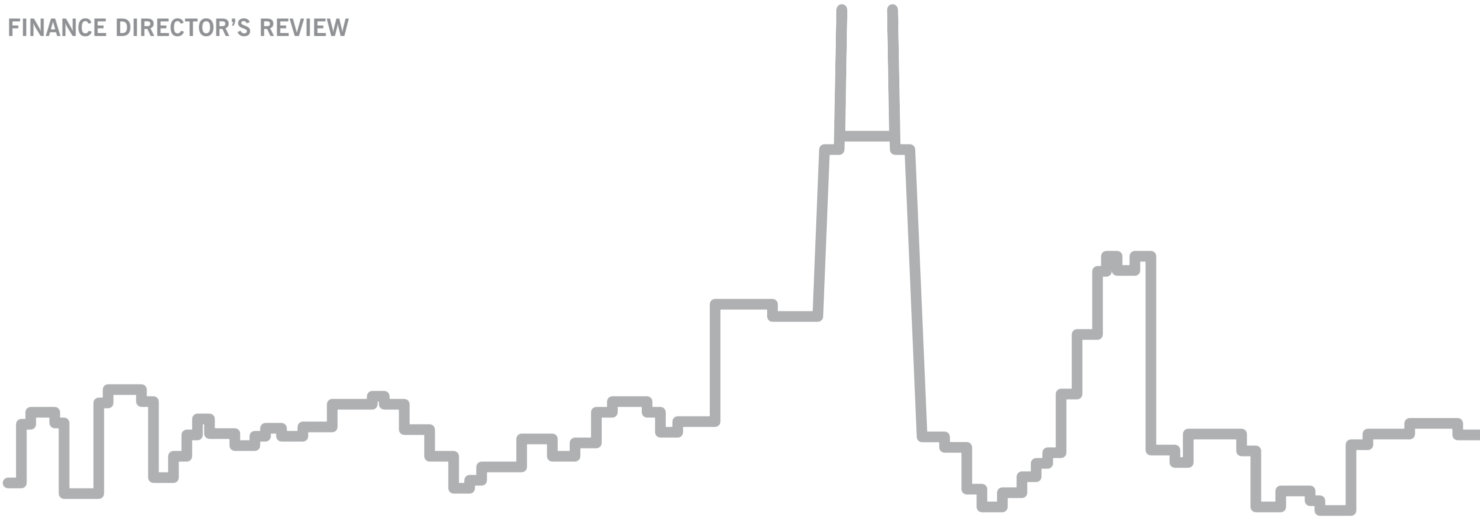
Following the simplification of the Group's activities as a result of the sale of the Components Division last year, we closed the Group's head office in London in December 2003, and relocated the activities to Coventry and Milton Keynes. As a result of this and other cost savings we have reduced our central costs from £2.7 million to £1.3 million.

Summary

After the major restructuring carried out last year, we have made further progress towards achieving our long-term goals. Our priorities in the coming year will be to reverse the losses being incurred by Zingo, to secure approval for the Chinese taxi joint venture, and to see taxi production begin in Mexico, while continuing to improve the service we provide to our existing customers. We have further strengthened our balance sheet and reduced our pension deficit, and are well placed to meet the challenges that lie ahead.

Ian Pickering
Chief Executive

5 October 2004



Profit and loss account

The loss before taxation for year ended 31 July 2004 of £1.2 million is a significant improvement on the 2003 loss of £10.2 million, and includes an impairment provision on the Zingo fixed assets of £2.6 million. Last year did, however, include net exceptional costs of £5.7 million (£7.5 million loss on the sale of the Components Division and £1.8 million profit on the disposal of the Coventry property) whilst this year's results include a net exceptional income of £4.1 million, including a profit of £4.7 million from the sale of our Holloway Road, London property.

Overall taxi volumes increased from 2,320 last year to 2,494 this year with both UK and overseas sales rising. Overseas sales were up by 233% to 223 vehicles, of which the US was our largest overseas market with 168 vehicles. Group turnover of £86.7 million was 1% up on last year, after excluding discontinued operations.

Vehicles operating profit of £4.3 million was slightly lower than the £4.5 million achieved in 2003, which included £1.1 million profit from the China Brilliance settlement.

Zingo losses widened to £4.1 million (2003: £3.3 million), including £0.7 million of marketing and advertising expenditure (2003: £0.7 million). In view of these continuing losses the directors have decided to make an impairment provision against the carrying value of Zingo of £2.6 million.

Head Office costs were sharply reduced by 49% to £1.3 million (2003: £2.7 million) following the closure of the London head office, cost saving measures and property rental income of £0.3 million (2003: £nil).

Contributions of £1.3 million (2003: £2.4 million, including an additional £1.0 million following the sale of the Components Division) were made to the defined benefit scheme (which was closed in 1995) but expensed in line with SSAP 24. As the UK Accounting Standards Board has delayed the compulsory implementation of FRS17 until 2005, the Group has not applied it.

The total depreciation charge was £4.6 million (2003: £5.5 million) including £1.0 million of depreciation for Zingo.

Exceptional costs of £0.6 million have been charged in the current year associated with the sale of the Components Division, which took place at the end of the previous year.

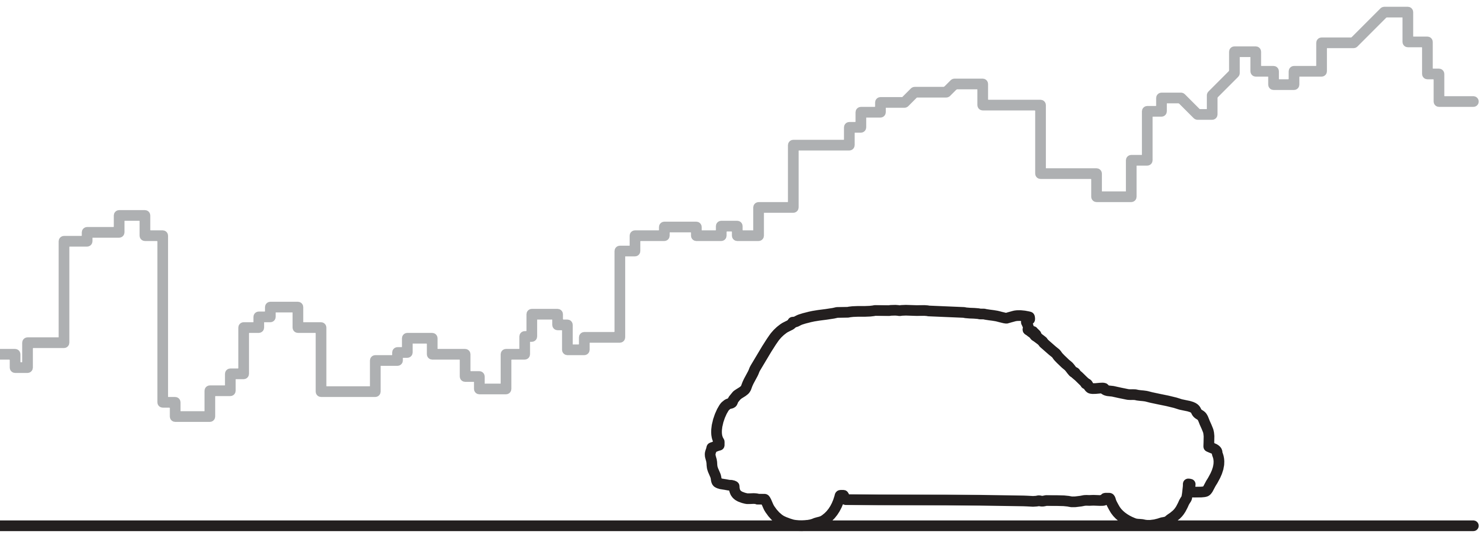
Balance sheet

The group has net assets of £22.8 million (2003: £22.6 million) and group debt of £1.7 million (2003: net cash £1.7 million) with dividends of £5.0 million (2003: £0.2 million) paid in the year.

The total group debt is represented by cash at bank of £6.4 million (2003: £8.7 million), less the stocking loan for finished vehicles of £7.4 million (2003: £6.7 million) and finance leases of £0.7 million (2003: £0.4 million). The Group has a £3.0 million overdraft facility for which there is no current use.

£1.1 million of development costs associated with the electric delivery vehicle (project Mercury) have been capitalised as an intangible asset, with associated grant receipts from the Energy Savings Trust of £0.5 million held within creditors as deferred income.

Warranty costs have increased during the year, leading to an increase in our warranty provision to £3.4 million (2003: £2.5 million).



Cash flow

Net cash inflow from operating activities is £1.4 million (2003: excluding discontinued operations £0.7 million).

With proceeds from the sale of Holloway Road, London (see below) exceeding the cost of the purchase of the lease on Brewery Road, London, other capital investments and the project Mercury development costs, there was a net cash inflow from capital expenditure of £0.9m (2003: £4.4 million).

Total cash outflow before financing for the year of £3.5 million (2003: £11.2 million inflow) is largely the result of dividend payments to shareholders of £5.0 million (2003 £0.2 million).

With £1.2 million cash from financing (2003: £4.9 million outflow), largely from a share placing, total cash flow decreased by £2.3 million (2003: £6.3 million increase).

Property

The Group sold its Holloway Road property for £7.9 million during the year and acquired a larger replacement long-leasehold premise in Brewery Road, near Kings Cross, for £4.6 million. This has been capitalised and is being written off over 50 years in accordance with surveyor advice.

The Group has retained interests in two investment properties from the sale of the Components Division in the previous year – Montgomery Street, Birmingham (book value £1.0 million) and Hadleigh Road, Ipswich (book value £2.8 million), which are let to the buyers of the Components Division. Notice has been given on both of these properties under the terms of the leases with occupation ending in August 2005.

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 £6.4 million at 31 July 2004 (2003 £10.0 million). The principal changes in the deficit are cash contributions by the Group totalling £1.3 million and a £2.4 million benefit from the SERPS buyback exercise undertaken during the year.

In accordance with Minimum Funding Requirement (MFR) regulations, a schedule of contributions to make good the deficit has been agreed with the trustees. This involves contributions of around £1.2 million per annum, which is a higher level than required by MFR regulations, in order that the deficit may be further reduced.

International Financial Reporting Standards

The Group is required under European legislation to adopt International Financial Reporting Standards (IFRS) in accounting periods beginning on or after 1 January 2005. The Group is developing a transition plan to manage the conversion to IFRS, which will first apply to the Group's financial statements for the year ending 31 July 2006.

Mark Fryer

Mark Fryer
Group Finance Director

5 October 2004

Tim Melville-Ross *•+
Tim Melville-Ross (60) 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. He was appointed as a non-executive director in March 2000 and as Chairman in January 2003.

Ian Pickering
Ian Pickering (48) was appointed Chief Executive in January 2001 after three years as Group Finance Director. A chartered accountant, he joined the Group from Dennis Group PLC, where he ran the Aircraft and Cargo Division.

Mark Fryer
Mark Fryer (37) was appointed Group Finance Director in January 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.

Christopher Ross FREng *•†+
Christopher Ross (60) 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 a non-executive director of Antonov PLC, Carclo plc and Lander Holdings Limited. He was appointed as a non-executive director in June 1995.

Andrew Walker *•+
Andrew Walker (53) was appointed as a non-executive director in 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.

* Member of the Audit Committee
• Member of the Remuneration and Nomination Committee
† Deputy Chairman and Senior Independent Director
\+ Independent Director

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The Directors present the annual report and audited financial statements of the Company for the year ended 31 July 2004.

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 freehold properties held in Holloway Road, London and Fishponds Road, Bristol and acquired a leasehold property in Brewery Road, London. Full details of these transactions are available in the Chief Executive's review on page 6.

3 Results and dividends
The loss for the year before taxation was £1.2 million (2003: £10.2 million). The Directors are recommending a final dividend of 2p (2003: 2p). The final dividend, if approved, will be paid on 1 December 2004 to all shareholders who are on the register at close of business on 5 November 2004.

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 pages 40 and 41.

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)

Ian Pickering, having been appointed by the Board at the conclusion of the last Annual General Meeting, offers himself for election. Christopher Ross, having served nine years as a non-executive Director of the Company, offers himself for re-election as required by the Combined Code on Corporate Governance. This year, Mark Fryer retires by rotation and, being eligible, offers himself for re-election.

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

	31 July 2004 Shares	**31 July 2004 Options**	1 August 2003 Shares	1 August 2003 Options
Ian Pickering	**8,000**	**288,531**	8,000	253,215
Mark Fryer	**–**	**109,169**	4,000	85,377
Tim Melville-Ross	**8,000**	**–**	8,000	–
Christopher Ross	**7,500**	**–**	7,500	–
Andrew Walker	**–**	**–**	–	–

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 2004 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 2004 other than their service contracts, details of which are given in the remuneration report set out on pages 14 to 18.

7 Directors' remuneration
Details of the remuneration of each of the directors are set out in the remuneration report on pages 14 to 18.

8 Annual General Meeting
This year's Annual General Meeting will be held at 12 noon on 24 November 2004. The notice of meeting together with details of the business to be conducted and form of proxy are set out in the separate booklet enclosed with this report.

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. Group creditor days as at 31 July 2004 were 58 (2003: 45). The Company is a holding company and had no trade creditors at 31 July 2004 (2003: £nil).

10 Health, safety and the environment
The directors consider the health, safety and environmental 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 2004 of £4,916 (2003: £12,647). No political donations were made (2003: £nil).

12 Employees
The Group is committed to developing its employment policies in line with best practice, and to 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.

By order of the Board

Tim White
Company Secretary

5 October 2004

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations which contain statutory requirements for the disclosure of directors' remuneration. 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 24 November 2004 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 2004, 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 (the "Combined Code"). It is accountable to shareholders through its annual report on executive directors' remuneration.

During the financial year to 31 July 2004 the following have been members of the Committee: Tim Melville-Ross (Chairman of the Committee until 17 June 2004), Christopher Ross (Chairman of the Committee since 17 June 2004) and Andrew Walker. There were no changes to the composition of the Committee between the end of the financial year and the date of this report.

The Committee met three times in the financial year. All the Committee's recommendations during the financial year have been implemented by the Board. During the financial year the Chief Executive 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 for 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 the directors and executive management with that of shareholders.

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 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 of the Board takes part in the process of determining his own emoluments.
- The fees of the non-executive directors are based upon independent surveys. None of the non-executive directors receive benefits in kind, nor do they participate in the Group's bonus, share option or pension schemes.

Remuneration of Group senior executives

The Committee has consulted the Chief Executive and the Group Finance Director to assist them in determining remuneration for those Group senior executives who are not members of the Board.

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 are 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 Plan (for details of the Plan see the section on share options on page 17).

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

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 contract.

On the Company serving notice for any reason to terminate a 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 and fully expensed car or car allowance. If a non-executive director is voted out of office by shareholders before a 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

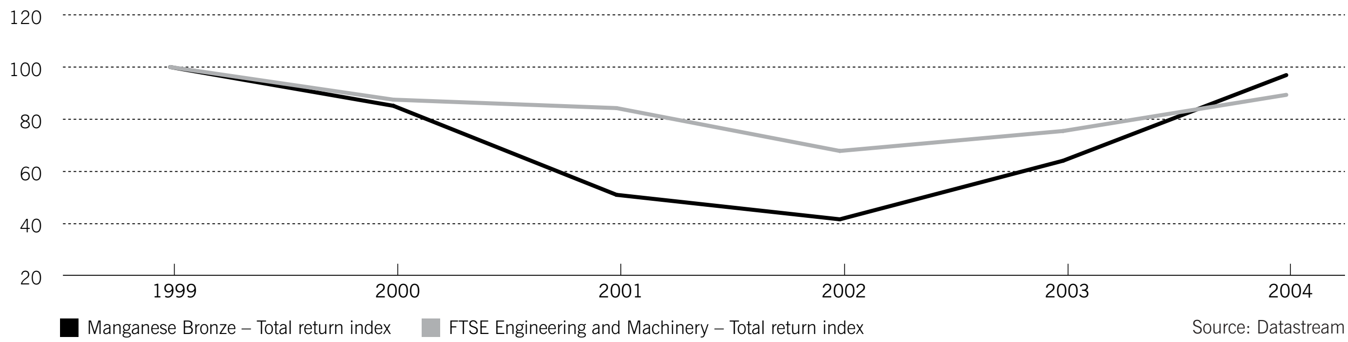
The agreements with non-executive directors are not for fixed terms, but each can be terminated on six months' notice. The directors are subject to re-election by shareholders at least every three years. On termination, no compensation is payable other than the outstanding six months of fees.

The following are the non-executive directors and the dates they joined the Board:

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

Performance graph

The following graph shows, for the financial year ended 31 July 2004 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 the period, the Committee considers this index to be the most appropriate for this purpose.



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 31 July 2004 is set out in the table below:

	Basic salary/fees 2004 £	Bonus 2004 £	Other benefits[1] 2004 £	Total[2] 2004 £	**Total[2] 2003 £**
Chairman					
Tim Melville-Ross	50,000	–	–	50,000	**36,250**
Executive directors					
Ian Pickering	190,000	–	12,748	202,748	**260,038**
Mark Fryer	128,000	–	15,250	143,250	**194,881**
Non-executive directors					
Christopher Ross	30,417	–	–	30,417	**24,005**
Andrew Walker	25,000	–	–	25,000	**–**
Total	423,417	–	27,998	451,415	**515,174**

1 Other benefits represents amounts assessable to income tax in respect of the benefits provided
2 Total excludes pension contributions made by the Company

Long-term incentives – share options

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

	Balance at 1 August 2003	Granted During year	**Balance at 31 July 2004**	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
	–	35,316	**35,316**	134.5	5 Nov 2006	5 Nov 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
	–	23,792	**23,792**	134.5	5 Nov 2006	5 Nov 2013

No options lapsed during the financial year
The market price of the shares at 31 July 2004 was £1.56 and the range during the financial year was £1.06 to £2.75

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

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.

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

- Achievement of an average share price over a six-month period, 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 options exercisable	50	60	70	80	90	100

For the options granted in May 2003, November 2003 and all future grants, the following additional performance criteria will apply:

- 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 dividend) or reduction of the share capital of the Company or change in accounting reference 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 currently no other long-term incentive plans in place for directors. A resolution to approve the introduction of a long-term incentive plan (LTIP) will be put to shareholders at the Annual General Meeting to be held on 24 November 2004. A summary of the principle terms of the LTIP can be found in the accompanying notice of meeting.

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.

	2004 (£)	2003 (£)
Ian Pickering	**25,458**	47,682
Mark Fryer	**17,360**	17,068
	42,818	64,750

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

Christopher Ross
Chairman of the Remuneration Committee

5 October 2004

1 Corporate governance

The Board is committed to high standards of corporate governance, and, throughout the year ended 31 July 2004, 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.

The Board acknowledges the requirements of the Revised Combined Code (2003 FRC Code) on Corporate Governance, published in July 2003, which applies to reporting years beginning on or after 1 November 2003. The Group has taken steps to implement the Revised Combined Code for future reporting periods in order to adhere to best practice and maintain a high standard of corporate governance.

This report describes how the principles of good governance and the provisions of the Combined Code (Hampel 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 Going concern

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

3 The Board

As at 5 October 2004, the date of the signing of these financial statements, the Board comprises two executive directors and three non-executive directors, all of whom the Board considers independent, who include the Chairman and the Deputy Chairman. The Deputy Chairman is the senior independent non-executive director. 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 and 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 meets formally at least ten times a year. This year the Board met 17 times, with all directors attending in all but two cases. Where a director is unavoidably absent, he is briefed before the meeting and his views are taken into consideration at the meeting. 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 accuracy and timeliness of the information provided to it.

All directors have access to the Company Secretary and to independent professional advice as and when required. Where it is considered appropriate, the Company ensures that training is provided for directors' professional development.

The Board intends to formalise its self-evaluation in the coming year in line with best practice.

4 Board committees

In furtherance of the principles of good corporate governance the Board has appointed the committees described below, each of which has formal terms of reference. The Board aims to have the terms of reference of each committee reviewed regularly to ensure compliance with any amendments to the Combined Code. The membership of each of the committees comprises the three independent non-executive directors.

5 Audit committee

The Audit Committee is chaired by Andrew Walker and meets at least twice a year. Meetings are attended by the Chief Executive, the Group Finance Director and representatives of the auditors as required. The Committee assists the Board in the discharge of its duties concerning the announcement 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.

6 Remuneration and Nominations Committee

The Remuneration and Nominations Committee is chaired by Christopher Ross and normally meets three or four times a year and additionally whenever required. The Committee 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 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 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 to the Board remain the responsibility of the Committee. To fulfil its duties, the Committee retains the services of external consultants as necessary.

7 Relationships with shareholders

The directors recognise the importance of dialogue with investors. Meetings with institutional investors are arranged regularly and the directors 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 is the practice of the Company 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.

8 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 are periodically reviewed for their effectiveness. These controls have been designed and are tested in accordance with the Turnbull guidance.

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;
- 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;
- the 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 by the Board 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 2004 and will continue to review controls at least annually and more frequently should the need arise.

9 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.

By order of the Board

Tim White
Company Secretary

5 October 2004

The Board is committed to ensuring that the Company maintains the highest standards of corporate responsibility and is conscious of its role in demonstrating that commitment.

It is the policy of the Board to pay due regard to all the Company's stakeholders as part of its decision making process.

The Company's key policies in respect of those stakeholders are set out below.

Employees
The Company understands that its employees are key to meeting its financial and strategic targets. Accordingly it will:
- ensure that there are clear and fair terms of employment for all employees and operate a fair remuneration policy across the Group;
- provide a safe, healthy and clean working environment;
- use its best endeavours to provide equal opportunities to all current and potential employees;
- facilitate the development of its employees;
- not tolerate any sexual, physical or mental harassment of its employees;
- not allow discrimination on the grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation.

Customers
The Company will treat its customers with respect and will:
- seek to be honest and fair in its relationships with its customers;
- provide products and services to the standard and quality agreed;
- take all reasonable steps to ensure that its products and services are safe;
- treat feedback from its customers seriously in considering future improvements to its products and services.

Suppliers
The Company will treat its suppliers, contractors and partners with respect and will:
- seek to be honest and fair in its relationships with its suppliers, contractors and partners;
- enforce a policy not to offer, pay or accept bribes or substantial favours of any kind;
- pay suppliers and contractors in accordance with agreed terms;

Shareholders
The Company respects its responsibilities to its shareholders and will:
- ensure that all financial reports to its shareholders are timely and accurate;
- ensure that shareholders are aware of all matters that are important in understanding the Company's future prospects;
- aim to protect shareholders funds, manage risks and ensure that funds are used for the benefit of shareholders.

The Board is aware that the Company's reputation and the value of its brands depend upon the strict enforcement of these policies. Accordingly, any breach of any of these policies must be reported to the Board and will be dealt with seriously.

The Board regularly considers and reviews these policies to ensure that they are sufficient, appropriate and in accordance with legislation and best practice.

By order of the Board

Tim White
Company Secretary

5 October 2004

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.

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 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement, 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 and auditing standards.

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 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 2004 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

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

5 October 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2004

	Notes	Before exceptional items 2004 £000	Exceptional items (notes 2d, 2e and 2f) 2004 £000	Total 2004 £000	As restated continuing operations 2003 £000	Discontinued operations 2003 £000	As restated Total 2003 £000
Turnover	2	**86,712**	**–**	**86,712**	86,031	27,228	113,259
Cost of sales		**(73,278)**	**–**	**(73,278)**	(72,856)	(22,820)	(95,676)
Gross profit		**13,434**	**–**	**13,434**	13,175	4,408	17,583
Operating expenses	2(d)	**(14,549)**	**(2,585)**	**(17,134)**	(14,808)	(5,619)	(20,427)
Pension contributions to closed scheme		**(1,325)**	**–**	**(1,325)**	(2,375)	–	(2,375)
Exceptional income		**–**	**–**	**–**	956	–	956
Other operating income		**–**	**–**	**–**	83	206	289
Net operating expenses	3	**(15,874)**	**(2,585)**	**(18,459)**	(16,144)	(5,413)	(21,557)
Operating loss		**(2,440)**	**(2,585)**	**(5,025)**	(2,969)	(1,005)	(3,974)
Profit on sale of fixed assets (continuing operations)	2(e)	**–**	**4,659**	**4,659**			1,857
Loss on disposal of discontinued operations	2(f)	**–**	**(559)**	**(559)**			(7,524)
(Loss)/profit on ordinary activities before finance charges	4	**(2,440)**	**1,515**	**(925)**			(9,641)
Finance charges – net	5	**(249)**	**–**	**(249)**			(516)
(Loss)/profit on ordinary activities before taxation	2	**(2,689)**	**1,515**	**(1,174)**			(10,157)
Tax credit on loss on ordinary activities		**550**	**147**	**697**			2,033
Tax credit on exceptional items		**–**	**168**	**168**			–
Total tax credit	7	**550**	**315**	**865**			2,033
(Loss)/profit on ordinary activities after taxation for the financial year		**(2,139)**	**1,830**	**(309)**			(8,124)
Dividends (including non-equity dividends)	10	**(620)**	**–**	**(620)**			(4,863)
Transferred (from)/to reserves	23	**(2,759)**	**1,830**	**(929)**			(12,987)
Basic loss per ordinary share	9			**(1.96)p**			(45.92)p
Diluted loss per ordinary share	9			**(1.96)p**			(45.92)p

All activities in the current year arise from continuing operations with the exception of the loss on disposal of £559,000 in relation to the previous financial year (note 2(f)).

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 £634,000 (2003: £6.7m), £708,000 (2003: £6.5m) due to the realisation of property revaluation gains of previous years, less £74,000 (2003: plus £176,000) 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 2004

	Notes	2004 £000	As restated 2003 £000
Loss for the financial year		**(309)**	(8,124)
Unrealised net deficit on revaluation of properties		**(110)**	(109)
Currency translation differences		**-**	(6)
Total recognised losses relating to the year		**(419)**	(8,239)
Prior year adjustment	11	**285**	
Total loss recognised since the last annual report and financial statements		**(134)**	

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

CONSOLIDATED BALANCE SHEET

at 31 July 2004

	Notes	2004 £000	2004 £000	As restated 2003 £000	As restated 2003 £000
Fixed assets					
Intangible assets – development costs	12		**1,137**		–
Tangible assets	13		**19,829**		23,339
			20,966		23,339
Current assets					
Stocks	15	**15,987**		15,419	
Debtors	16	**5,996**		5,702	
Cash at bank and in hand		**6,399**		8,726	
		28,382		29,847	
Creditors Amounts falling due within one year	17	**(22,932)**		(27,638)	
Net current assets			**5,450**		2,209
Total assets less current liabilities			**26,416**		25,548
Creditors Amounts falling due after more than one year	18		**(199)**		(42)
Provisions for liabilities and charges	20		**(3,399)**		(2,948)
Net assets			**22,818**		22,558
Capital and reserves					
Called up share capital	22		**5,371**		5,179
Share premium account	23		**4,700**		3,593
Capital redemption reserve	23		**916**		916
Revaluation reserve	23		**1,860**		2,429
Employee Share Ownership Plan (ESOP) reserve	23		**(500)**		(500)
Profit and loss account	23		**10,471**		10,941
Shareholders' funds including non-equity interests	24		**22,818**		22,558
Net assets per ordinary share			**117.2p**		121.7p

Approved by the Board

Tim Melville-Ross
Chairman

Ian Pickering
Director

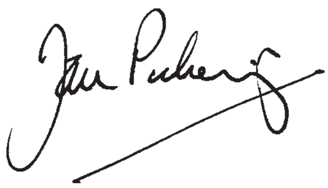
5 October 2004

The accompanying notes form an integral part of this consolidated balance sheet.

COMPANY BALANCE SHEET
at 31 July 2004

	Notes	2004 £000	2004 £000	As restated 2003 £000	As restated 2003 £000
Fixed assets					
Tangible assets	13		**144**		207
Investments	14		**4,705**		4,967
			4,849		5,174
Current assets					
Debtors	16	**15,630**		20,179	
Cash at bank and in hand		**3,429**		836	
		19,059		21,015	
Creditors Amounts falling due within one year	17	**(3,220)**		(9,015)	
Net current assets			**15,839**		12,000
Net assets			**20,688**		17,174
Capital and reserves					
Called up share capital	22		**5,371**		5,179
Share premium account	23		**4,700**		3,593
Capital redemption reserve	23		**916**		916
ESOP reserve	23		**(500)**		(500)
Profit and loss account	23		**10,201**		7,986
Shareholders' funds including non-equity interests	24		**20,688**		17,174

Approved by the Board



Tim Melville-Ross
Chairman

Ian Pickering
Director

5 October 2004

The accompanying notes form an integral part of this company balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2004

	Notes	Total 2004 £000	Continuing operations 2003 £000	Discontinued operations 2003 £000	Total 2003 £000
Net cash inflow/(outflow) from operating activities	25	**1,419**	716	(366)	350
Net cash inflow/(outflow) from operating activities:					
Continuing operating activities		**1,419**			716
Discontinued operating activities		**–**			(366)
Returns on investments and servicing of finance					
Interest received		**83**			1
Interest paid		**(286)**			(563)
Interest element of finance contract payments		**(46)**			46
Preference dividend paid		**(53)**			(56)
Net cash outflow from returns on investments and servicing of finance		**(302)**			(572)
Taxation					
UK corporation tax paid		**–**			(40)
Net cash outflow from taxation		**–**			(40)
Capital expenditure					
Purchase of intangible fixed assets		**(1,137)**			–
Purchase of tangible fixed assets		**(6,637)**			(4,327)
Proceeds from sale of tangible fixed assets		**8,663**			8,720
Net cash inflow from capital expenditure		**889**			4,393
Acquisition and disposals					
Net (costs)/proceeds from sale of business		**(559)**			7,268
Equity dividends paid		**(4,996)**			(175)
Net cash (outflow)/inflow before financing		**(3,549)**			11,224
Financing					
Issue of ordinary share capital		**1,299**			–
Capital element of finance contract payments		**(838)**			(1,208)
Increase/(decrease) in stocking loan		**761**			(688)
Decrease in bank loan		**–**			(3,000)
Net cash inflow/(outflow) from financing		**1,222**			(4,896)
(Decrease)/increase in cash in the year	25	**(2,327)**			6,328

The accompanying notes form an integral part of this consolidated cash flow statement.

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.

(v) UITF 38, Accounting for ESOP Trusts, has been adopted. This has given rise to a prior year adjustment (see note 11). Where appropriate, comparative figures for 2003 have been re-stated.

Intangible assets – research and development
Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit, to a maximum of five years. Provision is made for any 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 – 20-35 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) long-leasehold buildings – 50 years as advised by members of the Royal Institution of Chartered Surveyors. Each year end the directors review the useful economic life of the buildings;
(iii) short-leasehold buildings – the lower of the period of the lease, or 5 to 10 years;
(iv) plant and equipment – three to ten years.

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) Long-leasehold land and buildings shown in fixed assets are included at cost.

(iii) Improvements to leasehold premises are included at cost within short-leasehold buildings.

(iv) 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 2004, or at cost if purchased during the year.

(v) Fixed asset investments are shown at cost less provision for impairment.

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.

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.

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 substantively 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.

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.

Turnover
Turnover represents amounts receivable for goods or services provided in the normal course of business, net of trade discounts, intra-Group transactions, VAT, and other sales-related taxes. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred or all significant performance obligations have been completed, the price is fixed or determinable, and the collection of the amount due is reasonably assured.

Pension costs
For defined benefit schemes the cash contributions are charged to operating profit and shown separately on the face of the profit and loss account. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is shown within the notes to the accounts.

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

Foreign currency
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.

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.

Government grants
Government grants are recognised as to match them with the 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.

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.

2 ANALYSIS OF RESULTS

(a) By division

	2004 Turnover £000	2003 Turnover £000	2004 Profit/(loss) before tax £000	As restated 2003 Profit/(loss) before tax £000
Continuing operations:				
Vehicles	**85,750**	85,974	**4,315**	4,454
Zingo	**650**	57	**(4,087)**	(3,345)
Exceptional cost	**–**	–	**(2,585)**	–
Head office	**312**	–	**(1,343)**	(2,659)
Pension contributions to closed scheme	**–**	–	**(1,325)**	(2,375)
Exceptional income	**–**	–	**–**	956
	86,712	86,031	**(5,025)**	(2,969)
Discontinued operations:				
Components	**–**	27,228	**–**	(1,005)
	–	27,228	**–**	(1,005)
Turnover/operating loss	**86,712**	113,259	**(5,025)**	(3,974)
Exceptionals:				
Profit on sale of fixed assets			**4,659**	1,857
Loss on disposal of discontinued operations			**(559)**	(7,524)
Loss on ordinary activities before finance charges			**(925)**	(9,641)
Finance charges – net			**(249)**	(516)
Loss on ordinary activities before taxation			**(1,174)**	(10,157)

(b) By market area

	2004 Turnover £000	2003 Turnover £000
Europe	**1,031**	6,216
Asia	**25**	2,911
North America	**3,659**	1,675
Rest of world	**–**	111
Total exports	**4,715**	10,913
United Kingdom	**81,997**	102,346
Total turnover	**86,712**	113,259

All turnover originates in the United Kingdom.

(c) Segmental net analysis

	2004 £000	As restated 2003 £000
Continuing operations:		
Vehicles	**21,775**	19,891
Zingo	**(299)**	3,911
Head office	**3,076**	(3,606)
	24,552	20,196
Discontinued operations:		
Components	**–**	668
	–	668
	24,552	20,864
(Less net borrowings)/plus net funds	**(1,734)**	1,694
Total net assets	**22,818**	22,558

All operations are conducted within the United Kingdom.

2 ANALYSIS OF RESULTS CONTINUED

(d) Exceptional costs

Exceptional costs relate to an impairment provision made against the Zingo plant and equipment.

(e) Profit on sale of fixed assets

The net profit on sale of fixed assets relates to the sale of property at Holloway Road, London, for a profit of £4,751,000, and at Fishponds Road, Bristol, for a loss of £92,000 (2003: profit on sale of property at Coventry).

(f) Loss on disposal of discontinued operations

The loss on disposal of discontinued operations relates to the disposal of the Components Division which occurred in the previous financial year on 29 July 2003.

3 NET OPERATING EXPENSES

	Before exceptional items 2004 £000	**Exceptional items (note 2d) 2004 £000**	**Total 2004 £000**	As restated Continuing operations 2003 £000	Discontinued operations 2003 £000	As restated Total 2003 £000
Operating expenses:						
Distribution costs	**5,480**	**–**	**5,480**	4,509	1,297	5,806
Administration expenses	**9,069**	**2,585**	**11,654**	10,299	4,322	14,621
	14,549	**2,585**	**17,134**	14,808	5,619	20,427
Pension contribution to closed scheme	**1,325**	**–**	**1,325**	2,375	–	2,375
Exceptional income	**–**	**–**	**–**	(956)	–	(956)
Other operating income	**–**	**–**	**–**	(83)	(206)	(289)
Net operating expenses	**15,874**	**2,585**	**18,459**	16,144	5,413	21,557

4 LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES

	2004 £000	As restated 2003 £000
The loss on ordinary activities before finance charges is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	**4,457**	5,249
Depreciation of tangible fixed assets – leased	**160**	204
Amortisation of intangible assets	**–**	11
Research and development – general	**607**	724
Research and development – Zingo development	**–**	3,345
Directors' remuneration (note 28)	**494**	639
Auditors' remuneration – audit	**93**	110
Auditors' remuneration – other (i)	**140**	201
Operating lease rentals – plant and equipment	**401**	424
Operating lease rentals – land and buildings	**663**	209
Redundancy	**111**	987
Government grants (ii)	**116**	–
Aggregate rentals receivable in respect of operating leases of taxis	**(233)**	(195)

(i) These fees are payable to Deloitte & Touche LLP, and include £130,000 (2003: £201,000) for taxation services and £10,000 (2003: £nil) for a review of the MBH Finance Function. £28,000 (2003: £85,000) of taxation services costs are included within exceptional items.

(ii) Includes £86,000 (2003: £nil) from the Energy Services Trust towards the revenue costs associated with the development of an electric delivery vehicle (project Mercury).

5 FINANCE CHARGES – NET

	2004 £000	2003 £000
Interest payable on:		
Bank overdrafts and loans	**63**	257
Finance contracts	**46**	(46)
Stocking loan	**223**	302
Other	**–**	4
Total interest payable	**332**	517
Interest receivable	**(83)**	(1)
Net interest payable	**249**	516

6 STAFF NUMBERS AND COSTS

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

	2004 Number	2003 Number
Administration and sales	**261**	314
Production	**260**	566
	521	880

The aggregate remuneration of these employees was as follows:

	2004 £000	2003 £000
Wages and salaries	**13,279**	21,377
Social security costs	**1,423**	2,080
Other pension costs (note 32)	**1,860**	3,236
	16,562	26,693

7 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

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

	2004 £000	2003 £000
UK corporation tax	–	
Adjustments relating to prior years – current taxation	**(129)**	(57)
	(129)	(57)
Deferred taxation		
Origination and reversal of timing differences	**(346)**	(1,913)
Adjustments relating to prior years	**(390)**	(63)
Total taxation credit	**(865)**	(2,033)

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:

	2004 £000	As restated 2003 £000
Loss on ordinary activities before taxation	**(1,174)**	(10,157)
Corporation tax thereon at 30% (2003: 30%)	**(352)**	(3,047)
Non-taxable income (property disposals)	**(1,389)**	(643)
Disallowed in relation to the Components sale	–	1,595
Timing differences in relation to fixed assets	**1,241**	–
Sundry disallowed expenses	**154**	182
Timing differences	**346**	1,913
Adjustment to prior years	**(129)**	(57)
Taxation credit for current year	**(129)**	(57)

The non-taxable income relates to the profit on disposal of Holloway Road, London (2003: Holyhead Road, Coventry) which is offset by brought forward capital losses.

8 HOLDING COMPANY LOSS FOR THE FINANCIAL YEAR

The loss for the year of the Company before dividends was £1,915,000 (2003: £3,836,000).

9 LOSS PER ORDINARY SHARE

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

	2004 £000	As restated 2003 £000
Loss for the financial year	**(309)**	(8,124)
Preference dividends	**(53)**	(56)
	(362)	(8,180)

	2004 Number	2003 Number
Weighted average number of shares in issue, less shares upon which dividends waived (shares held under ESOP trust)	**18,444,226**	17,813,460
For diluted loss per share	**18,444,226**	17,813,460

FRS 14 requires presentation of diluted earnings per share (EPS) when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss-making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment has been made to diluted EPS for out-of-the-money share options and as there are no other diluting future shares, diluted EPS equals basic EPS.

10 DIVIDENDS

	2004 £000	2003 £000
Non-equity – 8.25% cumulative preference shares of £1 each		
Preference dividend paid to 31 December	**26**	28
Preference dividend paid to 30 June	**27**	28
Preference dividend paid	**53**	56
Equity – ordinary shares of 25p each		
Special dividend paid – nil p per share (2003: 25p)	**–**	4,453
Interim dividend paid – 1p per share (2003: nil p)	**189**	–
Final dividend payable – proposed 2p per share (2003: 2p)	**378**	354
Total dividends	**620**	4,863

11 PRIOR YEAR ADJUSTMENT

In accordance with UITF 38, the prior year figures have been restated to bring in an ESOP reserve as a deduction from shareholders' funds, being the gross cost of the Company's shares purchased by the ESOP trust. The prior year profit and loss account has been restated to write back previous provision movements against the value of the shares. This prior year adjustment has no effect on the current year profit and loss account. The effects of the changes are summarised below:

		2003 £000
Profit and loss account		
Operating expenses		(73)
Increase in loss for the period		(73)
Balance sheet		
Fixed assets		(215)
Decrease in net assets		(215)
ESOP reserve		(500)
Profit and loss account		285
Decrease in shareholders' funds		(215)

12 INTANGIBLE ASSETS – DEVELOPMENT COSTS

	Development costs £000
Cost:	
At 1 August 2003	–
Additions	1,137
At 31 July 2004	1,137
Amortisation:	
At 1 August 2003 and 31 July 2004	–
Net book value at 31 July 2004	1,137
Net book value at 31 July 2003	–

Development costs have been capitalised in accordance with SSAP 13 and are therefore not treated, for dividend purposes, as a realised loss.
The costs relate to the development of a low-emission inner-city utility vehicle. Production is expected to commence in April 2006, from which date the costs will be written off over five years. Grants of £592,000 have been received from the Energy Savings Trust towards the cost of this project, £506,000 of which is shown within creditors as deferred income.

Subsequent to year-end this project has been sold for a small profit to net book value.

13 TANGIBLE FIXED ASSETS

Consolidated

	Investment property (notes (i) & (iv)) £000	Freehold land and buildings (notes (i) & (ii)) £000	Long-leasehold land and buildings (note (v)) £000	Short-leasehold land and buildings (note (iii)) £000	Plant and equipment owned £000	Total £000
Cost or valuation (notes (i) (ii) & (iii)):						
At 1 August 2003	3,820	4,428	–	–	37,509	45,757
Additions	363	–	4,850	–	2,602	7,815
Revaluations	(110)	–	–	–	–	(110)
Disposals	–	(3,580)	–	–	(1,333)	(4,913)
Reclassifications	–	(298)	–	298	–	–
At 31 July 2004	**4,073**	**550**	**4,850**	**298**	**38,778**	**48,549**
Comprising:						
At professional valuation 31 July 2003	–	550	–	–	–	550
At professional valuation 31 July 2004	3,710	–	–	–	–	3,710
At cost	363	–	4,850	298	38,778	44,289
	4,073	550	4,850	298	38,778	48,549
Depreciation:						
At 1 August 2003	–	52	–	–	22,366	22,418
Charge for the year	–	89	41	36	4,451	4,617
Impairment charge	–	–	–	–	2,585	2,585
Disposals	–	(71)	–	–	(829)	(900)
Reclassifications	–	(52)	–	52	–	–
At 31 July 2004	**–**	**18**	**41**	**88**	**28,573**	**28,720**
Net book value at 31 July 2004	**4,073**	**532**	**4,809**	**210**	**10,205**	**19,829**
Net book value at 31 July 2003	3,820	4,376	–	–	15,143	23,339

Notes:

(i) DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of external valuers, revalued the freehold land and buildings on 31 July 2003 on an "open-market value for existing-use" basis and the investment property on 31 July 2004 on an "open-market value" basis.

(ii) £0.2m (2003: £1.7m) 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 2004 £000	Consolidated 2003 £000
Cost	**598**	6,385
Depreciation	**(214)**	(1,791)
Net book value	**384**	4,594

(iii) £298,000 has been reclassified from freehold land and buildings to short leasehold land and buildings. This relates to building improvements at leased premises in Birmingham and Leeds.

(iv) The depreciation which would otherwise have been charged on the investment properties amounts to £133,000 (2003: £62,000). At 31 July 2004 the investment properties comprised the Birmingham and Ipswich properties.

(v) Long-leasehold land and buildings comprise the lease on the Brewery Road, London, property which was purchased on 1 March 2004.

(vi) The net book value of fixed assets held under finance leases or hire purchase is £838,000 (2003: £623,000). The gross amount of assets held for use in operating leases is £817,000 (2003: £436,000); the related accumulated depreciation is £110,000 (2003: £36,000).

13 TANGIBLE FIXED ASSETS CONTINUED

Company

	Plant and equipment owned £000
Cost:	
At 1 August 2003	389
Additions	33
Disposals	(178)
At 31 July 2004	**244**
Depreciation:	
At 1 August 2003	182
Charge for the year	61
On disposals	(143)
At 31 July 2004	**100**
Net book value at 31 July 2004	**144**
Net book value at 31 July 2003	207

14 FIXED ASSET INVESTMENTS

Company

	Shares in subsidiaries £000
Cost:	
At 31 July 2004 and 2003	8,501
Amounts provided for:	
At 1 August 2003	3,534
Provision made	262
At 31 July 2004	3,796
Net book value at 31 July 2004	4,705
Net book value at 31 July 2003	4,967

Group companies

Principal subsidiary undertakings at 31 July 2004

Company	Activities
LTI Limited	Taxi manufacture and retailing
Manganese Bronze Services Limited	Supplier of services to the taxi industry
Manganese Bronze Property Services Limited (formerly known as Old BSA Limited)	Group property

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

15 STOCKS

	Consolidated 2004 £000	Consolidated 2003 £000
Raw materials and bought-out items	**2,331**	2,387
Work in progress	**1,284**	1,263
Finished stocks	**12,372**	11,769
Total stocks	**15,987**	15,419

16 DEBTORS

	Consolidated 2004 £000	Consolidated 2003 £000	Company 2004 £000	Company 2003 £000
Trade debtors	**3,742**	3,488	**–**	
Amounts owed by subsidiary undertakings	**–**	–	**15,474**	19,707
Corporation tax recoverable	**129**	–	**100**	79
Other debtors	**1,060**	1,403	**33**	315
Deferred tax asset (note 21)	**300**	–	**–**	–
Prepayments	**765**	811	**23**	78
	5,996	5,702	**15,630**	20,179

17 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2004 £000	Consolidated 2003 £000	Company 2004 £000	Company 2003 £000
Stocking loan (note)	**7,432**	6,671	**–**	–
Finance contracts (note)	**502**	319	**–**	–
Trade creditors	**9,838**	9,136	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**1,425**	1,320
Deferred income	**506**	–	**–**	–
Corporation tax	**–**	1	**–**	–
Social security, payroll and other taxes	**550**	1,605	**128**	95
Other creditors	**808**	1,885	**568**	1,452
Accruals	**2,918**	3,211	**721**	1,338
Proposed dividends	**378**	4,810	**378**	4,810
	22,932	27,638	**3,220**	9,015

Note

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

18 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2004 £000	Consolidated 2003 £000	Company 2004 £000	Company 2003 £000
Finance contracts	**199**	42	**–**	–

Note

All obligations fall due within one to two years.

19 FINANCIAL INSTRUMENTS AND DERIVATIVES

The disclosures in this note describe the Group's financial assets and liabilities as required by Financial Reporting Standard 13, Derivatives and Other Financial Instruments: Disclosures (FRS13). An explanation of Group policy regarding the use of financial instruments to manage the financial exposures facing the Group is also given. Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures. For this purpose non-equity shares issued by the Company are dealt with in the same way as the Group's financial liabilities, but separately disclosed. As permitted by 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. The main risks arising from the Group's financial instruments are interest rate risk, currency risk and liquidity risk. 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.

(i) Interest rate risk

The Group seeks to minimise interest rate risk by maximising interest received on cash at bank by placing deposits on the money market at the prevailing market rate, for periods up to one month.

(ii) Currency risk

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

	2004 £000	2003 £000
Euro and related currencies	**(206)**	(116)
US dollar	**(26)**	–
Net foreign monetary liabilities	**(232)**	(116)

(iii) Liquidity risk

The Group's policy throughout the year regarding liquidity has been to maximise the return on funds placed on deposit but to minimise the associated risk by placing funds in low-risk cash deposits.

Treasury operations

At 31 July 2004, the Group had cash deposits of £6.4m (2003: £8.7m). 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 2004 £000	**Floating 2004 £000**	**Total 2004 £000**	Fixed 2003 £000	Floating 2003 £000	Total 2003 £000
Borrowings						
Stocking loan	**–**	**7,432**	**7,432**	–	6,671	6,671
Finance contracts	**701**	**–**	**701**	361	–	361
	701	**7,432**	**8,133**	361	6,671	7,032
Non-equity shares						
Preference shares	**642**	**–**	**642**	684	–	684
	1,343	**7,432**	**8,775**	1,045	6,671	7,716

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

	Consolidated 2004 £000	Consolidated 2003 £000
Within one year – finance leases	**502**	319
Within one year – other loans	**7,432**	6,671
In more than one but no more than two years	**199**	42
	8,133	7,032

19 FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

The Group has an uncommitted overdraft facility of £3.0m (2003: £3.0m) which is linked to base rate. The uncommitted and committed stocking finance facility of £13.4m (2003: £13.4m) and £7.4m (2003: £6.7m) respectively are linked to Finance House Base Rate (FHBR). The finance contracts are fixed at an average rate of 9.9% (2003: 8.28%) with the average calculated over the life of the contract, normally 18 months. The preference shares were issued at a rate of 8.25% without a repayment date.

Fixed rate financial liabilities total £1.3m (2003: £1.0m), comprising preference share capital (note 22) and £0.7m (2003: £0.4m) of finance contracts. Floating rate financial liabilities total £7.4m (2003: £6.7m) comprising the £7.4m (2003: £6.7m) stocking loan. The weighted average interest rate of fixed-rate liabilities at the year end was 9.11% (2003: 8.26%).

Fair values

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

	Book value 2004 £000	**Fair value 2004 £000**	Book value 2003 £000	Fair value 2003 £000
Primary financial instruments to finance the Group's operations				
Cash	**(6,399)**	**(6,399)**	(8,726)	(8,726)
Stocking loan	**7,432**	**7,432**	6,671	6,671
Finance contracts	**701**	**701**	361	361
Preference share capital	**642**	**635**	684	677
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts loss	**–**	**(30)**	–	(17)

Preference share capital fair value is calculated by taking the mid-market price of £1 preference shares as at 31 July 2004 multiplied by the number of shares.

The fair value of the forward foreign currency contracts loss is based on the difference between the total value of forward contracts at contracted exchange rates and the total value of forward contracts at 31 July 2004 exchange rates.

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 £17,000 was carried forward at 31 July 2003 and recognised during the course of the year ended 31 July 2004. An unrecognised loss of £30,000 was carried forward at the end of the year ended 31 July 2004 and is expected to be recognised in the profit and loss account during the year ended 31 July 2005.

20 PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated

	Deferred taxation £000	Warranty £000	Total £000
At 1 August 2003	436	2,512	2,948
(Credit)/charge to profit and loss account	(436)	4,193	3,757
Utilised in year	–	(3,306)	(3,306)
At 31 July 2004	–	3,399	3,399

Company

The Company had no deferred tax liability at 31 July 2004 (2003: £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 included within other debtors (2003: provisions for liabilities) are as follows:

	2004 £000	2003 £000
Accelerated capital allowances	**(252)**	519
Other	**(48)**	(83)
Deferred tax (asset)/liability	**(300)**	436

A deferred tax asset of £300,000 (2003: £nil) has been recognised as sufficient suitable taxable profits are forecast for the year ending 31 July 2005. There is a £1,536,000 (2003: £nil) deferred tax asset not recognised, comprising £1,241,000 (2003: £nil) in relation to accelerated capital allowances and £295,000 (2003: £nil) in respect of brought forward losses.

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:

	2004 £000	2003 £000
Accelerated capital allowances	**–**	(18)
Other	**–**	(60)
	–	(78)

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 1 August 2003	17,979,088	4,495
Issued during the year	936,561	234
At 31 July 2004	**18,915,649**	**4,729**
8.25% cumulative preference shares of £1 each:		
At 1 August 2003	683,959	684
Preference shares repurchased	42,500	42
At 31 July 2004	**641,459**	**642**
Total called up share capital		**5,371**

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 directors exercised their powers, granted at the 2002 Annual General Meeting, to allot 898,954 ordinary shares (2003: £nil) with a nominal value of 25p and at a premium of £122.5p per share for cash to institutional shareholders. The market price of these shares on 14 November 2003, the date on which the terms of the issue were fixed, was 152.5p. The £1.3m raised by this share placing will be used for future investment. A further 37,607 ordinary shares with a nominal value of 25p were allotted on 21 June 2004 to satisfy options under the Group's Save as You Earn scheme.

22 SHARE CAPITAL CONTINUED

As at 31 July 2004 the options outstanding under the Executive, Company and Unapproved Share Option Schemes were as follows:

Date of grant	Exercise price pence	Outstanding number
11 October 1996	360.5	20,000
31 March 1998	412.0	56,080
8 May 1998	428.0	100,000
23 September 1999	229.0	205,000
5 November 2001	66.5	30,000
2 October 2002	58.8	46,769
7 May 2003	73.5	205,747
5 November 2003	134.5	126,579
		790,175

There were no options outstanding under the Group's SAYE scheme at 31 July 2004.

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

23 RESERVES

Consolidated

	Share premium account £000	Other reserves £000	Revaluation reserve £000	ESOP reserve £000	Profit and loss account £000	Total £000
At 1 August 2003 (as previously stated)	3,593	916	2,429	–	10,656	17,594
Prior year adjustment (note 11)	–	–	–	(500)	285	(215)
At 1 August 2003 (as restated)	3,593	916	2,429	(500)	10,941	17,379
Shares issued	1,107	–	–	–	–	1,107
Deficit on revaluation	–	–	(110)	–	–	(110)
Transfer to profit and loss account	–	–	(459)	–	459	–
Retained loss for the year	–	–	–	–	(929)	(929)
At 31 July 2004	**4,700**	**916**	**1,860**	**(500)**	**10,471**	**17,447**

£320,000 (2003: £430,000) of the revaluation reserve is in respect of investment property.

Company

	Share premium account £000	Other reserves £000	ESOP reserve £000	Profit and loss account £000	Total £000
At 1 August 2003 (as previously stated)	3,593	916	–	7,701	12,210
Prior year adjustment (note 11)	–	–	(500)	285	(215)
At 1 August 2003 (as restated)	3,593	916	(500)	7,986	11,995
Shares issued	1,107	–	–	–	1,107
Retained profit for the year	–	–	–	2,215	2,215
At 31 July 2004	**4,700**	**916**	**(500)**	**10,201**	**15,317**

24 SHAREHOLDERS' FUNDS

Reconciliation of movements in Group shareholders' funds

	Consolidated 2004 £000	Consolidated 2003 £000
Loss for the financial year	**(309)**	(8,124)
Dividends	**(620)**	(4,863)
	(929)	(12,987)
Deficit on revaluation	**(110)**	(109)
Net exchange differences	**–**	(6)
Repurchase of preference shares	**(42)**	–
New share capital subscribed	**1,341**	–
Net reduction in shareholders' funds	**260**	(13,102)
Opening shareholders' funds (as previously stated)	**22,773**	35,802
Prior year adjustment (note 11)	**(215)**	(142)
Opening shareholders' funds (as restated)	**22,558**	35,660
Closing shareholders' funds	**22,818**	22,558

Analysis of shareholders' funds

	Consolidated 2004 £000	As restated Consolidated 2003 £000	**Company 2004 £000**	As restated Company 2003 £000
Equity interests	**22,176**	21,874	**20,046**	16,490
Non-equity interests: preference shares	**642**	684	**642**	684
	22,818	22,558	**20,688**	17,174

25 ANALYSIS OF CASH, DEBT AND GEARING

Consolidated

Reconciliation of operating loss to operating cash flows:

	Total 2004 £000	As restated Continuing operations 2003 £000	Discontinued operations 2003 £000	As restated Total 2003 £000
Operating loss	**(5,025)**	(2,969)	(1,005)	(3,974)
Depreciation	**4,617**	3,892	1,561	5,453
Amortisation of intangible fixed assets	**–**	–	11	11
Loss/(profit) on sale of fixed assets	**9**	126	(147)	(21)
Asset impairment	**2,585**	–	–	–
(Increase)/decrease in stocks	**(568)**	863	281	1,144
Decrease/(increase) in debtors	**135**	(2,766)	(607)	(3,373)
(Decrease)/increase in creditors and provisions	**(334)**	1,570	(460)	1,110
Net cash inflow/(outflow) from operating activities	**1,419**	716	(366)	350

25 ANALYSIS OF CASH, DEBT AND GEARING CONTINUED

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

	2004 £000	As restated 2003 £000
(Decrease)/increase in cash in the year	**(2,327)**	6,328
Capital element of finance contracts payments	**838**	1,208
(Increase)/decrease in stocking loan	**(761)**	688
Decrease in bank loan	**–**	3,000
Change in net funds resulting from cash flows	**(2,250)**	11,224
Non-cash items – new finance contracts	**(1,178)**	(591)
Movement in net funds in year	**(3,428)**	10,633
Net funds/(debt) brought forward	**1,694**	(8,939)
Net (debt)/funds carried forward	**(1,734)**	1,694
Shareholders' funds	**22,818**	22,558
Gearing	**7.6%**	–

Analysis of net (debt)/funds

	2004 £000	2003 £000
Cash at bank and in hand	**6,399**	8,726
Stocking loan	**(7,432)**	(6,671)
Finance contracts due within one year	**(502)**	(319)
Finance contracts due after more than one year	**(199)**	(42)
Net (debt)/funds	**(1,734)**	1,694

26 CAPITAL COMMITMENTS

Consolidated

	2004 £000	2003 £000
Expenditure authorised and contracted at 31 July	**525**	131

The Company had no capital commitments at 31 July 2004 (2003: £nil).

27 FINANCIAL COMMITMENTS

Consolidated
At 31 July 2004 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2004 £000	Other 2004 £000	Land and buildings 2003 £000	Other 2003 £000
Operating leases which expire:				
Within one year	**–**	**76**	35	33
In the second to fifth years inclusive	**626**	**90**	441	229
Over five years	**177**	**144**	88	132
	803	**310**	564	394

The Company had no financial commitments at 31 July 2004 (2003: £15,000).

28 DIRECTORS

	2004 £000	2003 £000
Aggregate emoluments	**451**	569
Company pension contributions to money purchase schemes	**43**	70
	494	639

	2004 £000	2003 £000
Highest paid director		
The highest paid director was Ian Pickering (2003 Ian Pickering)		
Aggregate emoluments	**203**	260
Company pension contributions to money purchase schemes	**25**	48
	228	308

Further details of the emoluments, share options, pension benefits and long-term incentive scheme interests of the directors are disclosed in the Report of the Remuneration Committee on pages 14 to 18.

29 SUBSTANTIAL INTERESTS IN ORDINARY SHARES

At 1 September 2004 the Company had been notified under the provisions of the Companies Act 1985 of the following interests in the ordinary share capital

	Holding	%
Toscafield Limited	3,020,000	15.97
Schroder Investment Management Ltd	2,501,216	13.22
Lansdowne Partners Limited Partnership	1,774,500	9.38
Allianz Cornhill Insurance plc, Allianz AG and subsidiaries	1,135,000	6.00
Canada Life Marketing Group	975,000	5.15

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 2004 the relevant Group net borrowings amounted to £nil (2003: £nil).

(b) Certain subsidiaries provide warranties and sometimes extended warranties in respect of their products. The directors review the position regularly and consider that appropriate provisions have been made to cover known and expected costs likely to arise under these warranties.

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 £1.9m (2003: £2.3m) prior to deduction of Group costs. A total of £192,000 (2003: £185,000) was receivable at year end.

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.

During the year the defined benefit scheme Trustees transferred the Guaranteed Minimum Pension element of the scheme back into the State Earnings Related Pension Scheme (SERPS). To achieve the transfer to SERPS, the trustees paid a premium of £2.5m to the National Insurance Contributions Office out of the scheme's assets, which reduced the scheme's liabilities valued in accordance with the Minimum Funding Requirement (MFR) regulations by £4.0m.

As a result of the SERPS buy-back, which has a favourable profit impact of £2.4m under Financial Reporting Standard 17 (FRS 17), the consolidated profit and loss account of the Group's two pension arrangements under FRS 17 would be a credit of £1,183,000 (2003: charge £1,452,000) as opposed to the £1,860,000 cash contribution expensed. The net pension liability is £4.5m (2003: £7.0m). This is not recognised on the balance sheet at year end. A full actuarial valuation was last carried out at 31 July 2003 and was rolled forward for MFR regulations purposes to 31 July 2004.

a) Account Plus

The pension charge for Account Plus for the year was £535,000 (2003: £861,000).

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 2004 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 a MFR basis was as at 31 July 2003. At this date the market value of the assets was £24.8m representing 82% 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 £1.3m (2003: £2.4m) 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 2005 are likely to be in the region of £1.2m.

Actuarial assumptions

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

	At year end 31 July 2004 %	At year end 31 July 2003 %	At year end 31 July 2002 %
Discount rate	**5.8**	5.8	6.0
Rate of increase in salaries	**3.5**	3.5	3.5
Inflation assumption	**3.0**	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%.

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 2004 %	**Value at 31 July 2004 £000**	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	**8.0**	**8,213**	7.5	8,026	7.5	15,653
Gilts	**5.0**	**15,147**	4.6	15,544	4.9	7,613
Cash and Additional Voluntary Contributions	**4.5**	**101**	3.5	1,287	4.9	205
Total fair value of assets		**23,461**		24,857		23,471
Present value of Scheme liabilities		**(29,831)**		(34,887)		(32,719)
Deficit in the Scheme		**(6,370)**		(10,030)		(9,248)
Related deferred tax asset		**1,911**		3,009		2,774
Net pension liability		**(4,459)**		(7,021)		(6,474)

32 PENSIONS CONTINUED

Analysis of the amount credited/(charged) to the profit and loss account
Under FRS 17 the following would have been:

	2004 £000	2003 £000	2002 £000
a) Charged to operating profit			
Current and past service cost	–	–	–
b) Credited/(charged) to other finance cost			
Expected return on pension scheme assets	1,275	1,372	1,710
Interest on pension scheme liabilities	(1,979)	(1,963)	(1,816)
c) Credited to net gains on settlement			
Gain from SERPS buy-back	2,367	–	–
Net pension credit/(charge) to profit and loss account	1,663	(591)	(106)

Analysis of amount recognised in the consolidated statement of total recognised gains and losses (STRGL)
Under FRS 17 the following would have been recognised in the STRGL:

	2004 £000	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	111	(1,198)	(4,571)
Experienced gains and losses arising on the scheme liabilities	972	(413)	(845)
Changes in assumptions underlying the present value of the scheme liabilities	(411)	(955)	722
Actuarial gain/(loss) recognised in STRGL	672	(2,566)	(4,694)

Movement in deficit during the year

	2004 £000	2003 £000	2002 £000
Deficit in scheme at beginning of year	(10,030)	(9,248)	(5,448)
Movement in year:			
Contributions	1,325	2,375	1,000
Other finance cost	(704)	(591)	(106)
Actuarial gain/(loss)	672	(2,566)	(4,694)
Net settlement gain	2,367	–	–
Net deficit in scheme at end of year	(6,370)	(10,030)	(9,248)

History of amounts recognised in the STRGL
Under FRS 17 the following would have been recognised in the STRGL:

	2004	2003	2002
Difference between expected and actual return on scheme assets:			
Amount (£000)	111	(1,198)	(4,571)
Percentage of scheme assets	0.5	(5)	(19)
Experience gains and losses on scheme liabilities:			
Amount (£000)	972	(413)	(845)
Percentage of the present value of scheme liabilities	3.3	(1)	(3)
Changes in assumptions underlying the present value of the scheme liabilities:			
Amount (£000)	(411)	(955)	722
Percentage of the present value of scheme liabilities	(1.4)	(3)	2
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	672	(2,566)	(4,694)
Percentage of the present value of scheme liabilities	2.3	(7)	(14)

Reserves
Under FRS 17 closing Group shareholders' funds of £22.8m would reduce to £16.4m (before accounting for the related deferred tax asset).

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	2000 £000	As restated 2001 £000	2002 £000	As restated 2003 £000	**2004 £000**
Turnover:					
Vehicles	100,077	81,597	86,932	85,974	**85,750**
Zingo	–	–	–	57	**650**
Components	30,140	33,388	31,730	27,228	**–**
Head office	–	–	–	–	**312**
	130,217	114,985	118,662	113,259	**86,712**
Operating profit/(loss):					
Vehicles	7,781	2,194	3,676	4,454	**4,315**
Zingo	–	(299)	(2,411)	(3,345)	**(4,087)**
Components	866	(736)	(180)	(1,005)	**–**
Head office	(2,048)	(2,435)	(2,285)	(2,659)	**(1,343)**
Pension contributions to closed scheme	(1,490)	(1,000)	(1,000)	(2,375)	**(1,325)**
Exceptional (cost)/income	–	–	–	956	**(2,585)**
Profit on sale of fixed assets	–	–	–	1,857	**4,659**
Loss on disposal of discontinued operations	–	–	–	(7,524)	**(559)**
Profit/(loss) on ordinary activities before finance charges	5,109	(2,276)	(2,200)	(9,641)	**(925)**
Finance charge – net	(357)	(691)	(686)	(516)	**(249)**
Profit/(loss) on ordinary activities before taxation	4,752	(2,967)	(2,886)	(10,157)	**(1,174)**
Taxation (charge)/ credit	(1,600)	719	827	2,033	**865**
Dividends	(2,009)	(589)	(234)	(4,863)	**(620)**
Transferred to/(from) reserves	1,143	(2,837)	(2,293)	(12,987)	**(929)**
Capital expenditure	4,180	4,195	4,509	4,918	**7,815**
Net assets	40,221	37,975	35,802	22,558	**22,818**
Net (debt)/ funds	(2,865)	(12,739)	(8,939)	1,694	**(1,734)**
Gearing	7.1%	33.5%	25.0%	–	**7.6%**

		2000	As restated 2001	2002	As restated 2003	**2004**
Earnings/(loss) per ordinary share	Basic	17.42p	(12.97)p	(11.88)p	(45.92)p	**(1.96)p**
	Diluted	17.26p	(12.97)p	(11.88)p	(45.92)p	**(1.96)p**
Dividends per ordinary share	Interim	4.0p	2.0p	–	–	**1.0p**
	Final	7.0p	1.0p	1.0p	2.0p	**2.0p**
	Special	–	–	–	25.0p	**–**
		11.0p	3.0p	1.0p	27.0p	**3.0p**
Vehicle sales (units)	UK	3,364	2,496	2,561	2,253	**2,271**
	Export	27	92	41	67	**223**
	Total	3,391	2,588	2,602	2,320	**2,494**

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

The 2000, 2001 and 2002 comparatives are not restated to comply with UITF 38 (Accounting for ESOP trusts).

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