



## **Metnor Group PLC**

Directors' report and  
financial statements

31 December 1998

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## Directors, Secretary      Advisers

### Directors

Chairman*	JP Pither
Managing Director	S Rankin
Finance Director	RG Guy
Production Director	D Pinkerton
Director*	GSC Forrest
Director*	A Rankin

\* non executive

### Registered and Head Office

Metnor House  
Mylord Crescent  
Camperdown Industrial Estate  
Killingworth  
Tyne & Wear NE12 0YD

### Company Secretary

RG Guy

### Nominated Broker and Nominated Adviser

Bell Lawrie Wise Speke  
a division of Brewin Dolphin Securities Ltd  
34 Lisbon Street  
Leeds LS1 4LX

### Auditors

KPMG Audit Plc  
Quayside House  
110 Quayside  
Newcastle upon Tyne NE1 3DX

### Solicitors to the Company

Mincoffs  
Kensington House  
4-6 Osborne Road  
Newcastle upon Tyne NE2 2AA

### Registrars and Receiving Agents

IRG plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ

I am pleased to report  
that the levels of performance for  
the year ended 31 December 1998,  
that were expected when the  
Company's shares were admitted  
to trading on the Alternative  
Investment Market  
in August 1998, have been  
fully achieved.

### Chairman's statement

In the year ended 31 December 1998, turnover reached £9.3 million (1997: £9.5 million), and profit before tax rose to £1.8 million (1997: £0.6 million). Against this background, the Directors are recommending the payment of a final dividend of 2.09p per share (1997: nil).

The Company's reputation for service and quality, and the underlying cost effectiveness of our plants, which is a great credit to our dedicated staff, has enabled us to perform to expectations. This is despite an aggressive pricing policy from our competitors during the latter part of the year under review which resulted in a reduced tonnage for a short period.

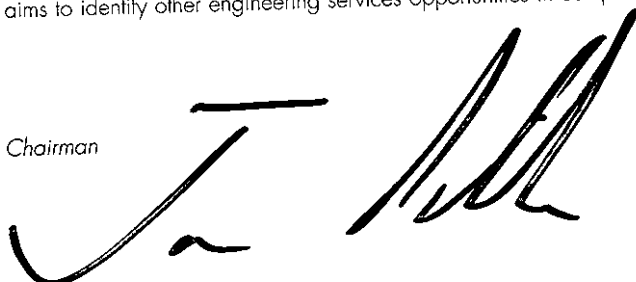
As indicated in the prospectus that accompanied our flotation in August 1998, we are continuing to invest in productivity improvements for existing plants and in the installation of a new plant that will add value to our basic services. In this context, work has been undertaken on two major projects. In April this year a powder paint coating line was successfully commissioned at Middlesbrough. This will allow us to offer customers decorative finishes on top of the metallic protection provided by galvanizing.

The other project is the construction of additional galvanizing capacity. Preliminary planning and engineering work has been completed to enable us to construct a further galvanizing line on a fast track build programme at Chesterfield, just as soon as market demand justifies the investment. The Company currently has cash resources in excess of £2 million for this and other projects.

It would give me great pleasure to be able to predict the timing of a substantial upturn in manufacturing and construction activity, but we are essentially an engineering services company dependent on the fortunes of our user industries. Their immediate expectations are harder to foresee, but there is no doubt that the demand for galvanizing will rise strongly over the longer term. It is, however, gratifying that even in these difficult circumstances we are confident of further growth and are well placed to take advantage of opportunities as they arise.

It is one of our aims to identify other engineering services opportunities in compatible areas of management competence.

**JP Pither**  
Non-Executive Chairman



20 April 1999

The directors present  
their annual report  
and the audited financial  
statements for the year  
to 31 December 1998.

## Directors' report

### Principal activities

The principal activity of the Group is that of jobbing galvanizers.

### Business review

The company was incorporated on 6 July 1998. On 30 July 1998 the company acquired the entire share capital of Metnor Galvanizing Limited. On 31 July the company acquired the entire share capital of Moortime Limited. On 5 August 1998 the prospectus for admission to the Alternative Investment Market (AIM) was published, and trading on AIM commenced on 19 August 1998.

### Proposed dividend

The directors recommend that a final ordinary dividend of £265,430 be paid, making with the interim paid of £2,500,000, a total of £2,765,430 for the year (1997: nil).

The proposed dividend is payable on 15 June 1999 to those on the register at 21 May 1999.

### Policy and practice on payment of creditors

It is the Group policy to pay suppliers in accordance with terms and conditions agreed prior to the commencement of trading, provided that the supplier has met its contractual obligations. At 31 December 1998 creditor days were 33.

### Year 2000 and introduction of the Euro

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will require modification or replacement to accommodate the Year 2000 and beyond to avoid malfunctions and the resulting widespread commercial disruption. This is a complex issue which depends not only on our own computer systems, but also on those of our suppliers. This could expose us to further risk in the event that there is a failure by third parties to remedy their own issues relating to Year 2000.

The Group is well advanced in dealing with the Year 2000 issues and does not expect the costs of such remedial action if deemed necessary to be material.

### Directors and directors' interests

The directors who held office during the year were as follows:

JL Nominees One Limited	(appointed 6 July 1998; resigned 6 July 1998)
JL Nominees Two Limited	(appointed 6 July 1998; resigned 6 July 1998)
A Rankin	(appointed 6 July 1998)
S Rankin	(appointed 27 July 1998)
GSL Forrest	(appointed 27 July 1998)
JP Piither	(appointed 27 July 1998)
D Pinkerton	(appointed 27 July 1998)
RG Guy	(appointed 27 July 1998)

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of the company and other group companies, according to the register of directors' interests:

	<b>Company</b>	<b>Class of share</b>	<b>Interest at end of year</b>	<b>Interest at start of year or date of appointment</b>
A Rankin	Metnor Group PLC	Ordinary 1p	3,166,666	-
S Rankin	Metnor Group PLC	Ordinary 1p	3,166,666	-
GSL Forrest	Metnor Group PLC	Ordinary 1p	250,002	-
JP Pither	Metnor Group PLC	Ordinary 1p	326,002	-
D Pinkerton	Metnor Group PLC	Ordinary 1p	5,000	-
S Rankin	Metnor Galvanizing Limited	Ordinary £1	-	100

The ordinary shares in which JP Pither has an interest are held by Surrey Management Services Limited, a company which he controls.

In addition, S Rankin had a joint non-beneficial interest, as a trustee, in 100 £1 ordinary shares in which A Rankin had a beneficial interest of Metnor Galvanizing Limited at the start of the year. According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Major Shareholdings

As at 20 April 1999 the following shareholdings in 3% or more of the ordinary share capital of the Company, other than the Directors' holdings shown above, had been notified to the Company

	<b>Ordinary Shares</b>	
	<b>Number</b>	<b>Percentage</b>
Direct Nominees Limited	500,000	3.9
JR Rankin	3,166,666	24.9
Rock (Nominees) Limited	580,000	4.6

### Employees

The Group provides equal opportunities to all staff and recruits the most suitably qualified person for each position. Full and fair consideration is given to applications for employment of disabled persons.

### Political and charitable contributions

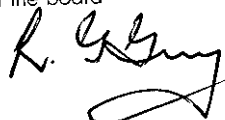
The company made no political contributions during the year. Donations to UK charities amounted to £870 (1997: £2,505).

### Auditors

In accordance with section 284 of the Companies Act 1985, a resolution for the appointment and reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**RG Guy**  
Secretary



Metnor House  
Mylord Crescent  
Killingworth  
Tyne & Wear  
NE12 0YD

20 April 1999

## Statement of directors' responsibilities

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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 and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- ⊗ select suitable accounting policies and then 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;
- ⊗ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **Report of the auditors** to the members of Metnor Group PLC

We have audited the financial statements on pages 6 to 22.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 1998 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**

*Chartered Accountants*

*Registered Auditor*

20 April 1999

# profit and loss account

for the year ended 31 December 1998

	Note	Proforma 1998	Proforma 1997
		£000	£000
<b>Turnover</b>	2	<b>9,334</b>	9,478
Cost of sales		<b>(6,431)</b>	(6,894)
<b>Gross profit</b>		<b>2,903</b>	2,584
Administrative expenses		<b>(1,277)</b>	(2,187)
<b>Operating profit</b>		<b>1,626</b>	397
Profit on sale of fixed assets - continuing operations		<b>10</b>	27
Other interest receivable and similar income	6	<b>170</b>	167
<b>Profit on ordinary activities before taxation</b>	3-5	<b>1,806</b>	591
Tax on profit on ordinary activities	7	<b>(554)</b>	(191)
<b>Profit on ordinary activities after taxation</b>		<b>1,252</b>	400
Dividends on equity shares	8	<b>(2,765)</b>	-
<b>Retained (loss)/profit for the year attributable to equity shareholders</b>		<b>(1,513)</b>	400
Earnings per share	9	<b>11.4p</b>	4.0p

All activity in the current year relates to continuing operations and results from the acquisitions in the year.



# Consolidated balance sheet

at 31 December 1998

	Note	Proforma 1998		Proforma 1997	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		<b>2,312</b>		711
<b>Current assets</b>					
Stock	12	<b>126</b>		125	
Debtors	13	<b>2,471</b>		5,510	
Cash at bank and in hand		<b>1,956</b>		1	
		<b>4,553</b>		5,636	
<b>Creditors:</b> amounts falling due within one year	14	<b>(1,082)</b>		(1,410)	
<b>Net current assets</b>			<b>3,471</b>		4,226
<b>Net assets</b>			<b>5,783</b>		4,937
<b>Capital and reserves</b>					
Called up share capital	16		<b>127</b>		-
Share premium account	17		<b>2,232</b>		-
Profit and loss account	17		<b>3,424</b>		4,937
<b>Shareholders' funds: equity</b>			<b>5,783</b>		4,937

These financial statements were approved by the board of directors on 20 April 1999 and were signed on its behalf by:



**A Rankin**

Director

# **balance sheet**

at 31 December 1998

	Note	1998	
		£000	£000
<b>Fixed assets</b>			
Investments	11		100
<b>Current assets</b>			
Debtors	13	1,522	
Cash at bank and in hand		2,049	
		3,571	
<b>Creditors: amounts falling due within one year</b>	14	(1,153)	
<b>Net current assets</b>			2,418
<b>Net assets</b>			2,518
<b>Capital and reserves</b>			
Called up share capital	16		127
Share premium account	17		2,331
Profit and loss account	17		60
<b>Shareholders' funds: equity</b>			2,518

These financial statements were approved by the board of directors on 20 April 1999 and were signed on its behalf by:



**A Rankin**

Director

# Consolidated cash flow statement

for the year ended 31 December 1998

	Note	Proforma 1998	Proforma 1997
		£000	£000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		1,626	397
Depreciation charges		231	209
(Increase)/decrease in stocks		(1)	12
Decrease/(increase) in debtors		3,324	(625)
(Increase)/decrease in creditors		(439)	222
<b>Net cash inflow from operating activities</b>		<b>4,741</b>	<b>215</b>
<b>Cash flow statement</b>			
<b>Cash flow from operating activities</b>		<b>4,741</b>	<b>215</b>
Returns on investments and servicing of finance	20	170	167
Taxation		(816)	(163)
Capital expenditure and financial investment	20	(1,822)	(194)
Equity dividends paid		(2,500)	-
Cash (outflow)/inflow before management of liquid resources and financing		(227)	25
<b>Financing</b>	20	<b>2,358</b>	<b>-</b>
<b>Increase in cash in the year</b>		<b>2,131</b>	<b>25</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
	21	2,131	25
<b>Increase in cash in the year</b>		<b>2,131</b>	<b>25</b>
Cash used to increase liquid resources		-	-
<b>Movement in net debt in the year</b>		<b>2,131</b>	<b>25</b>
Net debt at the start of the year		(175)	(200)
<b>Net funds/(debt) at the end of the year</b>		<b>1,956</b>	<b>(175)</b>

## shareholders' funds

for the year ended 31 December 1998

	1998
	£000
<b>Loss for the financial year</b>	<b>(1,513)</b>
Premium arising on share issue (net of issue costs)	<b>2,232</b>
New share capital subscribed	<b>127</b>
<b>Net addition to shareholders' funds</b>	<b>846</b>
Opening shareholders' funds	<b>4,937</b>
<b>Closing shareholders' funds</b>	<b>5,783</b>

## **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 1998. The method of consolidation has been adopted as required by Financial Reporting Standard 6. Under the merger method the results of each company are included for the whole of the financial year. This method has been adopted for the merger of Metnor Group PLC and Metnor Galvanizing Limited. Under the acquisition method the results of the subsidiary undertaking acquired in the period are included from the date of acquisition. This method had been adopted for the acquisition of Moortime Limited.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

### ***Goodwill and negative goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Negative goodwill arising on consolidation is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	20 years
Leasehold land		
and buildings	-	life of lease
Plant and machinery	-	10% to 50%
Motor vehicles	-	20% to 25%

No depreciation is provided on freehold land.

### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**1 Accounting policies** *continued****Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used. For finished goods the cost is taken as the production cost, which includes an appropriate proportion of attributable overheads.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

***Cash and liquid resources***

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

## 2 Analysis of turnover and profit on ordinary activities before taxation

All turnover and profit before taxation arises from the principal activities of the group which are carried out entirely in the United Kingdom.

## 3 Profit on ordinary activities before taxation

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	15	4
Group	2	-
Company	-	1
Other services - fees paid to the auditor and its associates	231	209
Depreciation and other amounts written off tangible fixed assets	90	41
Hire of plant and machinery - rentals payable under operating leases		

## 4 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	97	504
Company contributions to money purchase pension schemes	4	3
Amounts paid to third parties in respect of directors' services	-	60
	101	567
Amounts attributing to highest paid director:		
Emoluments	48	210
Company contributions to money purchase pension schemes	4	-

**5 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1998	1997
Production	132	148
Administration	32	31
	<b>164</b>	179

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£000	£000
Wages and salaries	2,918	2,908
Social security costs	282	273
Other pension costs	18	17
	<b>3,218</b>	3,198

**6 Other interest receivable and similar income**

	1998	1997
	£000	£000
Rent receivable	4	7
Bank interest	166	160
	<b>170</b>	167



**7 Taxation**

	<b>1998</b>	1997
	<b>£000</b>	£000
UK corporation tax at 31%	<b>554</b>	191

**8 Dividends**

	<b>1998</b>	1997
	<b>£000</b>	£000
Equity shares:		
Interim dividend paid	<b>2,500</b>	-
Final dividend proposed	<b>265</b>	-
	<b>2,765</b>	-

**9 Earnings per share**

Earnings per share is calculated by dividing the profit after taxation for the year of £1,252,550 (Proforma 1997: £400,308) by the weighted average number of shares, 10,991,235 (Proforma 1997: 10,000,002) in issue during the year.

The fully diluted earnings per share is the same as the basic disclosed.

# Notes

forming part of the financial statements

## 10 Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000
<b>Group</b>					
<i>Cost</i>					
At beginning of year	325	2,147	498	-	2,970
Additions	72	88	80	299	539
Disposals	-	-	(52)	-	(52)
Transfers from/(to) related parties	1,403	(47)	(108)	-	1,248
At end of year	1,800	2,188	418	299	4,705
<i>Depreciation</i>					
At beginning of year	193	1,858	208	-	2,259
Charge for year	30	113	88	-	231
On disposals	-	-	(40)	-	(40)
Transfers from/(to) related parties	(3)	(26)	(28)	-	(57)
At end of year	220	1,945	228	-	2,393
<i>Net book value</i>					
<b>At 31 December 1998</b>	<b>1,580</b>	<b>243</b>	<b>190</b>	<b>299</b>	<b>2,312</b>
At 31 December 1997	132	289	290	-	711

The net book value of land and buildings comprises:

	1998 £000	1997 £000
Freehold	1,538	132
Short leasehold	42	-
	<b>1,580</b>	132

**11 Fixed asset investments**

	<b>Total £000</b>
<b>Shares in group undertaking</b>	
<i>Cost</i>	100
Additions	<u>100</u>
At end of year	<u>100</u>
<i>Provisions</i>	
Provided in year	<u>-</u>
At end of year	<u>-</u>
<i>Net book value</i>	<b>100</b>
<b>At 31 December 1998</b>	<b>100</b>

The company owns 100% of the ordinary share capital of the following:

Company	Country of registration	Principal activity
Metnor Galvanizing Limited	England	Hot dip galvanizing
Moortime Limited	England	Property holding company

Metnor Galvanizing Limited was accounted for as a merger in accordance with Financial Reporting Standard 6. Consideration for the acquisition consisted of a 100% share for share exchange. The fair value of the shares issued is considered to be £10,000,002. The company made a loss of £1,712,993 from the beginning of the financial year to the date of acquisition and a loss of £1,592,166 in the year in total. In its previous year the profit was £400,308.

Moortime Limited was accounted for as an acquisition and did not trade prior to acquisition. The cost of acquisition was £1 which represented the nominal value of the share capital acquired.

**12 Stocks**

	<b>Group 1998 £000</b>	1997 £000	<b>Company 1998 £000</b>
Raw materials and consumables	123	124	-
Finished goods and goods for resale	3	1	-
	<b>126</b>	125	-

**13 Debtors**

	<b>Group</b>		<b>Company</b>
	<b>1998</b>	1997	<b>1998</b>
	<b>£000</b>	£000	<b>£000</b>
Trade debtors	<b>2,132</b>	2,312	-
Amounts owed by group undertakings	-	-	<b>1,502</b>
Amounts owed by related undertakings	<b>4</b>	3,185	-
Other debtors	<b>8</b>	-	-
Prepayments and accrued income	<b>42</b>	13	<b>20</b>
Corporation tax recoverable	<b>285</b>	-	-
	<b>2,471</b>	5,510	<b>1,522</b>

**14 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>
	<b>1998</b>	1997	<b>1998</b>
	<b>£000</b>	£000	<b>£000</b>
Bank overdraft	-	176	-
Trade creditors	<b>333</b>	141	<b>1</b>
Amounts owed to group undertakings	-	-	<b>873</b>
Amounts owed to related undertaking	<b>43</b>	178	-
Taxation and social security	<b>314</b>	293	<b>11</b>
Other creditors	<b>34</b>	13	-
Accruals and deferred income	<b>93</b>	609	<b>3</b>
Dividend proposed	<b>265</b>	-	<b>265</b>
	<b>1,082</b>	1,410	<b>1,153</b>

**15 Provisions for liabilities and charges**

No provisions have been made for deferred taxation. The amounts not provided are set out below:

	<b>1998</b>	1997
	<b>Unprovided</b>	Unprovided
	<b>£000</b>	£000
Difference between accumulated depreciation and amortisation and capital allowances	<b>285</b>	(57)

**16 Called up share capital**

	1998 £000
<i>Authorised</i>	
Equity: 500,000,000 ordinary shares of 1p each	<b>5,000</b>
<i>Allotted, called up and fully paid</i>	
Equity: 12,700,002 ordinary shares of 1p each	<b>127</b>

During the year the following transactions took place:

- On 6 July 1998, 200 ordinary £1 shares were issued to form the initial capital of the company. By ordinary resolution passed on 6 July 1998 each issued and unissued share was subdivided into 100 ordinary shares of 1p.
- On 30 July 1998, 9,980,002 ordinary 1p shares were issued to enable the company to merge, in a share for share exchange, with the directors of Metnor Galvanizing Limited.
- On 19 August, 2,700,000 ordinary 1p shares each were issued at a price of £1 per share through a placing and open offer. The net proceeds will be used to develop a powder coating operation and to finance the development of an additional galvanizing facility.

**17 Share premium and reserves**

	<b>Group</b>		<b>Company</b>	
	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At beginning of year	-	<b>4,937</b>	-	-
Retained (loss)/profit for the year	-	<b>(1,513)</b>	-	<b>60</b>
Premium on share issues, less expenses	<b>2,331</b>	-	<b>2,331</b>	-
Merger relief	<b>(99)</b>	-	-	-
At end of year	<b>2,232</b>	<b>3,424</b>	<b>2,331</b>	<b>60</b>

# Notes

forming part of the financial statements

## 18 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	Group and company	
	1998 £000	1997 £000
Contracted	12	18

## 19 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £18,358 (1997: £16,886).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## 20 Analysis of cash flows

	1998 £000	1997 £000	1998 £000	1997 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	166	160		
Rent received	4	7		
			170	167
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(2,039)	(253)		
Sale of plant and machinery	217	59		
			(1,822)	[194]
<b>Financing</b>				
Issue of ordinary share capital	2,700	-		
Expenses paid in connection with share issue	(342)	-		
			2,358	-

**21 Analysis of net debt**

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand and at bank	1	1,955	1,956
Overdraft	(176)	176	-
<b>Total</b>	<b>(175)</b>	<b>2,131</b>	<b>1,956</b>

**22 Related party disclosures**

The companies related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them in the year ended 31 December 1998 are summarised below:

<b>Name of related party</b>	<b>Amounts owing to/(owed by) the company at 31 December 1998 £</b>
Metnor Industrial Holdings Limited	1,358
Metnor Group Management Limited	(38,827)
Metnor Tyne Tees Limited	(4,709)
Metnor Properties Limited	1,410
Metro Sports Distribution Limited	(84)
Metnor Fluid Power Limited	1,410
Kirkseyde Metals	-

**Value of transactions with related parties in the year ended 31 December 1998**

	<b>£</b>
Purchases from companies on normal trading terms	<b>1,483,234</b>
Sales to companies on normal trading terms	<b>263,705</b>

Mr S Rankin, the Managing Director, is a partner of Kirkseyde Metals. S Rankin and A Rankin, directors of the company, hold common directorships in the other companies listed above.

A third party contract for the purchase of zinc was transferred from Kirkseyde Metals to the company during the year at nil consideration. Total purchases from Kirkseyde Metals during the pre-acquisition period were £939,071.

The company has a service agreement with Surrey Management Services Limited, J Pither is a director of this company. During the year the company paid £4,167 to this company.

# Notice of annual general meeting **Metnor Group PLC**

Company Number 3596379

NOTICE IS HEREBY GIVEN THAT THE FIRST ANNUAL GENERAL MEETING of the Company will be held at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on 28 May 1999 at 11.00am for the purpose of considering and if thought fit, passing thereat or at any adjournment thereof, resolutions as to the ordinary business of the Company as follows:

1. To receive and adopt the Company's accounts for the year ended 31 December 1998 and the reports of the Directors and Auditors thereon.
2. To re-elect those directors who are required to retire in accordance with the provisions of the Articles of Association of the Company, being:  
  
JR Pither, S Rankin, RG Guy, D Pinkerton, GSL Forrest and A Rankin
3. To declare a dividend of 2.09p per share.
4. To re-appoint KPMG Audit plc as auditors.
5. To authorise the directors to fix the remuneration of the auditors.
6. As special business, to consider the following resolution which will be proposed as an ordinary resolution:  
  
"That the directors be unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £12,350.00 such authority to expire on the date of the next Annual General Meeting."
7. As special business, to consider the following resolution which will be proposed as a special resolution:  
  
"That the directors be unconditionally authorised (pursuant to section 95 of the Companies Act 1985) to allot equity securities (as defined in section 94(2) of the Companies Act 1985) for cash pursuant to the resolution at 6 above as if section 89(1) of the Companies Act 1985 did not apply in respect of the issue of equity securities up to an aggregate nominal amount of £6,350.00 such authority to expire on the date of the next Annual General Meeting."

**20 April 1999**

**By Order of the Board**

  
**RG Guy**

Company Secretary

Registered Office  
Metnor House  
Mylord Crescent  
Killingworth  
Newcastle upon Tyne  
NE12 5YD

Note

A member of the Company entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. An instrument of proxy is enclosed. To be valid, an instrument of proxy must be deposited at the Company's registered office at least 48 hours before the time appointed for holding the meeting. Completion of an instrument of proxy does not preclude a member from attending the meeting and voting thereat.