

**Date:** Wednesday 18 October, 2006

## **MANGANESE BRONZE HOLDINGS PLC AUDITED PRELIMINARY RESULTS**

Manganese Bronze Holdings PLC, the leading manufacturer of the distinctive London taxi, announces its audited preliminary results for the twelve months to 31 July 2006.

### **Highlights**

- Profit before tax<sup>1</sup> up 88% to £3.7million (2005: £2.0 million), including the profit on sale of the surplus Ipswich property of £1.1 million - turnaround continues.
- Heads of Terms for joint venture with Zhejiang Geely Holding Group Co. Ltd. and its subsidiary Shanghai Maple Automotive announced - significant progress developing the business internationally.
- TX4 launched – most technologically advanced London taxi ever built.
- Balance Sheet strong – cash and cash equivalents of £12.9 million (2005: £9.6 million) with net assets of £21.5 million (2005: £19.7 million).
- Robust cash generation before capital investment<sup>2</sup> of £9.3 million (2005: £6.2 million).
- Significant investment in TX4 and fit out and move to enhanced retail facilities in London - total capital investment<sup>2</sup> of £6.2 million (2005: £2.9 million).
- Sale of Ipswich and Birmingham surplus properties completes the Group's restructuring.
- Earnings per share increased by 37% to 15.0p (2005:11.0p).
- Recommended final dividend of 3p per share (2005: 3p) plus special dividend of 1p per share (2005: nil) - total dividend increase of 50% to 6p per share (2005: 4p).

Commenting on the results Tim Melville-Ross, Chairman, said,

"These are a strong set of results, building on last year's turnaround to profit. The Group's restructuring is now complete with loss making businesses and surplus properties sold.

"We were delighted to announce our Chinese joint venture with Geely and are excited by the medium term prospects this partnership will create. Today we have launched the TX4, the most technologically advanced purpose built taxi we have produced. Manufacturing London taxis in China will enable us to pursue our long term international expansion plans.

"Current vehicle sales are ahead of last year and we anticipate a further uplift in sales from the new TX4 model and the introduction of new emissions regulations in London."

#### Definitions:

<sup>1</sup> All references to profit before tax include losses from discontinued operations of £86,000 (2005: £549,000).

<sup>2</sup> Capital investment is defined as purchases of property, plant and equipment.

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## **BUSINESS REVIEW**

Manganese Bronze delivered a strong set of results following the turnaround to profit achieved last year after a period of losses. Profit before tax (including discontinued operations) increased by 88% to £3.7million (2005: £2.0 million), including the profit on the sale of the surplus Ipswich property (£1.1million). Excluding this one-off benefit, the Group's profit before tax grew by 29% to £2.5 million (2005: £2.0 million).

During the year, Manganese Bronze made significant investment in the development and launch of the next generation purpose-built taxi – the TX4. This is the most technologically advanced taxi we have produced and meets all the requirements of Euro IV emission legislation as well as Transport for London's Conditions of Fitness.

We announced on 4 October the signing of Heads of Terms for our planned joint venture with Zhejiang Geely Holding Group Company Limited (Geely) and its subsidiary Shanghai Maple Automotive Co. Ltd. This is the culmination of many years of concerted effort to partner with an automotive company to produce the iconic London taxi in a low cost manufacturing location with access to a large and fast growing vehicle market. Geely is one of the fastest growing car companies in China and has an impressive range of vehicles and facilities. This joint venture will be dependent on our shareholders approving this transaction and regulatory approval in China. The plan is to start production in Shanghai in mid 2008 with a planned annual capacity of 20,000 vehicles.

### **UK taxi markets**

In December 2005, Transport for London's Public Carriage Office (PCO) issued the results of the second review of the London Conditions of Fitness. This review confirmed the benefits of the taxi's unique turning circle for both drivers and passengers, and it has therefore been retained. The PCO noted during this review that both passengers and drivers preferred the existing London Taxi.

Reviews conducted in other cities have produced more varied results. In Edinburgh, converted vans may now be sold as licensed taxis despite the objections of passengers and drivers alike.

The PCO strategy for reducing emissions from London taxis requires that, by 31 July, 2008, all of London's taxis must at least comply with Euro III emissions standards. As reported at the half-year, the PCO has relaxed the regulation for Metrocab vehicles compliance from July 2006 to July 2007. The PCO has also confirmed that there are no further changes to the emissions regulation planned.

There are several choices available to drivers to meet the London emission regulations; purchase a TX4 model which is Euro IV compliant; purchase a used TX II model which is Euro III compliant; retrofit a system to an existing vehicle to allow compliance with Euro III; or rent a TX II or TX4 from a rental operator. As at 31 July 2006, there were more than 17,000 black taxis operating in London which do not meet Euro III standards. We believe the need for drivers to comply with the new regulations will benefit our sales from July 2006 through July 2008 and beyond. We anticipate that other UK cities will launch similar initiatives to reduce taxi emission levels.

### **Product development**

The new TX4, launched today, features a Euro IV compliant engine supplied by VM of Italy (owned 51% by Penske Corporation and 49% by DaimlerChrysler) and a modified braking system to incorporate anti-lock braking. The TX4 has also benefited from a significant external

facelift to modernise the taxi without impacting its iconic status. The interior of the vehicle has also been upgraded following driver and passenger feedback. Over the past twelve months, the TX4 has been subjected to more than one million kilometres of durability testing, while its VM engine has been uniquely developed to meet the requirements of the taxi duty cycle. The TX4 also features the revised rear suspension, introduced on the TX II in October 2005, which incorporates coil springs. This has already proven popular with customers. Total investment on the TX4 will exceed £5 million, with £3.3 million having been spent during the year. This investment will be depreciated over five years from October 2006.

In 2005 we developed three prototype hybrid-powered taxis. The reality is that these vehicles are not currently a commercially viable proposition for our customers given the significant added cost for this powertrain. We will, however, continue to monitor the situation.

## **Results**

The Group's results for the twelve months to 31 July 2006 have been prepared for the first time under International Financial Reporting Standards (IFRS). The comparative results for 2005 have been restated in accordance with IFRS. The impact of IFRS is explained in the notes to the consolidated financial statements in the 2006 Annual Report, the principal effect being the inclusion of the Group's closed defined benefit pension scheme deficit on the balance sheet.

Sales of new taxis in the UK decreased by 1% to 2,388 from 2,412 with London sales marginally ahead of last year but regional sales slightly weaker. Sales volumes have been impacted by the anticipated launch of TX4, news of the change in London emissions regime and the uncertainty caused by regional reviews of taxi regulations. Overseas sales of 92 (2005: 109) include significant sales to relatively new markets, such as South Africa and Nigeria. Revenue from continuing operations declined by 4% to £83.8 million (2005: £87.3 million) due to marginally lower new sales and correspondingly lower used vehicle sales.

Profit before tax, excluding the profit on the sale of Ipswich of £1.1 million, increased by 29% to £2.5million (2005: £2.0 million). The overall result has benefited from lower depreciation and general cost savings, partly offset by lower taxi sales and higher costs of utilities, which have not been passed on to customers.

Cash generation has remained strong. Cash and cash equivalents of £12.9 million were £3.3 million above the level a year earlier (2005: £9.6 million). The successful completion of our restructuring saw the sale of our Ipswich and Birmingham surplus properties for £4.8 million, net of costs. Capital investment has been significant with £6.2 million (2005: £2.9 million) invested primarily in the TX4 development and the refitting and move costs of our new larger retail premises in Brewery Road, London.

In applying IFRS, we have adopted revised segmental reporting under which we have analysed the results of the Group's operations in three segments - vehicle sales, vehicle services and property. This is the last year we will have a Property segment as we no longer have any surplus properties following the completion of the Ipswich and Birmingham sales.

## **Vehicle sales**

Revenue from vehicle sales declined due to lower new and used vehicle sales. Vehicle sales operating profit increased by 26% to £2.8 million (2005: £2.2 million) due to lower depreciation, overhead cost savings and the impact of our global material procurement efforts, offsetting price increases from our UK suppliers. A significant operational difficulty experienced during the year has been the re-sourcing of components from suppliers in administration. Although this did not interrupt production, and we now have a more stable supply base, this does not rule out the

possibility of future disruption from failed suppliers. The role of our Chinese sourcing office is key to achieving future cost-down targets and minimising disruption from UK suppliers. The impact of higher steel prices has been mitigated through other material savings from global procurement. The impact of higher utility prices has not been mitigated and has not currently been passed onto customers. As a result of the increased cost of production of a Euro IV compliant vehicle, we will be increasing our recommended retail price by around £2,000.

We maintained an average production rate of 55 vehicles per week during the first half of the year and increased this to 59 vehicles per week for the second half in line with the improved seasonality of demand.

We have reduced our provision for warranty costs from £4.6 million to £4.1 million at the end of the year. This follows a detailed review of US warranty offered by LTNA to its customers and US claim experience.

Our wholly owned dealer, Mann & Overton, produced good results with London performing better than Birmingham and Manchester. The closure of the Holloway Road dealership and repair operation and the subsequent move to purpose-built and refitted facilities on Brewery Road should improve Mann & Overton London profits. The recent introduction of the bespoke Kerridge Dealer Management systems throughout Mann & Overton will improve both productivity and profit.

Mann & Overton London has recently launched a fleet rental operation which will offer used TX IIs to customers who wish to rent rather than buy or upgrade in order to meet the emission regulations.

Parts performance has again been strong, albeit that profit declined marginally as Fairway models, which are not Euro III compliant, are retired from the London taxi parc and are cannibalised for spare parts.

## **Vehicle services**

The vehicle services segment comprises our taxi finance business and LTNA, our US service and advertising business. The vehicle services profit declined from £0.8 million in 2005 to £0.4 million in 2006 due to severance costs and LTNA losses. The severance costs of £0.2m have been incurred for transferring the operation of the taxi finance business from London Taxi Finance (LTF) to Black Horse Taxi Finance, (BHTF), part of Lloyds TSB plc. Excluding the costs of severance pay, LTF and BHTF performed well and in line with 2005. New business volumes are meeting expectations and arrears are well within the industry standard.

The performance of LTNA has been disappointing, with losses of £0.5 million (2005: £0.1 million – consolidated for only two months). Losses have arisen largely through developing the service and parts infrastructure, which had not been fully implemented under LTNA's former ownership. Advertising revenues disappointed in the second half of the year. Costs have been reduced through the consolidation of our operations in the US into one facility in Chicago and the closure of one office in Boston. Advertising revenues are expected to improve in 2007 as a result of recent recruitment and the forging of wider relationships across the US media industry.

This segment also includes losses of £0.1 million (2005: £0.5 million) associated with the discontinued Zingo taxi mobile hailing service.

## **International**

Following the acquisition of LTNA, we have reviewed the detailed engineering plans and supply agreements required to relaunch a petrol powered vehicle for the US. It has been decided not to pursue this option until a low cost petrol powered vehicle is available from our Geely joint venture.

Concurrent with the review of our petrol engine strategy and the success of our Chinese negotiations, we have broken off discussions to assemble the London taxi in Mexico for the Mexican and US markets. Mexico, which also has a preference for petrol powered vehicles, will become a significant export opportunity once we have a lower cost vehicle from our Geely joint venture.

## **Balance sheet**

The impact of applying IFRS for the first time is reconciled in note 38 to the consolidated financial statements in the 2006 Annual Report. The main impact has been to introduce the Group's defined benefit pension scheme deficit onto the balance sheet. At 31 July 2006 this deficit amounted to £4.7 million (2005: £6.2 million). During the year, the Group's net assets increased to £21.5 million (2005: £19.7 million) and total cash and cash equivalents increased to £12.9 million (2005: £9.6 million). The cash position improved despite high capital investment of £6.2 million (2005: £2.9 million) and a planned build up of inventories to £17.6 million (2005: £15.3 million), the latter due to the phase out of TXII and introduction of the TX4.

Net cash, being cash and cash equivalents less bank overdrafts and loans and obligations under finance leases, reduced to £2.6 million (2005: £3.3 million) mainly due to an increased stocking loan reflecting the planned inventory build up. The inventory of finished vehicles is financed through a £13.4 million stocking facility from Lloyds TSB plc which was utilised by £9.2 million (2005: £5.1 million).

The balance sheet includes goodwill and other intangibles of £1.8 million (2005 as restated: £2.1 million). The Board has carried out an annual impairment review as required under IFRS. In the Directors' opinion no impairment of these intangibles is required. The carrying value of these LTNA assets is, however, substantially dependent on LTNA's US advertising revenues improving. The Directors will conduct a further impairment review at the 2007 half year. In addition to the intangible assets in LTNA, there are a further £2.1 million (2005: £2.7 million) of vehicles used to support the LTNA advertising business.

## **Dividends**

The Board is recommending a final dividend of 3p per share (2005: 3p), plus a special dividend of 1p (2005: nil) as a result of the Group's successful disposal of surplus properties, making a total for the year of 6p (2005: 4p). This represents a dividend cover of 2.9 times (2005: 3.2 times). The final dividend will, if approved by shareholders at the Annual General Meeting, be paid on 1 December 2006, to shareholders on the register at 3 November 2006, with an ex-dividend date of 1 November 2006.

## **People**

The average number of staff employed by the Group increased marginally to 479 (2005: 477). During the year Ian Pickering left the Group to pursue other interests. The Board thanks Ian for his contribution over the past eight years. An announcement regarding the appointment of a new Chief Executive will be made in due course.

We have recently signed a two year wage agreement with trade unions representing our Coventry based employees covering the period through to 31 July 2008. We have improved our results in employee satisfaction surveys and continue to achieve Investors in People and ISO9001:2000 accreditation.

### **The future**

The immediate outlook for Manganese Bronze will be dependent on the impact of the introduction of the new London taxi, the TX4, and our potential to maximise the opportunity arising from the impact of emissions regulations. The opening of our new Mann & Overton dealership in Brewery Road is timed to coincide with this increased opportunity.

Vehicle sales in the first two months of the year have been above the level of 2006. The outlook for the Group is positive and we expect to perform well in the coming year. We are very excited by our planned joint venture with Geely and the strategic medium and long term opportunity this offers.

**CONSOLIDATED INCOME STATEMENT**  
**for the year ended 31 July 2006**

	Notes	2006 £000	As restated 2005 £000
<b>Continuing operations</b>			
<b>Revenue</b>	1	<b>83,824</b>	87,323
Cost of sales		<b>(71,711)</b>	(75,070)
<b>Gross profit</b>		<b>12,113</b>	12,253
Distribution costs		<b>(2,974)</b>	(2,972)
Administrative expenses - including exceptional net income of £796,000 (2005: £45,000 expense)	3	<b>(5,027)</b>	(6,305)
<b>Operating profit</b>		<b>4,112</b>	2,976
Investment revenues		<b>304</b>	251
Finance costs		<b>(660)</b>	(724)
<b>Profit before tax</b>		<b>3,756</b>	2,503
Tax	4	<b>(920)</b>	94
<b>Profit for the year from continuing operations</b>		<b>2,836</b>	2,597
Loss for the year from discontinued operations		<b>(86)</b>	(549)
<b>Profit for the year</b>		<b>2,750</b>	2,048
Attributable to:			
Equity holders of the parent		<b>2,836</b>	2,070
Minority interest		<b>(86)</b>	(22)
		<b>2,750</b>	2,048
<b>Earnings per share</b>			
	6	<b>Pence</b>	Pence
From continuing operations			
Basic		<b>15.48</b>	13.88
Diluted		<b>15.39</b>	13.75
From continuing and discontinued operations			
Basic		<b>15.02</b>	10.97
Diluted		<b>14.94</b>	10.87

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**for the year ended 31 July 2006**

	<b>2006</b>	As restated
	<b>£000</b>	2005 £000
Net profit for the year	<b>2,750</b>	2,048
Losses on cash flow hedges	<b>(44)</b>	-
Exchange differences on translation of foreign operations	<b>(72)</b>	101
Actuarial gain/(loss) on defined benefit pension scheme	<b>526</b>	(746)
Tax on items taken direct to equity	<b>(159)</b>	-
Recognised income and expense for the year	<b>3,001</b>	1,403
Attributable to:		
Equity holders of the parent	<b>3,087</b>	1,425
Minority interest	<b>(86)</b>	(22)
	<b>3,001</b>	1,403

**CONSOLIDATED BALANCE SHEET**  
**as at 31 July 2006**

	Notes	2006 £000	As restated 2005 £000
<b>Non-current assets</b>			
Goodwill		1,396	1,478
Other intangible assets		448	600
Property, plant and equipment		19,608	16,707
Investment property		-	3,700
Deferred tax asset		1,745	2,311
Total non-current assets		<b>23,197</b>	24,796
<b>Current assets</b>			
Inventories		17,578	15,277
Trade and other receivables		7,921	6,581
Cash and cash equivalents		12,927	9,642
Total current assets		<b>38,426</b>	31,500
<b>Total assets</b>		<b>61,623</b>	56,296
<b>Current liabilities</b>			
Trade and other payables		19,868	18,960
Current tax liabilities		458	-
Obligations under finance leases		244	199
Bank overdrafts and loans		9,671	5,632
Derivative financial instruments		44	12
Total current liabilities		<b>30,285</b>	24,803
<b>Non-current liabilities</b>			
Other payables		49	222
Retirement benefit obligation		4,674	6,175
Obligations under finance leases		431	504
Provisions		4,065	4,273
Preference shares		642	642
Total non-current liabilities		<b>9,861</b>	11,816
<b>Total liabilities</b>		<b>40,146</b>	36,619
<b>Net assets</b>		<b>21,477</b>	19,677
<b>Equity</b>			
Share capital		4,759	4,759
Share premium account		4,919	4,919
Capital redemption reserve		916	916
Employee Share Ownership Plan (ESOP) reserve		(332)	(210)
Hedging and translation reserves		39	110
Retained earnings		11,168	9,088
<b>Equity attributable to equity holders of the parent</b>		<b>21,469</b>	19,582
Minority interests		8	95
<b>Total equity</b>	7	<b>21,477</b>	19,677

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 July 2006**

	2006 £000	As restated 2005 £000
<b>Operating activities</b>		
Operating profit from continuing operations	4,112	2,976
Operating loss from discontinued operations	(86)	(549)
Adjustments for:		
Gain on derivatives	(12)	(18)
Depreciation of property, plant and equipment	2,664	3,516
Amortisation of intangible assets	176	142
Decrease in fair value of investment property	-	341
Gain on disposal of property, plant and equipment	(1,170)	(19)
Charge for share based payments	70	32
Contribution to defined benefit pension scheme	(1,200)	(1,222)
(Decrease)/increase in provisions	(204)	537
Operating cash flows before movement in working capital	4,350	5,736
(Increase)/decrease in inventories	(2,313)	711
Increase in receivables	(1,378)	(714)
Increase in payables	861	4,212
Cash generated by operations	1,520	9,945
Income taxes paid	(17)	(6)
Interest paid	(435)	(443)
<b>Net cash from operating activities</b>	<b>1,068</b>	<b>9,496</b>
<b>Investing activities</b>		
Interest received	304	251
Proceeds on disposal of property, plant and equipment	707	533
Proceeds on disposal of intangible assets	-	700
Proceeds on disposal of assets held for sale	4,849	-
Purchases of intangible assets	(47)	(145)
Purchases of property, plant and equipment	(6,154)	(2,929)
Acquisitions of subsidiary	(99)	(1,039)
<b>Net cash used in investing activities</b>	<b>(440)</b>	<b>(2,629)</b>
<b>Financing activities</b>		
Dividends paid	(947)	(567)
Repayments of obligations under finance leases	(231)	(617)
Purchase of own shares	(431)	-
Proceeds on issue of shares	107	91
Increase in bank overdrafts	521	-
Increase/(decrease) in stocking loan	3,518	(2,464)
Net overdrafts acquired with subsidiary undertaking	-	(67)
<b>Net cash from/(used in) financing activities</b>	<b>2,537</b>	<b>(3,624)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,165</b>	<b>3,243</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>9,642</b>	<b>6,399</b>
Effect of foreign exchange rates	120	-
<b>Cash and cash equivalents at end of year</b>	<b>12,927</b>	<b>9,642</b>

## 1 REVENUE

An analysis of the Group's revenue is as follows:

	2006 £000	2005 £000
<b>Continuing operations</b>		
Sale of goods	79,964	83,816
Rendering of services	3,463	2,858
Property rental income	397	649
	<b>83,824</b>	<b>87,323</b>
Investment income	304	251
Total revenue from continuing operations	<b>84,128</b>	<b>87,574</b>
<b>Discontinued operations</b>		
Rendering of services - Zingo	-	275
Total revenue from discontinued operations	-	275
<b>Total revenue</b>	<b>84,128</b>	<b>87,849</b>

## 2 BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into three operating divisions - vehicle sales, vehicle services, and property. These divisions are the basis on which the Group reports its primary segment information.

Principle activities are as follows:

The vehicle sales segment includes the design, development, manufacture, and retailing of new purpose built taxis, along with the sale of used vehicles taken in part exchange, parts, and vehicle maintenance.

The vehicle services segment comprises taxi finance, the US based advertising business, and the Zingo mobile phone taxi hailing service. The latter is now a discontinued operation following the transfer, on 13 December 2004, of the London Zingo operation and assets to Computer Cab Plc (ComCab) as part of a license agreement.

The property segment comprises rental income received and costs associated with the Group's property portfolio, which includes a freehold property in Manchester, leased properties in London, Coventry, Birmingham and Leeds, and investment properties in Ipswich and Birmingham. The two investment properties were disposed of during the year.

Segmental information about these businesses is presented below:

	2006 £000	2005 £000
<b>Revenue</b>		
Vehicle sales	81,127	84,971
Vehicle services	2,300	2,042
Property	397	310
Continuing operations	<b>83,824</b>	<b>87,323</b>
Vehicle services - Zingo	-	275
Discontinued operations	-	275
<b>Total Group</b>	<b>83,824</b>	<b>87,598</b>

**Result**

Vehicle sales	<b>2,788</b>	2,217
Vehicle services	<b>386</b>	838
Property	<b>938</b>	(79)
Total operating profit from continuing operations	<b>4,112</b>	2,976
Investment revenues	<b>304</b>	251
Finance costs	<b>(660)</b>	(724)
Profit before tax	<b>3,756</b>	2,503
Tax	<b>(920)</b>	94
Loss from discontinued operations	<b>(86)</b>	(549)
Profit after tax and discontinued operations	<b>2,750</b>	2,048

Head office costs have been allocated to segments based on operating profit.

**Other information**

	Capital additions - property, plant and equipment		Capital additions - other intangibles		Depreciation and amortisation	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Vehicle sales	<b>5,990</b>	2,195	-	145	<b>2,263</b>	3,291
Vehicle services	<b>51</b>	819	<b>47</b>	-	<b>210</b>	23
Property	<b>344</b>	-	-	-	<b>139</b>	146
Corporate					<b>52</b>	55
Continuing operations	<b>6,385</b>	3,014	<b>47</b>	145	<b>2,664</b>	3,515
Vehicle services - Zingo	-	9	-	-	-	9
Discontinued operations	-	9	-	-	-	9
<b>Total Group</b>	<b>6,385</b>	3,023	<b>47</b>	145	<b>2,664</b>	3,524

	Total assets		Total liabilities		Net assets/(liabilities)	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Continuing operations:						
Vehicle sales	<b>42,307</b>	35,607	<b>22,671</b>	21,325	<b>19,636</b>	14,282
Vehicle services	<b>4,660</b>	5,190	<b>441</b>	637	<b>4,219</b>	4,553
Property	<b>72</b>	3,774	<b>441</b>	67	<b>(369)</b>	3,707
	<b>47,039</b>	44,571	<b>23,553</b>	22,029	<b>23,486</b>	22,542
Discontinued operations:						
Vehicle services - Zingo	-	53	-	398	-	(345)
	-	53	-	398	-	(345)
Total segment	<b>47,039</b>	44,624	<b>23,553</b>	22,427	<b>23,486</b>	22,197
Unallocated corporate	<b>1,657</b>	2,030	<b>6,247</b>	7,857	<b>(4,590)</b>	(5,827)
Net funds	<b>12,927</b>	9,642	<b>10,346</b>	6,335	<b>2,581</b>	3,307
<b>Total Group</b>	<b>61,623</b>	56,296	<b>40,146</b>	36,619	<b>21,477</b>	19,677

## Geographical segments

The Group's operations are located in England and the United States of America.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2006 £000	2005 £000
Continuing operations:		
United Kingdom	81,531	84,947
Rest of Europe	186	25
North America	562	505
Asia	-	109
Rest of world	1,545	1,737
	<b>83,824</b>	<b>87,323</b>
Discontinued operations:		
United Kingdom	-	275
	-	275
	<b>83,824</b>	<b>87,598</b>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographic area in which the assets are located:

	Carrying amount of segment net assets		Additions to property, plant & equipment and other intangible assets	
	2006 £000	2005 £000	2006 £000	2005 £000
United Kingdom	19,574	17,984	6,334	2,349
North America	3,912	4,213	98	819
	<b>23,486</b>	<b>22,197</b>	<b>6,432</b>	<b>3,168</b>

## 3 EXCEPTIONAL ITEMS

	Note	2006 £000	2005 £000
Profit on disposal of investment properties	a)	1,149	-
Loss on sale of fixed assets	b)	-	(45)
Redundancy and severance pay		(353)	-
Continuing operations		<b>796</b>	<b>(45)</b>
Profit on disposal of discontinued operations	c)	-	153
Costs of a fundamental restructuring	d)	-	(213)
Redundancy and severance pay		(6)	-
Discontinued operations		<b>(6)</b>	<b>(60)</b>
		<b>790</b>	<b>(105)</b>

- a) The profit on disposal of investment properties relates to the sale of properties in Ipswich, on 31 March 2006, and Birmingham, on 5 August 2005, for net receipts of £4,049,000 and £800,000 respectively. The properties had combined net book values of £3,700,000.

- b) The loss on sale of fixed assets in the prior year relates to warranty claims associated with the sale of the Coventry property on 29 July 2003.
- c) The profit on disposal of discontinued operations in the prior year is an adjustment in respect of the disposal of the Components Division which occurred on 29 July 2003.
- d) The costs of fundamental restructuring in the prior year relates to the license agreement entered into with ComCab for the Zingo mobile phone taxi hailing system. Under the terms of the license agreement the existing London Zingo operation and assets were transferred to ComCab on 13 December 2004. The Zingo operation is now classified as discontinued.

#### 4 TAX

	Continuing operations	
	2006	As restated 2005
	£000	£000
Current tax:		
UK corporation tax	229	-
Adjustments relating to prior years	266	6
US tax	17	-
Deferred tax		
Origination and reversal of timing differences	455	(2)
Adjustments relating to prior years	(47)	(98)
Total tax charge/(credit)	920	(94)

UK corporation tax is calculated at 30 per cent (2005: 30 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

The charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	2006	As restated 2005
	£000	£000
Profit/(loss) before tax		
Continuing operations	3,756	2,503
Discontinued operations	(86)	(549)
	3,670	1,954
Corporation tax thereon at 30% (2005: 30%)	1,101	586
Adjustment in respect of prior years	245	(314)
Tax effect of timing differences in relation to fixed assets		(575)
Tax effect of expenses that are not deductible in determining taxable profits	52	209
Tax effect of non-taxable gains on disposal of property	(359)	-
Tax effect of utilisation of tax losses not previously recognised	(118)	-
Tax effect of deferred asset previously not recognised	(197)	-
Tax effect of losses on overseas subsidiary not recognised as deferred asset	196	-
Tax charge/(credit) for current year	920	(94)

## 5 DIVIDENDS

	2006	As restated 2005
	£000	£000
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Final dividend for the year ended 31 July 2005 of 3p (2004: 2p) per share	(571)	(378)
Interim dividend for the year ended 31 July 2006 of 2p (2005: 1p) per share	(376)	(189)
	<u>(947)</u>	<u>(567)</u>
Proposed final dividend for the year ended 31 July 2006 of 3p (2005: 3p) per share	(571)	(571)
Proposed special dividend for the year ended 31 July 2006 of 1p (2005: nil) per share	(190)	-

The proposed final dividend and special dividend (a result of the Group's successful disposal of surplus properties) are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. Both dividends, if approved, will be paid on 1 December 2006 to all shareholders who are on the register at close of business on 3 November 2006.

## 6 EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

### Earnings

	2006	As restated 2005
	£000	£000
Earnings for the purposes of basic and diluted earnings per share being net profit attributed to equity holders of the parent	2,836	2,070

### Number of shares

	2006	2005
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	18,880,453	18,863,312
Effect of dilutive potential ordinary shares:		
Share options	106,728	177,505
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>18,987,181</u>	<u>19,040,817</u>

The denominators used in the calculation of earnings/(loss) per share are the same as above for both basic and diluted earnings per share from continuing and discontinued operations.

**From continuing operations**

	<b>2006</b>	2005
	<b>£000</b>	£000
Net profit attributable to equity holders of the parent	<b>2,836</b>	2,070
Adjustments to exclude loss for the year from discontinued operations	<b>86</b>	549
Earnings from continuing operations for the purpose of basic and diluted earnings per share excluding discontinued operations	<b>2,922</b>	2,619
	<b>Pence</b>	Pence
Basic	<b>15.48</b>	13.88
Diluted	<b>15.39</b>	13.75

**From discontinued operations**

Basic and diluted	<b>(0.46)</b>	(2.91)
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As discontinued operations were loss-making, diluted loss per share equals basic loss per share.

**Total Group**

Basic	<b>15.02</b>	10.97
Diluted	<b>14.94</b>	10.87

**7 MOVEMENT IN EQUITY****Attributable to equity holders of the parent**

	Issued share capital £000	Retained earnings £000	Other reserves (see below) £000	Minority interest £000	Total £000
At 1 August 2004 (as restated)	4,729	8,507	5,116	-	18,352
Recognised income and expense for the year	-	1,425	-	(22)	1,403
Acquired on acquisition of a subsidiary	-	-	-	48	48
Dividends paid	-	(567)	-	-	(567)
Shares issued	30	-	219	-	249
Share options exercised	-	-	91	-	91
Credit to equity for share based payments	-	32	-	-	32
Transfer to retained earnings	-	(309)	309	-	-
Adjustments to fair value adjustments regarding the acquisition of LTNAH on 9 June 2005	-	-	-	69	69
At 1 August 2005 (as restated)	4,759	9,088	5,735	95	19,677

Recognised income and expense for the year	-	3,159	(72)	(86)	3,001
Dividends paid	-	(947)	-	-	(947)
Purchase of own shares	-	-	(431)	-	(431)
Share options exercised	-	-	107	-	107
Credit to equity for share based Payments	-	70	-	-	70
Transfer to retained earnings	-	(202)	203	(1)	-
At 31 July 2006	<b>4,759</b>	<b>11,168</b>	<b>5,542</b>	<b>8</b>	<b>21,477</b>

#### Other reserves

	Share Premium Account	Capital redemption reserve	ESOP reserve	Hedging And Translation Reserves	Total other reserves
	£000	£000	£000	£000	£000
At 1 August 2004 (as restated)	4,700	916	(500)	-	5,116
Shares issued	219	-	-	-	219
Share options exercised	-	-	91	-	91
Transfer to retained earnings	-	-	199	110	309
At 1 August 2005 (as restated)	4,919	916	(210)	110	5,735
Currency translation differences	-	-	-	(71)	(71)
Purchase of own shares	-	-	(431)	-	(431)
Share options exercised	-	-	107	-	107
Transfer to retained earnings	-	-	202	-	202
At 31 July 2006	<b>4,919</b>	<b>916</b>	<b>(332)</b>	<b>39</b>	<b>5,542</b>

- 8** The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2006 or 31 July 2005, but is derived from those accounts. Statutory accounts for 31 July 2005 have been delivered to the Registrar of Companies and those for 2006 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.
- 9** The preliminary results for the year ended 31 July 2006 have been prepared for the first time under IFRS and the comparatives for the year ended 31 July 2005 have been restated using consistent accounting policies. Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not in itself contain sufficient information to comply with IFRSs.
- 10** The preliminary results, and the full financial statements that comply with IFRS, were approved by the Board of Manganese Bronze Holdings PLC on 18 October 2006.
- 11** The one hundred and seventh Annual General Meeting of Manganese Bronze Holdings PLC will be held at LTI Limited, Holyhead Road, Coventry CV5 8JJ on 23 November 2006 at noon.
- 12** Copies of this announcement may be obtained from the Company Secretary, Manganese Bronze Holdings PLC, Third Floor, Midsummer House, Midsummer Boulevard, Milton Keynes, MK9 3BN.