

**Metnor Group plc**

**Annual report and financial statements**

**Registered number 03596379**

**31 December 2009**

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## **Directors, Secretary and Advisers**

<b>Directors</b>	Chairman and Chief Executive	S Rankin
	Finance Director	KA Atkinson
	Directors	A Greenwell W Thoburn
<b>Registered and head office</b>		Metnor House Mylord Crescent Killingworth Tyne & Wear NE12 5YD
<b>Company secretary</b>		KA Atkinson
<b>Independent auditors</b>		KPMG Audit Plc Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
<b>Solicitors</b>		Mincoffs 5 Osborne Terrace Jesmond Newcastle upon Tyne NE2 1SQ
		Muckle LLP Time Central 32 Gallowgate Newcastle upon Tyne NE1 4BF
<b>Registrars</b>		Share Registrars Limited First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

## Chairman's Statement

2009 has proved to be an eventful year for the Metnor Group in many ways

In the first quarter of the year, the Board re-assessed the benefit to the Group and to its shareholders of maintaining a listing on the Alternative Investment Market ('AIM') and after almost 11 years as a quoted company, shareholders approved a resolution to de-list the Company's shares with effect from 1 April 2009

Whilst these changes to the Group's corporate structure were being made, the UK and world economy continued to deteriorate and the Group experienced an unprecedented fall in demand for its products and services with the result that sales in the first 6 months of 2009 fell by a massive 64% from £44.5 million in the first half of 2008 to £16.0 million in the first half of 2009

Most of the downturn occurred in the Group's construction division where many of the large projects which were forecast to begin in 2009 were put on indefinite hold by the end customer as they were unable to source the necessary bank funding to finance their projects. The Group had to adjust accordingly, and unfortunately this resulted in a number of redundancies across the division

I am pleased to report that the position began to ease in the second half of 2009 and as such both our construction and M&E contracting businesses are now back up to more acceptable capacity levels. Unfortunately the improvement came too late to have a significant bearing on the 2009 figures

## Results

Revenue for the full year was £38.4 million which is 49% down on the corresponding figure in 2008 (£76.0 million). Operating profit before exceptional costs relating to inventory impairment was £1.0 million compared with £2.6 million in 2008 whilst profit before tax (excluding exceptional costs) was £0.6 million (2008 £2.1 million).

The challenging conditions which continued throughout the year in the UK property market meant that the Group had to review the net realisable value of its development sites at the year end and this has resulted in an exceptional write down in land values amounting to £1.4 million, giving an overall loss for the year of £0.6 million (2008 profit of £1.6 million).

## Cash and borrowings

Although the write down in the book value of the Group's development land is disappointing, it does not affect the Group's cash flows and I am pleased to report that despite the challenging conditions, we have conserved cash within the business with our cash balances at the year end amounting to £4.6 million (2008 £2.9 million). Our gross borrowings were £17.7 million (2008 £16.3 million) giving net borrowings of £13.1 million compared with £13.4 million at the end of 2008. This reduction in net borrowings has continued in the first quarter of 2010.

Since the year end we have also successfully re-negotiated our bank facilities to bring them in line with the changing nature of the Group and this has put us on a firm financial footing going forward.

## Dividend

Given the current economic climate, the Board considers it prudent to retain cash within the business and as was the case in 2008, no dividend will be payable for 2009.

## Directors and Employees


During the year we were delighted to welcome Bill Thoburn to the Board. Bill assumes overall responsibility for the Group's Mechanical and Electrical contracting business and was previously in charge of its very successful Southern office based in Maidenhead.

As ever, the Group's many employees have shown immense resilience in the face of difficult conditions and I would like to thank them all for their tireless contribution during the year.

## **Chairman's Statement** *(continued)*

### **The Future**

Looking forward, I do not expect conditions to improve significantly in 2010 but we are well positioned to deal with these circumstances and we are beginning to see signs of improvement in certain sectors of our markets



**S Rankin**  
*Chairman*

21 May 2010

## Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2009

### Principal activities

The principal activities of the Group are that of property development, construction and the provision of mechanical and electrical contracting services. The Group also supplies specialist hosing and pressure testing equipment to the offshore industry through its subsidiary undertaking Metnor (Great Yarmouth) Limited

### Business review

With continued uncertainty in the UK property market and in the wider economy as a whole, the Board's main focus in 2009 was to adapt to the market conditions and put the Group in as strong a position as possible to enable it to take advantage when the recovery begins

Part of this strategy involved conserving cash within the business and reducing net borrowings, which has been achieved as set out in the Chairman's Statement. At the same time we needed to adapt our trading businesses to the market conditions and this has been achieved as set out below

#### Property Division

The focus in our property division in 2009 was to complete those developments which were in progress at the start of the year but to limit expenditure on other developments to those costs necessary to achieve planning permissions where possible

As noted in our interim report, we completed the development of a 120 bed care home in the early part of 2009 and this site is now fully occupied by a major care home operator on a 30 year lease. We were also granted planning permission on a 74 bed care home for the same operator during the year and work has commenced on this site with an anticipated completion in the summer of 2011

In August 2009, we entered into a joint sale and development agreement with the University of Northumbria to build a 396 bed student accommodation scheme and this development is progressing well and is on target for completion in July 2011

The only other development on which work was undertaken and completed was a 25,000 sq ft office extension on a site in Newcastle. Unfortunately the office market remains subdued and as part of our review of net realisable values, we have had to write down the value of this development in our books

#### Construction Division

It became clear in the early part of 2009 that many of the larger construction projects for which we were tendering would become victims of the recession as customers were unable to borrow the funds needed to finance these projects. Accordingly our focus in 2009 was to complete those contracts on which we were working and then to manage costs and downsize the business throughout a period of reduced activity until workload began to pick up again

Sadly, this approach meant that we had to make a number of employees redundant during the year and overall the division made an operating loss in the year of £0.2 million (2008 operating profit of £1.3 million) on a much reduced external revenue of £10.3 million (2008 £32.7 million)

We are pleased to note however, that the business began to pick up during the last quarter of 2009 and the division is now back to working nearer full capacity albeit this is at a reduced level compared to previous years

#### Contracting Division

Our Mechanical and Electrical contracting division was re-organised in 2008 to reflect the difficult economic conditions in the market and our focus in 2009 has been to build up the workload in this division across our Newcastle and Maidenhead offices

Whilst the first half of 2009 proved to be challenging, we have seen a marked upturn in activity in the second half of the year and this division generated an operating profit of £0.1 million (2008 £0.8 million) on external revenue of £18.5 million (2008 £33.1 million)

We are pleased to report that the upturn has continued into 2010 and order levels are significantly ahead of the same stage last year

## **Directors' Report** *(continued)*

### **Business review** *(continued)*

#### **Other activities**

Our business in Great Yarmouth, which services the worldwide Oil & Gas industry has had another successful year. The reduction in the price of oil from its high in 2008 has had a slight impact on the business as operators have reduced their levels of expenditure but to date the impact has not been significant.

#### **Outlook**

The outlook for the next twelve months and beyond remains uncertain but there are signs that the markets in which we operate are beginning to improve.

The steps we have taken in 2009 to adapt the business, manage our cash position and implement cost control measures mean that we are in a far stronger position than we were 12 months ago and this gives us confidence that we are well positioned to outperform in the medium term.

We expect our performance in 2010 to show signs of recovery but the key to sustained recovery in the markets in which we operate will be the banking sector reverting to some kind of normality in terms of providing debt finance for capital projects.

### **Principal risks and uncertainties**

The directors consider the management of risk to be key to the future success of the Group. The main risks and uncertainties facing the Group can be broken down into the following areas:

- market risk
- operational risks
- health and safety risk
- financial risks

#### **Market risk**

The Group trades primarily in the construction, contracting and property sectors which traditionally expose the Group to market risk as these sectors are cyclical in nature. Such risk has been mitigated by the Group diversifying its operations within these sectors and undertaking projects in such diverse fields as the provision of care home facilities, student accommodation, retail fit-out, pharmaceutical projects and hotel construction.

The ongoing banking crisis, however, has introduced a more far reaching element of market risk to the larger scale projects typically undertaken by our construction and property divisions. Customers and potential customers are increasingly unable to secure the bank funding needed to complete such projects and are having to defer projects which would otherwise be commercially viable.

Should these market conditions continue for a prolonged period then the Group will be unable to grow the business which will have a negative impact on the Group's balance sheet.

#### **Operational risks - construction and contracting**

At any point in time, the Group is working on numerous projects across its construction and contracting businesses and there is always a risk a project will overrun resulting in loss of profits and reputation with the customer. We employ an experienced team of estimators, project engineers and quantity surveyors who control costs and resources from start to finish of a project. Regular training is also provided to on site workers to ensure standards are met.

The Group's supply chain comprises a number of key suppliers and subcontractors each of whom are important to the Group's ability to deliver projects on time. The Group operates a formal interview and assessment process for both new and existing suppliers and subcontractors to ensure they are both financially and commercially capable of meeting the Group's high standards of performance.

## Directors' Report *(continued)*

### Business review *(continued)*

#### Principal risks and uncertainties *(continued)*

##### *Operational risks – property development*

An inherent risk in the property sector is the inability to acquire suitable land at satisfactory prices as this would hinder the Group's ability to grow. The Group has acquired strategic sites over the course of a number of years and has sufficient pipeline for the medium term success of the business.

Planning risk is prevalent on most development sites and the increased delays and complexity of the planning process poses a risk to the Group's growth prospects. The Group aims to mitigate this risk by ensuring it has a fall back position by way of an alternative use should it fail to obtain planning on its sites.

##### *Health and Safety risk*

Health and Safety matters represent a significant area of risk in the sectors in which we operate. We recognise the need to provide a safe working environment for our employees, others who work on our sites and members of the public. We also understand the negative impact on our business if we do not achieve this. In order to ensure a first class health and safety record the Group enhances its in-house Health and Safety procedures by engaging independent consultants to visit sites on a regular basis and report back independently to Board members.

##### *Financial risks*

The Group faces a number of financial risks including

- Liquidity risk - a lack of available funds to meet the Group's needs
- Credit risk - a risk of financial loss if customers are unable to settle their contractual obligations
- Interest rate risk - exposure to increased borrowing costs if interest rates rise

A full description of the Group's approach to managing these financial risks is set out in note 23 to the financial statements.

#### Key performance indicators ("KPIs")

##### *Financial*

The Group's KPIs centre on its financial results and in particular its level of operating profit and its net cash balances which at the year end were as follows:

	2009 £000	2008 £000
Operating profit before exceptional costs	1,036	2,648
Operating (loss)/profit	(314)	2,648
Cash at bank	4,625	2,947
Interest-bearing loans and borrowings net of cash at bank	(13,101)	(13,328)

Operating profit measures the Group's profit from operations and is key to the Group's continued success. Strong profit growth will enable the Group to deliver enhanced returns to shareholders over the longer term. The Group has seen a fall in operating profit in 2009 as discussed in the Chairman's Statement and in the Business Review.

Cash generation is also critical to the Group's success and to ensure the business is adequately funded to achieve its long term objectives. The Group has seen a positive cash inflow in 2009.

##### *Non financial*

The main non financial KPI monitored by the Group is its health and safety record measured by reference to the number of Notifiable Accidents under Health and Safety Legislation. There were 2 such accidents in 2009 (2008 2).



## **Directors' Report** *(continued)*

### **Dividends**

The directors do not propose a final ordinary dividend for the year (2008 £nil) No interim dividend was paid during the year (2008 £nil)

### **Directors**

The directors who held office during the year were as follows

S Rankin	
KA Atkinson	
A Greenwell	
PI Cussins	(resigned 24 February 2009)
W Thoburn	(appointed 5 May 2009)
BA Ham	(appointed 5 May 2009 and resigned 13 October 2009)

### **Cancellation of the Company's own shares**

Following the de-listing of the Company's ordinary shares from the Alternative Investment Market (AIM) on 1 April 2009, the Company cancelled 87,000 of its own Ordinary Shares (representing 0.6% of its issued share capital) which were previously held in treasury

### **Market value of land and buildings**

The directors consider that the market value of the land and buildings is not materially different to the book values of those assets

### **Environment**

The Group recognises the importance of its environmental responsibilities, and designs and implements policies to reduce any damage that might be caused by its activities. The Group's property division ensures that materials generated when old buildings are demolished are recycled and used elsewhere during the construction process. The property arm also remediates and improves the environmental status of its sites.

The Group's construction arm promotes the use of its closed end timber frame method of construction and encourages its clients to adopt this method wherever possible. Products used in this method of construction are far more environmentally friendly than those used in traditional construction methods.

The Group has also amended its car policy to encourage drivers of company vehicles to opt for vehicles with lower carbon dioxide emissions.

### **Policy and practice on payment of creditors**

It is the Group's 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. The Group does not follow any standard code of practice for payment of suppliers. At the year end creditor days were 33 (2008 35) for the Group and 37 (2008 36) for the Company.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **Directors' Report** *(continued)*

### **Going concern**

The Group's activities are funded by a combination of long term equity capital, bank borrowings and cash generated from trading activities and full details are set out in notes 1 and 23 to the financial statements

Having reviewed the Group's new bank facilities and the Group's forecasts and projections, which take account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

### **Independent auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**KA Atkinson**  
*Secretary*

Metnor House  
Mylord Crescent  
Killingworth  
Tyne & Wear  
NE12 5YD

21 May 2010

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## KPMG Audit Plc

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

### **Independent auditors' report to the members of Metnor Group plc**

We have audited the financial statements of Metnor Group plc for the year ended 31 December 2009 set out on pages 12 to 47. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

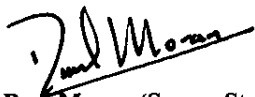
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Metnor Group plc (*continued*)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Paul Moran (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

21 May 2010

**Consolidated Statement of Comprehensive Income**  
*for year ended 31 December 2009*

	<i>Note</i>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Revenue</b>	<b>4</b>	<b>38,422</b>	<b>76,002</b>
Cost of sales ( <i>including exceptional costs of £1,350,000 (2008 £nil)</i> )	5	(33,374)	(67,168)
<b>Gross profit</b>		<b>5,048</b>	<b>8,834</b>
Administrative expenses		(5,362)	(6,186)
<b>Operating (loss)/profit</b>	<b>4,5</b>	<b>(314)</b>	<b>2,648</b>
<b>Analysed as:</b>			
Operating profit before exceptional costs		1,036	2,648
Exceptional costs	5	(1,350)	-
<b>Operating (loss)/profit</b>		<b>(314)</b>	<b>2,648</b>
Financial income	8	133	336
Financial expenses	8	(621)	(971)
Share of profit of jointly controlled entities (net of income tax)		12	133
<b>(Loss)/profit before income tax</b>		<b>(790)</b>	<b>2,146</b>
Income tax	9	185	(529)
<b>(Loss)/profit for the year attributable to equity holders of the parent</b>		<b>(605)</b>	<b>1,617</b>
<b>Total comprehensive income attributable to equity holders of the parent</b>		<b>(605)</b>	<b>1,617</b>

**Consolidated Statement of Changes in Equity**  
*for year ended 31 December 2009*

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total £000
As at 1 January 2008	155	2,818	-	2,477	25,922	31,372
<b>Total comprehensive income for the period</b>						
Profit for the year	-	-	-	-	1,617	1,617
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payments	-	-	-	-	(164)	(164)
Dividends	-	-	-	-	(433)	(433)
Own treasury shares acquired	-	-	-	-	(126)	(126)
Total contributions by and distributions to owners	-	-	-	-	(723)	(723)
As at 31 December 2008	155	2,818	-	2,477	26,816	32,266
As at 1 January 2009	155	2,818	-	2,477	26,816	32,266
<b>Total comprehensive income for the period</b>						
Loss for the year	-	-	-	-	(605)	(605)
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payments	-	-	-	-	(18)	(18)
Own treasury shares cancelled	(1)	-	1	-	-	-
Total contributions by and distributions to owners	(1)	-	1	-	(18)	(18)
At 31 December 2009	154	2,818	1	2,477	26,193	31,643

**Company Statement of Changes in Equity**  
*for year ended 31 December 2009*


	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total £000
As at 1 January 2008	155	2,818	-	2,477	24,769	30,219
<b>Total comprehensive income for the period</b>						
Profit for the year	-	-	-	-	2,597	2,597
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payments	-	-	-	-	(164)	(164)
Dividends	-	-	-	-	(433)	(433)
Own treasury shares acquired	-	-	-	-	(126)	(126)
Total contributions by and distributions to owners	-	-	-	-	(723)	(723)
As at 31 December 2008	155	2,818	-	2,477	26,643	32,093
As at 1 January 2009	155	2,818	-	2,477	26,643	32,093
<b>Total comprehensive income for the period</b>						
Profit for the year	-	-	-	-	814	814
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payments	-	-	-	-	(18)	(18)
Own treasury shares cancelled	(1)	-	1	-	-	-
Total contributions by and distributions to owners	(1)	-	1	-	(18)	(18)
At 31 December 2009	154	2,818	1	2,477	27,439	32,889



**Consolidated Balance Sheet**  
*at 31 December 2009*

	<i>Note</i>		As restated (note 2) 2008	As restated (note 2) 2007
		2009 £000	2008 £000	2007 £000
<b>Non-current assets</b>				
Investment properties	11	13,562	13,385	4,863
Property, plant and equipment	12	2,397	3,070	3,233
Goodwill	13	3,875	3,875	3,875
Investments in jointly controlled entities	14	3,694	3,529	2,523
Deferred tax assets	16	213	304	137
		<b>23,741</b>	<b>24,163</b>	<b>14,631</b>
<b>Current assets</b>				
Inventories	17	23,237	24,836	23,459
Trade and other receivables	18	10,479	12,253	20,036
Income tax receivable		114	-	-
Cash and cash equivalents		4,625	2,947	2,823
Derivative financial instruments		-	-	48
		<b>38,455</b>	<b>40,036</b>	<b>46,366</b>
<b>Total assets</b>		<b>62,196</b>	<b>64,199</b>	<b>60,997</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	23	-	(9,985)	(10,246)
Derivative financial instruments	15	(638)	(621)	-
		<b>(638)</b>	<b>(10,606)</b>	<b>(10,246)</b>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	23	(17,726)	(6,290)	-
Trade and other payables	19	(12,189)	(14,910)	(19,221)
Income tax payable		-	(127)	(158)
		<b>(29,915)</b>	<b>(21,327)</b>	<b>(19,379)</b>
<b>Total liabilities</b>		<b>(30,553)</b>	<b>(31,933)</b>	<b>(29,625)</b>
<b>Net assets</b>		<b>31,643</b>	<b>32,266</b>	<b>31,372</b>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	21	154	155	155
Share premium		2,818	2,818	2,818
Capital redemption reserve	21	1	-	-
Merger reserve	21	2,477	2,477	2,477
Retained earnings		26,193	26,816	25,922
<b>Total equity</b>		<b>31,643</b>	<b>32,266</b>	<b>31,372</b>

These financial statements were approved by the board of directors on 21 May 2010 and were signed on its behalf by

  
**S Rankin**  
Chairman

  
**KA Atkinson**  
Finance Director

**Parent Company Balance Sheet**  
*at 31 December 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	1,820	2,085
Goodwill	13	3,875	3,875
Investments in jointly controlled entities	14	2,112	1,966
Investments in subsidiary undertakings	14	1,495	1,495
Deferred tax assets	16	302	215
		<hr/>	<hr/>
		<b>9,604</b>	<b>9,636</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	18	27,408	27,227
Income tax receivable		122	416
Cash and cash equivalents		2,635	3,182
		<hr/>	<hr/>
		<b>30,165</b>	<b>30,825</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>39,769</b>	<b>40,461</b>
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Derivative financial instruments	15	(638)	(621)
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	19	(6,242)	(7,747)
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(6,880)</b>	<b>(8,368)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>32,889</b>	<b>32,093</b>
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	21	154	155
Share premium		2,818	2,818
Capital redemption reserve	21	1	-
Merger reserve	21	2,477	2,477
Retained earnings		27,439	26,643
		<hr/>	<hr/>
<b>Total equity</b>		<b>32,889</b>	<b>32,093</b>
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 21 May 2010 and were signed on its behalf by

  
**S Rankin**  
Chairman

  
**KA Atkinson**  
Finance Director

Company registered number 03596379

**Statements of Cash Flows**  
*for year ended 31 December 2009*

	<i>Note</i>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net cash generated from/(absorbed by) operating activities</b>	<b>22</b>	<b>405</b>	<b>3,903</b>	<b>(1,489)</b>	<b>(1,197)</b>
<b>Cash flows from investing activities</b>					
Interest received		57	182	36	176
Proceeds from sale of property, plant and equipment		159	127	88	26
Dividends received		-	203	1,005	2,389
Acquisition of property, plant and equipment and investment properties		(319)	(8,905)	(92)	(160)
Loans to jointly controlled entities		(140)	(1,937)	(140)	(1,442)
Loans repaid by jointly controlled entities		65	1,081	45	1,081
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(178)</b>	<b>(9,249)</b>	<b>942</b>	<b>2,070</b>
<b>Cash flows from financing activities</b>					
Proceeds from new bank loan		1,451	8,979	-	-
Repayment of borrowings		-	(2,950)	-	-
Dividends paid		-	(433)	-	(433)
Own treasury shares purchased		-	(126)	-	(126)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,451</b>	<b>5,470</b>	<b>-</b>	<b>(559)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,678</b>	<b>124</b>	<b>(547)</b>	<b>314</b>
Cash and cash equivalents at the start of the period		2,947	2,823	3,182	2,868
<b>Cash and cash equivalents at the end of period</b>		<b>4,625</b>	<b>2,947</b>	<b>2,635</b>	<b>3,182</b>

Cash and cash equivalents relate entirely to cash at bank

## Notes

*(forming part of the financial statements)*

### 1 General information

Metnor Group plc (the “Company”) is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (“the Group”) are set out in note 4 to the financial statements and in the Business review on pages 4 to 6.

### 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (“adopted IFRSs”).

The Parent Company’s financial statements have also been prepared in accordance with adopted IFRSs. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements have been prepared under the historical cost convention, except that derivative financial instruments are stated at fair value.

The financial statements have been presented in sterling and all financial information has been rounded to the nearest thousand.

The financial statements were approved by the board of directors on 21 May 2010.

#### *Going concern*

Further information on the Group’s business activities, together with the factors likely to affect its future development, performance, and position are set out in the Chairman’s Statement and in the Business review section of the Directors’ Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors’ Report and in note 23 of the financial statements. In addition, note 23 to the financial statements also includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through a positive cash balance, an overdraft facility and various bank facilities. One of the Group’s development loan facilities in the sum of £8.5 million was due for renewal in November 2009 and the Group took the opportunity to re-negotiate all of its bank facilities with a view to bringing these in line with the changing requirements of the Group. Negotiations have been successfully concluded in 2010 and details of the new facilities are included in note 23 to the financial statements.

Having reviewed the new facilities and the Group’s forecasts and projections, which take account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### *Use of estimates and judgements*

##### *Critical accounting judgements*

In the process of applying the Group’s accounting policies, management has made the following key judgements which have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation which are dealt with below).

*Investment properties* – management has decided to adopt the cost model as opposed to the fair value model when accounting for investment properties. This is because the specific nature of the investment properties held means that a straight line depreciation of the cost of the properties provides a more accurate measurement of the annual cost to the Group.

## Notes (continued)

### 2 Basis of preparation (continued)

#### *Use of estimates and judgements (continued)*

##### *Key sources of estimation uncertainty*

The key areas requiring the use of estimates which may significantly affect the financial statements are as follows

- a) in the light of the deterioration in the UK property market for the year ended 31 December 2009, the Group conducted a review of inventories and write downs have been made where the carrying value exceeded the lower of cost and net realisable value. The review was conducted on a site by site basis based on management and the Board's assessment of market conditions existing at the balance sheet date. If the decline in the UK property market exceeds management's expectations then further impairments of inventories may be necessary,
- b) revenue and profit recognition on the Group's contracting activities. The principal estimation technique used by the Group in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenue and costs to complete and enable an assessment to be made on the final out-turn on each contract. Variations during the course of contracts are taken into account but invariably are only finalised at completion. This can lead to previous estimates being amended which may have an impact on the final profit to be recognised on the contract,
- c) measurement of the recoverable amounts of the cash generating units containing goodwill. Details of the estimation techniques used are set out in note 13 to the financial statements

#### *Standards and Interpretations applied for the first time*

In these financial statements the following Adopted IFRSs, which became effective for the first time, were adopted by the Group

- IFRS 8 'Operating Segments',
- Revised IAS 23 'Borrowing Costs',
- Revised IAS 1 'Presentation of Financial Statements',
- Improvements to IFRSs (issued May 2008),
- Amended IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate',
- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations'

The adoption of the above has not had a significant impact on the Group's results for the year or equity

Improvement to IFRSs (issued May 2008) included amendments to IAS 40 'Investment Property'. IAS 40 was amended to include property under construction or development for future use in its definition of "Investment property". Property under construction or development for future use was previously included within property, plant and equipment, in accordance with IAS 16. This has been reclassified to investment properties during the year and the 2007 and 2008 comparative balances have been represented accordingly (see notes 11 and 12)

#### *Standards and Interpretations in use but not applied*

The following standards and interpretations, which have not been applied in these financial statements, were in use and endorsed by the European Union but not yet effective

- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' (mandatory for the year commencing on or after 1 March 2009),
- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009),
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009),
- IFRIC 12 'Service Concession Arrangements' (Mandatory for EU adopters for years beginning on or after 29 March 2009),
- IFRIC 15 'Agreements for the Construction of Real Estate' (mandatory for year commencing on or after 1 January 2010),

## Notes (continued)

### 2 Basis of preparation (continued)

#### *Standards and Interpretations in use but not applied (continued)*

- Amendments to IAS 39 'Financial Instruments Recognition and Measurement Eligible Hedged Items' (mandatory for year commencing on or after 1 July 2009),
- Amendments to IAS 39 'Reclassification of Financial Assets Effective Date and Transition' (mandatory for year commencing on or after 1 July 2009),
- IFRIC 17 'Distributions of Non-cash Assets to Owners' (mandatory for year commencing on or after 1 November 2009),
- IFRIC 18 'Transfer of Assets from Customers' (mandatory for year commencing on or after 1 November 2009),
- Amendments to IAS 32 'Financial Instruments Presentation – Classification of rights issue' (mandatory for year commencing on or after 1 February 2010),
- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions' (mandatory for year commencing on or after 1 January 2010),
- Improvements to IFRSs (issued 16 April 2009) (adoption dates varies but certain improvements are mandatory for the year commencing on or after 1 July 2009),
- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011),
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013),
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for year commencing on or after 1 July 2010)

The directors anticipate that the adoption of the above will have no material effect on the Group's financial statements

### 3 Principal accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries (together referred to as the "Group") and the Group's interests in jointly controlled entities

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial information from the date control commences until the date that control ceases.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

#### *Jointly controlled entities*

A jointly controlled entity is an entity over whose activities the Group has joint control, established by contractual agreements and requiring the venturers' unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis. The results of jointly controlled entities are included in the consolidated financial statements from the date that joint control or significant influence commences until the date that it ceases.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

## Notes (continued)

### 3 Principal accounting policies (continued)

#### *Property, plant and equipment (continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	25 years
Plant and machinery	-	3 to 10 years
Motor vehicles	-	4 to 5 years

#### *Investment properties*

Investment properties are held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business or for administrative purposes. Investment properties are measured using the cost model in accordance with IAS 40 'Investment Property'. Depreciation is charged, once the assets are bought into use, to the income statement on a straight-line basis over the estimated useful lives of the investment properties. Land is not depreciated. The estimated useful lives of investment properties has been assessed as 30 years.

Following the adoption of the amendments to IAS 40 'Investment Property' all costs associated with property being constructed for future use as an investment property are included within investment properties from inception.

#### *Goodwill*

All business combinations included in these financial statements are accounted for by applying the purchase method. Goodwill arises from the acquisition of businesses and represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

All goodwill in the balance sheet arose from acquisitions prior to 1 January 2007. Goodwill arising on acquisitions prior to 1 January 2007 was capitalised and amortised under UK GAAP. This goodwill is carried at the UK GAAP carrying value at the date of transition to IFRS and is subject to impairment reviews as described below.

#### *Investment in jointly controlled entities and subsidiaries*

Investments in jointly controlled entities and subsidiaries are shown in the Company balance sheet at cost and are reviewed annually for impairment.

#### *Inventories*

Inventories, including land held for sale and in the course of development for such sale, are stated at the lower of cost and net realisable value. Cost includes all directly attributable fees and expenses relating to the purchase of the land and all directly attributable finance costs. Net realisable value is based on estimated selling price less future costs expected to be incurred to disposal.

Other inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### *Construction and other long-term contracts*

As soon as the outcome of a construction or other long-term contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered, and contract costs are expensed as incurred. An expected loss on a contract is recognised immediately in the income statement.

Revenue in respect of variations to the contract scope and claims is recognised when it is probable that it will be received and is capable of being reliably measured.

The gross amounts due from customers under construction and other long-term contracts are stated at cost plus recognised profits, less provision for recognised losses and progress billings. These amounts are reported in trade and other receivables.

Payments on account in excess of the gross amounts due from customers are included in trade and other payables.

## Notes (continued)

### 3 Principal accounting policies (continued)

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables (excluding prepayments), cash and cash equivalents, loans and borrowings, trade and other payables and loans to jointly controlled entities

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost as reduced by appropriate allowance for irrecoverable amounts

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value and subsequently at amortised cost

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method

#### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect

#### *Derivative financial instruments*

The Group uses interest rate swaps to help manage its interest rate risk. These derivative financial instruments are recognised initially at fair value and subsequently re-measured. The gain or loss on re-measurement to fair value is recognised immediately in the income statement

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date

#### *Intra-group financial instruments*

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

#### *Impairment excluding inventories and deferred tax assets*

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

#### *Reversals of impairment*

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised



## Notes (continued)

### 3 Principal accounting policies (continued)

#### *Employee benefits*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

##### *Share-based payment transactions*

The Group operates a number of share option schemes for certain employees. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

#### *Revenue*

Revenue is measured at the fair value of consideration received or receivable, excluding value added tax, for goods and services supplied to external customers.

Revenue from services and construction contracts is recognised in accordance with IAS 11 'Construction Contracts' by reference to the stage of completion of the contract, as set out in the accounting policy for construction and other long-term contracts. These contracts provide services to the customer's specification.

Revenue from development activities is recognised in accordance with IAS 18 'Revenue' on completion of a signed sale agreement after all material conditions have been met.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Financing income and expenses*

Net financing costs comprise interest payable and interest receivable on funds invested together with movements in the fair values of interest rate swaps.

Finance costs in respect of borrowings directly attributable to expenditure on properties under development are capitalised in the costs of the development. Capitalisation of interest is suspended if there are prolonged periods when development activity is interrupted. Other interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes (continued)

### 3 Principal accounting policies (continued)

#### Segment reporting

Segmental information is provided based on internal reports regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors

Inter-segment pricing is determined on an arm's length basis

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are not expected to be used for more than one segment

### 4 Segmental analysis

The introduction of IFRS 8 *Operating segments*, which is effective for accounting periods beginning on or after 1 January 2009, has required a reassessment of the reportable segments within the Group. The analysis by segments below is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions

- Contracting activities - the provision of labour and materials in connection with the installation of mechanical and electrical equipment and systems
- Construction activities - the construction of buildings for the commercial and private sectors
- Property development and investment activities - the purchase of property and subsequent development before sale together with the purchase of property for rental income or capital appreciation
- Corporate and other activities - the provision of hose and pressure testing equipment and services and head office activity

2009	Construction activities £000	Contracting activities £000	Property activities £000	Corporate and other activities £000	Total £000
<b>Revenue</b>					
Total segment revenue	14,031	20,590	6,336	3,307	44,264
Inter-segment revenue	(3,761)	(2,081)	-	-	(5,842)
<b>External revenue</b>	<b>10,270</b>	<b>18,509</b>	<b>6,336</b>	<b>3,307</b>	<b>38,422</b>
<b>Operating (loss)/profit</b>	<b>(160)</b>	<b>127</b>	<b>(698)</b>	<b>417</b>	<b>(314)</b>
Finance income					133
Finance expenses					(621)
Share of profit of jointly controlled entities (net of income tax)					12
Income tax credit					185
<b>Loss for the financial year</b>					<b>(605)</b>
<b>Segment assets</b>	<b>4,585</b>	<b>8,735</b>	<b>37,796</b>	<b>7,386</b>	<b>58,502</b>
Investments in jointly controlled entities	-	-	3,694	-	3,694
<b>Total assets</b>	<b>4,585</b>	<b>8,735</b>	<b>41,490</b>	<b>7,386</b>	<b>62,196</b>
<b>Total liabilities</b>	<b>4,950</b>	<b>5,364</b>	<b>19,508</b>	<b>731</b>	<b>30,553</b>
Depreciation charge	126	219	82	387	814
Inventory impairment	-	-	1,350	-	1,350
Capital expenditure	11	29	258	159	457

## Notes (continued)

### 4 Segmental analysis (continued)

2008	Construction activities £000	Contracting activities £000	Property activities £000	Corporate and other activities £000	Total £000
<b>Revenue</b>					
Total segment revenue	43,092	35,005	6,863	3,324	88,284
Inter-segment revenue	(10,383)	(1,899)	-	-	(12,282)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
External revenue	32,709	33,106	6,863	3,324	76,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating profit</b>	1,292	792	22	542	2,648
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Finance income					336
Finance expenses					(971)
Share of profit of jointly controlled entities (net of income tax)					133
Income tax expense					(529)
					<hr/>
<b>Profit for financial year</b>					1,617
					<hr/>
Segment assets	5,863	11,939	35,930	6,938	60,670
Investments in jointly controlled entities	-	-	3,529	-	3,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	5,863	11,939	39,459	6,938	64,199
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	7,348	6,726	16,647	1,212	31,933
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation charge	119	235	10	434	798
Inventory impairment	-	-	306	-	306
Capital expenditure	130	159	8,555	367	9,211
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the above amounts are revenues of £28,779,000 (2008 £65,815,000) in respect of construction contracts. See note 17 for further analysis of revenue in respect of construction contracts.

As the Board of Directors receives segment revenue and operating profit/(loss) on the same basis as for the statutory financial statements no further reconciliation is considered to be necessary.

## Notes (continued)

### 5 Expenses and auditors' remuneration

Included in (loss)/profit are the following

	2009 £000	2008 £000
Impairment loss on inventories (included in cost of sales) - see below	1,350	306
Impairment loss on trade and other receivables (included in administrative expenses)	31	3
Redundancy costs	187	182
Movement in fair value of derivatives	17	669
Rental income from investment properties	(656)	-
Operating expenses arising from investment properties	78	-
	<hr/>	<hr/>

#### Auditors' remuneration

Audit of these financial statements	21	22
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	29	33
Other services relating to taxation	15	12
	<hr/>	<hr/>

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

#### Exceptional costs

During 2009 the Group conducted a review of the net realisable value of its inventories in light of the deterioration in the UK property market. Where the estimated net realisable value was less than its carrying value within the balance sheet the Group has impaired the inventory value. The impairment has been charged as an exceptional cost.

### 6 Staff numbers and costs

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

	Number of employees Group	
	2009	2008
Production	134	179
Administration	59	79
	<hr/>	<hr/>
	193	258
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	Group	
	2009 £000	2008 £000
Wages and salaries	7,924	11,087
Social security costs	832	1,176
Expenses related to defined contribution plans (note 20)	109	141
Share-based payments (note 20)	(18)	(164)
	<hr/>	<hr/>
	8,847	12,240
	<hr/>	<hr/>

## Notes (continued)

### 7 Directors' remuneration

	2009 £000	2008 £000
Directors' emoluments	697	904
Company contributions to money purchase pension plans	37	45
Compensation for loss of office	-	82
	<u>734</u>	<u>1,031</u>

#### Amounts attributable to highest paid director

Emoluments	217	227
Company contributions to money purchase pension plans	-	8
	<u>-</u>	<u>8</u>

	Number of directors 2009	2008
Retirement benefits are accruing to the following number of directors under Money purchase schemes	3	3
	<u>3</u>	<u>3</u>

### 8 Finance income and expense

#### Recognised in the income statement

	2009 £000	2008 £000
<i>Finance income</i>		
Interest income	55	178
Interest on loans to jointly controlled entities	78	158
	<u>133</u>	<u>336</u>
<i>Finance expenses</i>		
Total interest expense on financial liabilities measured at amortised cost	775	754
Less interest capitalised	(171)	(452)
	<u>604</u>	<u>302</u>
Movement in fair value of derivatives designated as fair value through profit and loss at initial recognition	17	669
	<u>621</u>	<u>971</u>

## Notes (continued)

### 9 Taxation

#### Recognised in the income statement

	2009 £000	2008 £000
<i>Current tax (credit)/expense</i>		
Current year	(74)	781
Adjustments for prior years	(202)	(85)
Total current tax	(276)	696
<i>Deferred tax charge/(credit) (see note 16)</i>		
Reversal of temporary differences	(191)	(167)
Adjustment for prior years	282	-
Total deferred tax	91	(167)
Tax (credit)/expense in income statement (excluding share of tax of jointly controlled entities)	(185)	529
Tax (credit)/expense in income statement	(185)	529
Share of tax of jointly controlled entities	14	41
Total tax (credit)/expense	(171)	570

#### Reconciliation of effective tax rate

	2009 £000	2008 £000
(Loss)/profit for the year	(605)	1,617
Total tax (credit)/expense	(171)	570
(Loss)/profit excluding taxation	(776)	2,187
Tax using the UK corporation tax rate of 28% (2008 28.5%)	(217)	623
Recognition of previously unrecognised tax losses	(98)	-
Share based payments where no deferred tax recognised	30	-
Non-deductible expenses	39	35
Small companies rate	-	(3)
Under/(over) provided in prior years	80	(85)
Adjustment in respect of joint ventures	(5)	-
Total tax (credit)/expense	(171)	570

For the year ended 31 December 2009, the Group was subject to UK corporation tax at a rate of 28%. For the year ended 31 December 2008, the Group was subject to UK corporation tax at a base rate of 30% for the 3 months to 31 March 2008 and 28% from 1 April 2008 to 31 December 2008 giving an average rate of 28.5%.

### 10 Profit of the Company

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its own income statement. The profit of the Company for the year was £814,000 (2008 £2,597,000). This profit includes dividends received from subsidiary undertakings of £1,005,000 (2008 £2,186,000) which are eliminated on consolidation from the Group (loss)/profit for the year.

## Notes (continued)

### 11 Investment properties

Group	Investment properties £000	Investment properties in course of construction £000	Total £000
<b>Cost</b>			
Balance at 31 December 2007 (as previously stated)	4,004	-	4,004
Reclassification from property, plant and equipment (note 12)	-	859	859
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007 (as restated)	4,004	859	4,863
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2008 (as previously stated)	4,004	-	4,004
Acquisitions	2,539	-	2,539
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2008 (as previously stated)	6,543	-	6,543
Reclassification from property, plant and equipment (note 12)	-	6,842	6,842
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2008 (as restated)	6,543	6,842	13,385
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2009	6,543	6,842	13,385
Acquisitions	-	248	248
Transfer between items	6,772	(6,772)	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2009</b>	<b>13,315</b>	<b>318</b>	<b>13,633</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>			
Balance at 31 December 2007, 31 December 2008 and 1 January 2009	-	-	-
Depreciation charge for the year	71	-	71
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2009</b>	<b>71</b>	<b>-</b>	<b>71</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2007 (as previously stated)	4,004	-	4,004
	<hr/>	<hr/>	<hr/>
At 31 December 2007 (as restated)	4,004	859	4,863
	<hr/>	<hr/>	<hr/>
At 31 December 2008 (as previously stated)	6,543	-	6,543
	<hr/>	<hr/>	<hr/>
At 31 December 2008 (as restated)	6,543	6,842	13,385
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2009</b>	<b>13,244</b>	<b>318</b>	<b>13,562</b>
	<hr/>	<hr/>	<hr/>

Investment properties are measured using the cost model in accordance with IAS 40 'Investment Property'. The directors do not consider the fair value of the investment properties to be materially different to their book value at the end of 2009 and 2008.

During the year, the Group completed the development of an investment property and transferred the associated costs of the development (£6,772,000) to completed investment properties.

Total investment properties include attributable finance costs capitalised of £732,000 (2008 £594,000). Depreciation is charged when the assets are brought into use.

The Company has no investment properties.

**Notes (continued)**

**12 Property, plant and equipment**

<b>Group</b>	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Motor vehicles £000</b>	<b>Investment properties in course of construction £000</b>	<b>Total £000</b>
<b>Cost</b>					
Balance at 31 December 2007 (as previously stated)	1,898	1,819	1,041	859	5,617
Reclassification to investment properties	-	-	-	(859)	(859)
<b>Balance at 31 December 2007 (as restated)</b>	<b>1,898</b>	<b>1,819</b>	<b>1,041</b>	<b>-</b>	<b>4,758</b>
Balance at 1 January 2008 (as previously stated)	1,898	1,819	1,041	859	5,617
Acquisitions	-	388	301	5,983	6,672
Disposals	-	(108)	(147)	-	(255)
<b>Balance at 31 December 2008 (as previously stated)</b>	<b>1,898</b>	<b>2,099</b>	<b>1,195</b>	<b>6,842</b>	<b>12,034</b>
Reclassification to investment properties	-	-	-	(6,842)	(6,842)
<b>Balance at 31 December 2008 (as restated)</b>	<b>1,898</b>	<b>2,099</b>	<b>1,195</b>	<b>-</b>	<b>5,192</b>
Balance at 1 January 2009	1,898	2,099	1,195	-	5,192
Acquisitions	-	88	121	-	209
Disposals	-	(30)	(399)	-	(429)
<b>Balance at 31 December 2009</b>	<b>1,898</b>	<b>2,157</b>	<b>917</b>	<b>-</b>	<b>4,972</b>
<b>Depreciation and impairment</b>					
Balance at 1 January 2008	73	980	472	-	1,525
Depreciation charge for the year	68	480	250	-	798
Disposals	-	(101)	(100)	-	(201)
<b>Balance at 31 December 2008</b>	<b>141</b>	<b>1,359</b>	<b>622</b>	<b>-</b>	<b>2,122</b>
Balance at 1 January 2009	141	1,359	622	-	2,122
Depreciation charge for the year	68	452	223	-	743
Disposals	-	(29)	(261)	-	(290)
<b>Balance at 31 December 2009</b>	<b>209</b>	<b>1,782</b>	<b>584</b>	<b>-</b>	<b>2,575</b>
<b>Net book value</b>					
At 31 December 2007 (as previously stated)	1,825	839	569	859	4,092
At 31 December 2007 (as restated)	1,825	839	569	-	3,233
At 31 December 2008 (as previously stated)	1,757	740	573	6,842	9,912
At 31 December 2008 (as restated)	1,757	740	573	-	3,070
<b>At 31 December 2009</b>	<b>1,689</b>	<b>375</b>	<b>333</b>	<b>-</b>	<b>2,397</b>



## Notes (continued)

### 12 Property, plant and equipment (continued)

#### Group (continued)

Improvement to IFRSs (issued May 2008) included amendments to IAS 40 'Investment Property'. IAS 40 was amended to include property under construction or development for future use in its definition of "Investment property". Property under construction or development for future use was previously included within property, plant and equipment, in accordance with IAS 16, by the Group. Investment properties in course of construction as at 31 December 2007 and 2008 have been reclassified to investment properties.

#### Security

The Group's bank borrowings are secured by a debenture over the Group's assets.

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 2008	1,631	512	687	2,830
Acquisitions	-	28	132	160
Disposals	-	(40)	(95)	(135)
<b>Balance at 31 December 2008</b>	<b>1,631</b>	<b>500</b>	<b>724</b>	<b>2,855</b>
Balance at 1 January 2009	1,631	500	724	2,855
Acquisitions	-	5	87	92
Disposals	-	(6)	(262)	(268)
<b>Balance at 31 December 2009</b>	<b>1,631</b>	<b>499</b>	<b>549</b>	<b>2,679</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2008	57	207	310	574
Depreciation charge for the year	58	91	154	303
Disposals	-	(34)	(73)	(107)
<b>Balance at 31 December 2008</b>	<b>115</b>	<b>264</b>	<b>391</b>	<b>770</b>
Balance at 1 January 2009	115	264	391	770
Depreciation charge for the year	57	97	131	285
Disposals	-	(6)	(190)	(196)
<b>Balance at 31 December 2009</b>	<b>172</b>	<b>355</b>	<b>332</b>	<b>859</b>
<b>Net book value</b>				
At 1 January 2008	1,574	305	377	2,256
At 31 December 2008 and 1 January 2009	1,516	236	333	2,085
<b>At 31 December 2009</b>	<b>1,459</b>	<b>144</b>	<b>217</b>	<b>1,820</b>

## Notes (continued)

### 13 Goodwill

	Group £000	Company £000
<b>Cost</b>		
Balance at 1 January 2008, 31 December 2008 and 31 December 2009	4,232	3,875
<b>Amortisation and impairment</b>		
Balance at 1 January 2008, 31 December 2008 and 31 December 2009	357	-
<b>Net book value</b>		
At 1 January 2008, 31 December 2008 and 31 December 2009	3,875	3,875

Goodwill is allocated to the Group's cash-generating units ("CGUs") which have been identified according to the sectors in which each business operates. A summary of the carrying value presented at CGU level is shown below.

	Group and Company 2009 £000	2008 £000
Contracting activities	2,088	2,088
Corporate and other activities - Hose and pressure testing business	1,787	1,787
	3,875	3,875

#### Impairment testing

Goodwill is tested annually for impairment or more frequently if there are indications the goodwill may be impaired. All recoverable amounts are based on value in use and the key assumptions applied in the value in use calculations are set out below.

- Cash flow projections**  
Cash flow projections cover a five year period based on detailed forecasts for the next year extrapolated to cover the remainder of the five year period together with a terminal value estimate.
- Growth rate**  
Taking into account the current economic climate, management have made a prudent assumption that the growth rate in each of the CGUs will be 2% per annum when extrapolating future cash flows.
- Discount rate**  
Management have applied a discount rate of 14% (2008 12%) to the cash flow forecasts which represents their best estimate of the Group's weighted average cost of capital. Management believe the market risk associated with each CGU is similar and have applied the average rate across the business. The increase in the discount rate applied compared with the prior period reflects the fact that the Group shares are no longer listed on AIM which will increase the Group's cost of capital moving forward.

#### Sensitivity analysis

The key sensitivities in assessing the value in use of goodwill are the forecast cash flows and the discount rate applied.

- a 1% reduction in the growth rate in forecast cash flows would have no impact on carrying values,
- a 1% increase in the discount rate applied would have no impact on carrying values.

As a result of the assessments carried out above, no impairment charge has been provided in 2009 (2008 £nil).

## Notes (continued)

### 14 Investments in subsidiaries and jointly controlled entities

Group	Jointly controlled entities £000	Loans to jointly controlled entities £000	Total £000
<b>Cost</b>			
At beginning of year	-	3,361	3,361
Additions	-	153	153
	<hr/>	<hr/>	<hr/>
At end of year	-	3,514	3,514
	<hr/>	<hr/>	<hr/>
<b>Share of post acquisition reserves</b>			
At beginning of year	168	-	168
Retained profit for the financial year	12	-	12
	<hr/>	<hr/>	<hr/>
At end of year	180	-	180
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2009	180	3,514	3,694
	<hr/>	<hr/>	<hr/>
At 31 December 2008	168	3,361	3,529
	<hr/>	<hr/>	<hr/>
Company	Shares in group undertakings £000	Loans to jointly controlled entities £000	Total £000
<b>Cost</b>			
At beginning of year	1,866	1,966	3,832
Additions	-	146	146
	<hr/>	<hr/>	<hr/>
At end of year	1,866	2,112	3,978
	<hr/>	<hr/>	<hr/>
<b>Provision</b>			
At beginning and end of year	371	-	371
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2009	1,495	2,112	3,607
	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,495	1,966	3,461
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 14 Investments in subsidiaries and jointly controlled entities (continued)

The undertakings in which the Group's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Ownership 2009	Ownership 2008
<i>Interest held by Company</i>				
Metnor Construction Limited	England	Construction	100% Ordinary	100% Ordinary
Metnor Property Group Limited	England	Holding company	100% Ordinary	100% Ordinary
Sharewave Limited	England	Property development	100% Ordinary	100% Ordinary
Gateway Park Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor (Great Yarmouth) Limited	England	Equipment sales and rentals	100% Ordinary	100% Ordinary
Comms Solutions (UK) Limited	England	Non-trading	100% Ordinary	100% Ordinary
City & Northern Drum Limited	England	Property development	50% Ordinary	50% Ordinary
City & Northern MP Limited	Isle of Man	Property development	33% Ordinary	33% Ordinary
Pethmet (Ings Road) Limited	England	Property development	50% Ordinary	50% Ordinary

#### *Interest held by subsidiary undertaking*

Metnor (Pandon Bank) Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor (Portland Road) Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor (Sopers Lane) Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor Trafalgar Street Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor Stoddart Street Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor Welford Road Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor (Crowborough) Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor (Manor Road) Limited	England	Property development	100% Ordinary	100% Ordinary
Metnor Blackley Limited	England	Property development	100% Ordinary	100% Ordinary
Akenside Quays Limited	England	Property development	100% Ordinary	100% Ordinary
Akenside Quays II Limited	England	Property development	100% Ordinary	100% Ordinary
Akenside Metnor Limited	England	Property development	50% Ordinary	20% Ordinary

City & Northern Drum Limited, City & Northern MP Limited, Pethmet (Ings Road) Limited and Akenside Metnor Limited are considered jointly controlled entities as in each case the controlling entities share the profits and Metnor Group plc or its subsidiary undertaking have transferred relevant assets and liabilities into the jointly controlled entities. The entities also maintain their own accounting records and prepare and present financial statements. The cash contributions made by Metnor Group plc and its subsidiary are also recorded as an investment in the financial statements of Metnor Group plc and its subsidiary.

City & Northern Drum Limited and City & Northern MP Limited have reporting dates of 31 March. All other subsidiary and jointly controlled entities have reporting dates coterminous with Metnor Group plc.

Summary aggregated financial information on jointly controlled entities is as follows (100% share)

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Current assets	15,282	11,325	14,009	10,023
Current liabilities	14,650	10,739	13,238	9,331
Income	567	1,706	567	1,706
Expenses	487	1,409	460	1,337

## Notes (continued)

### 15 Derivative financial instruments

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Non-current liabilities</b>				
Financial liabilities designated as fair value through profit or loss	(638)	(621)	(638)	(621)

The above represents the fair value of interest rate swaps

### 16 Deferred tax assets and liabilities

The following are the major deferred tax assets/(liabilities) recognised by the Group and Company together with the movement thereon during the current and prior year

Group	Capital losses £000	Accelerated capital allowances £000	Share based payments £000	Other items £000	Total £000
Balance at 1 January 2008	-	49	87	1	137
Credit/(charge) to income	-	45	(51)	173	167
Balance at 1 January 2009	-	94	36	174	304
Credit/(charge) to income	98	116	(36)	(269)	(91)
<b>Balance at 31 December 2009</b>	<b>98</b>	<b>210</b>	<b>-</b>	<b>(95)</b>	<b>213</b>

Company	Capital losses £000	Accelerated capital allowances £000	Share based payments £000	Other items £000	Total £000
Balance at 1 January 2008	-	(17)	87	1	71
Credit/(charge) to income	-	22	(51)	173	144
Balance at 1 January 2009	-	5	36	174	215
Credit/(charge) to income	98	21	(36)	4	87
<b>Balance at 31 December 2009</b>	<b>98</b>	<b>26</b>	<b>-</b>	<b>178</b>	<b>302</b>

The above deferred tax assets are considered to be recoverable against future taxable profits

## Notes (continued)

### 17 Inventories

	Group	
	2009 £000	2008 £000
Land held for development	22,904	24,487
Raw materials and consumables	333	349
	<u>23,237</u>	<u>24,836</u>

Inventories of £349,000 (2008 £4,910,000) were recognised in cost of sales in the year

Included within inventories is £22,904,000 (2008 £24,487,000) expected to be recovered in more than 12 months. Although the Group's operational cycle is such that a proportion of this balance may be realised within 12 months, it is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of factors including demand and planning permission delays.

During 2009 the Group conducted a review of the net realisable value of its inventories in light of the deterioration in the UK property market. Where the estimated net realisable value was less than its carrying value within the balance sheet the Group has impaired the inventory value. Impairment losses on inventories amounted to £1,350,000 (2008 £306,000).

Group land held for development includes attributable finance costs capitalised of £78,000 (2008 £45,000).

The Company has no inventories.

### Construction contracts

The net balance on construction contracts is analysed into assets and liabilities as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
<i>Contracts in progress at the balance sheet date</i>				
Amounts recoverable on contracts included within trade and other receivables (note 18)	3,989	3,225	3,689	3,339
Payments received on account included within trade and other payables (note 19)	(2,311)	-	(46)	-
	<u>1,678</u>	<u>3,225</u>	<u>3,643</u>	<u>3,339</u>
Contract retentions included within trade receivables	438	708	369	285
	<u>2,116</u>	<u>3,933</u>	<u>4,012</u>	<u>3,624</u>

Contracts in progress at the balance sheet date comprise:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Cumulative costs incurred plus recognised profits less losses	17,107	24,106	10,457	9,826
Cumulative progress billings received and receivable	(15,429)	(20,881)	(6,814)	(6,487)
	<u>1,678</u>	<u>3,225</u>	<u>3,643</u>	<u>3,339</u>

## Notes (continued)

### 18 Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade receivables	5,347	8,290	2,702	3,792
Amounts recoverable on contracts	3,989	3,225	3,689	3,339
Amounts owed by group undertakings	-	-	20,603	19,714
Amounts owed by jointly controlled entities	407	90	-	-
Other non-trade receivables and prepayments	736	648	414	382
	<u>10,479</u>	<u>12,253</u>	<u>27,408</u>	<u>27,227</u>

Included within trade and other receivables is £191,000 (2008 £nil) for the Group and £100,000 (2008 £nil) for the company expected to be recovered in more than 12 months

At 31 December 2009 trade receivables of the Group include retentions of £1,773,000 (2008 £2,384,000) relating to completed construction contracts and contracts in progress. The equivalent Company amounts are £1,054,000 (2008 £1,142,000)

The Group and the Company have a variety of credit terms depending on the customer. A provision against trade receivables is made when these are considered to be impaired after taking into account the specific nature of the receivable, the Group's and the Company's relationship with the customer and historical default rates.

Movement in the provision for doubtful debts in respect of trade receivables during the year was as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Balance at beginning of year	(46)	(67)	(46)	(41)
Written off as uncollectible	27	24	27	4
Recovered during the year	5	8	5	2
Provided against during year	(36)	(11)	(1)	(11)
	<u>(50)</u>	<u>(46)</u>	<u>(15)</u>	<u>(46)</u>

The ageing of trade receivables at the balance sheet date was:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Not past due date	4,638	7,650	2,642	3,800
Past due date (0 - 90 days)	759	686	75	38
Provision against doubtful debts	(50)	(46)	(15)	(46)
	<u>5,347</u>	<u>8,290</u>	<u>2,702</u>	<u>3,792</u>

The Group and the Company have a formal credit checking procedure which they adopt when transacting with new customers and they also have in place credit insurance against certain of their trade receivables. Accordingly trade receivables not past their due date are considered to be relatively low risk.

Included within trade receivables of the Group is £709,000 (2008 £640,000) which is past the due date but not provided for. The equivalent Company amounts are £60,000 (2008 £nil). Management has no indication that any unimpaired amounts will be irrecoverable. All of the above arise in the United Kingdom and predominantly relate to contracting and construction activities.

## Notes (continued)

### 19 Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
<b>Current</b>				
Payments received on account	2,311	-	46	-
Trade payables	6,778	7,370	3,985	4,210
Amounts owed to group undertakings	-	-	743	743
Non-trade payables and accrued expenses	3,100	7,540	1,468	2,794
	<u>12,189</u>	<u>14,910</u>	<u>6,242</u>	<u>7,747</u>

### 20 Employee benefits

#### Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to this plan in the current year was £109,000 (2008 £141,000).

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

#### Share-based payments

The Group and Company operate an Inland Revenue Approved Share Option Scheme and an Inland Revenue Unapproved Share Option Scheme, together with an EMI Scheme.

The terms and conditions of the options granted under these schemes are as follows, whereby all options are settled by physical delivery of shares.

Grant date	No. of instruments at end of year	No. of instruments at beginning of year	Exercise price (pence)	Contractual life of options
13 October 2000	-	25,000	113.5	October 2003 - October 2010
30 July 2001	13,300	13,300	185.0	July 2004 - July 2011
3 October 2001	68,000	68,000	196.0	October 2004 - October 2011
28 June 2002	42,000	42,000	235.0	June 2004 - June 2011
15 April 2005	-	28,570	210.0	April 2008 - April 2015
17 February 2006	36,900	100,000	229.0	February 2009 - February 2016
1 August 2006	75,000	75,000	266.5	August 2009 - August 2016
	<u>235,200</u>	<u>351,870</u>		

Under the Scheme Rules, options are exercisable at a price equal to the market price of the Company's shares on the date of the grant. The vesting period is three years and if the option remains unexercised after a further period of seven years, the options expire. Options are forfeited if the employee leaves the Group before the options vest.



## Notes (continued)

### 20 Employee benefits (continued)

#### Share-based payments (continued)

The number and weighted average exercise prices of share options are as follows

	Weighted average exercise price 2009 £	Number of options 2009	Weighted average exercise price 2008 £	Number of options 2008
Outstanding at the beginning of the year	2.20	351,870	2.24	910,155
Forfeited during the year	(2.00)	(116,670)	(1.99)	(108,285)
Lapsed during the year	-	-	(2.33)	(450,000)
Outstanding at the end of the year	2.30	235,200	2.20	351,870
Exercisable at the end of the year	2.30	235,200	1.95	176,870

The options outstanding at the year end have an exercise price in the range of 185 0p to 266 5p and a weighted average contractual life of 4.1 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The share options were valued, by an external third party, using a binomial model as this enables the calculation to take into account early exercisable behaviour more accurately. The key inputs used in the model were

	Share options granted on		
	15 April 2005	17 February 2006	1 August 2006
Fair value at measurement date	64.5p	64.6p	78.7p
Exercise price	210.0p	229.0p	266.5p
Expected volatility	35.0%	30.0%	30.0%
Expected dividends	4.0%	3.8%	3.5%
Risk free interest rate	4.6%	4.2%	4.8%

The expected volatility assumption was determined by reference to the daily share price movement from mid 2002 to the date of the award

Share options are granted under a service condition and, for certain grants to directors, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total (credit)/expense recognised for the year arising from share-based payments is as follows

Group and Company	2009 £000	2008 £000
Equity settled share based payment credit	(18)	(164)

## Notes (continued)

### 21 Capital and reserves

#### Share capital

<i>In thousands of shares</i>	Ordinary shares	
	2009	2008
In issue at 1 January	15,478	15,478
Cancelled	(87)	-
	<hr/>	<hr/>
In issue at 31 December	15,391	15,478
	<hr/>	<hr/>
	2009	2008
	£000	£000
<i>Authorised</i>		
500,000,000 shares of 1p each	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
15,391,141 (2008 15,478,141) Ordinary shares of 1p each - classified in shareholders' funds	154	155
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

#### Capital redemption reserve

During the year, the Company cancelled 87,000 (2008 nil) of its own 1p ordinary shares. These shares were previously held as treasury shares. An amount of £870 (2008 £nil), equivalent to the nominal value of the shares cancelled during the year, has been transferred to a capital redemption reserve. No treasury shares are held at the year end.

#### Merger reserve

The Company issued shares as consideration for the acquisition of Norstead Limited and Metnor (Great Yarmouth) Limited in 1999. The conditions set out in section 131 of the Companies Act 1985 were satisfied and the Company obtained Merger relief under the Act. As a result, the premium arising on the issue of shares was credited to a Merger reserve rather than the share premium account.

#### Dividends

The following dividends were recognised during the year

	2009	2008
	£000	£000
Final paid 2008 £nil (2007 2.8p) per ordinary share	-	433
Interim paid 2009 £nil (2008 nil) per ordinary share	-	-
	<hr/>	<hr/>
	-	433
	<hr/>	<hr/>

## Notes (continued)

### 22 Reconciliation of profit for the year to net cash generated from/(absorbed by) operations

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
(Loss)/profit for the year	(605)	1,617	814	2,597
<i>Adjustments for</i>				
Depreciation	814	798	285	303
Impairment losses on investments	-	-	-	330
Share of profit of jointly controlled entities	(12)	(133)	-	-
(Gain)/loss on sale of property, plant and equipment	(20)	(73)	(16)	2
Movement in unrealised profit on sales to jointly controlled entities	-	(62)	-	-
Equity-settled share-based payment transactions	(18)	(164)	(18)	(164)
Finance income	(133)	(336)	(466)	(1,151)
Finance expenses	621	971	420	685
Dividends received	-	-	(1,005)	(2,389)
Income tax (credit)/expense	(185)	529	(241)	9
<b>Operating cash flow before movements in working capital</b>	<b>462</b>	<b>3,147</b>	<b>(227)</b>	<b>222</b>
Change in inventories	1,632	(1,246)	-	-
Change in trade and other receivables	1,772	7,780	198	5,992
Change in trade and other payables	(2,712)	(4,333)	(1,505)	(6,447)
<b>Cash generated from/(absorbed by) operations</b>	<b>1,154</b>	<b>5,348</b>	<b>(1,534)</b>	<b>(233)</b>
Interest paid	(784)	(718)	(403)	(16)
Income tax received/(paid)	35	(727)	448	(948)
<b>Net cash generated from/(absorbed by) operating activities</b>	<b>405</b>	<b>3,903</b>	<b>(1,489)</b>	<b>(1,197)</b>

### 23 Financial instruments

The Group's and the Company's principal financial instruments comprise short term debtors and creditors, loans to jointly controlled entities and short term bank deposits and cash. The Group also has bank borrowings. The Group and the Company do not trade in financial instruments and all of their financial assets and liabilities are denominated in sterling. The Group and the Company also use derivative financial instruments in the form of interest rate swaps to help control their interest rate risk as set out below.

The prime objective of the Group's and the Company's policy towards financial instruments is to maximise returns on the Group's and the Company's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

#### Capital management

The Group's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns. To achieve this objective, the Group aims to maintain a prudent mix of debt and equity financing and considers the current capital structure to be appropriate.

Equity funding comprises issued share capital, reserves and retained earnings as disclosed in note 21 to the financial statements. Debt funding comprises bank facilities as described below.

From time to time the Group purchases its own shares. Such purchases can either take the form of treasury shares, with the aim of using these to cover entitlements under options schemes or cancellations when the Board considers this course of action would enhance the value of the Group for shareholders.

## Notes (continued)

### 23 Financial instruments (continued)

#### Management of financial risk

The main risks associated with the Group's and the Company's financial instruments have been identified as credit risk, interest rate risk and liquidity risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year are set out below.

#### Credit risk

The carrying amount of financial assets is as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Loans to jointly controlled entities	3,514	3,361	2,112	1,966
Trade receivables and amounts owed by jointly controlled entities/subsidiary undertakings	5,754	8,380	23,305	23,506
Cash and cash equivalents	4,625	2,947	2,635	3,182
	<u>13,893</u>	<u>14,688</u>	<u>28,052</u>	<u>28,654</u>

#### Financial assets by category

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Loans and receivables	9,268	11,741	25,417	25,472
Cash and cash equivalents	4,625	2,947	2,635	3,182
	<u>13,893</u>	<u>14,688</u>	<u>28,052</u>	<u>28,654</u>

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations and arises principally from the Group's and the Company's trade receivables. The carrying amount of trade receivables in the balance sheet represents the maximum exposure to credit risk and details are given in note 18 to the financial statements.

Credit risk is concentrated where the Group and the Company have made loans to jointly controlled entities. The Group and the Company monitor the performance of jointly controlled entities on a quarterly basis before agreeing to advance further monies to these entities.

The Board considers the Group's and the Company's exposure to credit risk to be acceptable and normal for entities of their size given the industries in which they operate.

#### Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to access the necessary funds to finance their operations.

The Group and the Company finance their operations through a mixture of equity (comprising share capital, reserves and retained earnings) and debt (comprising bank overdraft facilities and borrowings). The Group and the Company manage their liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

## Notes (continued)

### 23 Financial instruments (continued)

#### Liquidity risk (continued)

The following are the contractual maturities of financial liabilities

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Principal amounts</b>				
Bank loans repayable within one year	17,726	6,290	-	-
Bank loans repayable between one and two years	-	9,985	-	-
Trade and other payables – payable within one year	12,189	14,910	6,242	7,747
Financial liabilities at fair value – payable between one and two years	638	621	638	621
	<u>30,553</u>	<u>31,806</u>	<u>6,880</u>	<u>8,368</u>
	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Interest</b>				
Within one year	779	812	-	-
Between one and two years	406	596	-	-
Between two and three years	-	252	-	-
	<u>1,185</u>	<u>1,660</u>	<u>-</u>	<u>-</u>

Interest has been calculated on an undiscounted basis using Base and LIBOR rates at the year end

Financial liabilities by category

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Financial liabilities at fair value – designated as fair value through profit and loss at initial recognition	638	621	638	621
Financial liabilities at amortised cost	29,915	31,185	6,242	7,747
	<u>30,553</u>	<u>31,806</u>	<u>6,880</u>	<u>8,368</u>

At the year end the Group had the following undrawn facilities The Company has no borrowings

	Group	
	2009 £000	2008 £000
<i>Undrawn committed bank facilities</i>		
Expiry in one year or less	7,515	4,710
Expiry in more than one but not more than two years	-	5,015
	<u>7,515</u>	<u>9,725</u>

## Notes (continued)

### 23 Financial instruments (continued)

#### Liquidity risk (continued)

At the year end the Group's borrowing facilities comprise a bank overdraft facility of £2.5 million (2008 £2.5 million), a three year revolving credit facility of £15 million (2008 £15 million) which expires in November 2010 and a development facility of £8.5 million (2008 £8.5 million) which expired in November 2009.

In October 2009, the Group commenced negotiation with its bank to renew the development facility which expired in November 2009. As the Group's activities have changed considerably since its existing bank facilities were put in place in 2005, it was agreed to extend the negotiations to cover all of the Group's bank facilities as these were due for renewal later in 2010. Negotiations have been concluded in 2010 and the Group's existing facilities have now been replaced by the following new facilities moving forward.

The development facility in the sum of £8.5 million which expired in November 2009 has been repaid and replaced with a £7.215 million investment facility. The new facility bears interest at a rate of 2.25% above LIBOR and expires in April 2013.

A new development facility in the sum of £4.5 million has been entered into bearing interest at a rate of 2.5% above LIBOR. This facility is repayable in June 2012 and partially replaces monies borrowed under the existing revolving credit facility.

A new development facility in the sum of £4.5 million has been entered into bearing interest at a rate of 2.5% above LIBOR. This facility is repayable in April 2013 and replaces monies borrowed under the existing revolving credit facility.

The overdraft facility has been renewed for a further 12 months.

Following finalisation of the new facilities, the existing revolving credit facility will be repaid in full and will be cancelled.

The newly agreed facilities are more than sufficient to cover existing liabilities and current commitments.

The Group's borrowing facilities are secured by charges over specific assets and by a debenture over the Group's assets.

The fair value of the Group and Company's financial assets and liabilities is not considered to be materially different from their book values.

#### Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's overdraft and borrowing facilities bear interest at floating rates of interest based on the lender's base rate.

The Group manages its exposure to interest rate fluctuations by entering into interest rate swap arrangements and the Group aims to ensure that at least 50% of its borrowings at any time are covered by interest rate swap arrangements which fix the rate of interest.

Trade and other payables do not bear interest.

#### Financial liabilities

The interest rate risk profile of the Group's bank loans at the year end were as follows:

	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Total liabilities £000	Weighted average interest rate %	Average period over which rate is fixed
At 31 December 2009	10,000	7,726	17,726	4.4	0.9 years
At 31 December 2008	10,000	6,275	16,275	5.22	1.9 years

## Notes (continued)

### 23 Financial instruments (continued)

#### Financial assets

The Group's and the Company's treasury policy is to place surplus cash balances on short term deposit to maximise interest returns and at the year end cash deposits earned interest at an average rate of 0.50% (2008 0.75%)

#### Sensitivity analysis

A 1% increase in interest rates throughout the year, with all other variables remaining constant, would have an adverse impact of approximately £77,000 on reported profits and equity (2008 £63,000)

### 24 Operating leases

Non-cancellable operating lease rentals are payable as follows

#### Group

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Less than one year	101	124	-	1
Between one and five years	111	169	-	-
More than five years	9	-	-	-
	<u>221</u>	<u>293</u>	<u>-</u>	<u>1</u>

#### Company

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Less than one year	83	83	-	1
Between one and five years	55	138	-	-
	<u>138</u>	<u>221</u>	<u>-</u>	<u>1</u>

The Group leases a number of office and warehouse facilities under operating leases. Land and buildings have been considered separately for lease classification.

#### Group

During the year £137,000 was recognised as an expense in the income statement in respect of operating leases (2008 £178,000)

#### Company

During the year £106,000 was recognised as an expense in the income statement in respect of operating leases (2008 £127,000)

## Notes (continued)

### 24 Operating leases (continued)

Non-cancellable operating lease rentals are receivable as follows

#### Group

	Investment properties	
	2009	2008
	£000	£000
Less than one year	737	-
Between one and five years	2,948	-
More than five years	17,737	-
	<hr/>	<hr/>
	21,422	-
	<hr/>	<hr/>

The Group lets investment properties to generate rental income

No operating lease rentals are receivable by the company

### 25 Capital commitments

Neither the Group nor the Company had any capital commitments at the year end (2008 £nil)

### 26 Contingencies - Group and Company

The Company has entered into an omnibus guarantee and set off agreement with its bankers whereby the Company is liable, jointly and severally with certain other members of the Group in respect of overdrawn balances on certain Group bank accounts. At 31 December 2009 there were overdrawn balances amounting to £nil (2008 £2,167,000) which were offset against credit balances of £2,959,000 (2008 £4,774,000)

The Company has guaranteed certain of the bank borrowings of its jointly controlled entities. At 31 December 2009 the Company had guaranteed borrowings in the sum of £1,250,000 (2008 £2,000,000)

The Company has given performance and other trade guarantees on behalf of subsidiary undertakings during the course of its normal trade

No outflow of economic benefit, from the Group or Company, is expected to result from the above contingencies

### 27 Related parties

#### *Identity of related parties with which the Group has transacted*

The Group has a related party relationship with its subsidiaries and its jointly controlled entities. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note

#### *Transactions with key management personnel*

The key management personnel of the Group are the directors



## Notes (continued)

### 27 Related parties (continued)

The compensation of directors is as follows

	2009 £000	2008 £000
Directors' emoluments (see note 7)	734	1,031
Share based payment credit	(18)	(164)
	<u>716</u>	<u>867</u>

#### *Transactions with jointly controlled entities - Group*

During the year, jointly controlled entities purchased goods and services from the Group in the amount of £3,531,000 (2008 £nil) and at 31 December 2009 jointly controlled entities owed the Group £407,000 (2008 £90,000) in relation to trading balances. Transactions with jointly controlled entities are priced on an arm's length basis.

The Group has advanced loans to jointly controlled entities on which the balance owed at the year end was £3,514,000 (2008 £3,361,000). Loans to jointly controlled entities are interest bearing, unsecured, and repayable on demand.

#### *Transactions with jointly controlled entities - Company*

The Company has advanced loans to jointly controlled entities on which the balance owed at the year end was £2,112,000 (2008 £1,966,000). Loans to jointly controlled entities are interest bearing, unsecured and repayable on demand.

#### *Transactions with subsidiaries - Company*

During the year, subsidiary undertakings purchased goods and services from the Company in the sum of £2,081,000 (2008 £1,899,000) and the Company purchased goods and services from subsidiary undertakings in the sum of £nil (2008 £1,210,000). The Company also advanced money to and borrowed money from subsidiary undertakings and at 31 December 2009 subsidiary undertakings owed the Company £20,603,000 (2008 £19,714,000) and the Company owed subsidiary undertakings £743,000 (2008 £743,000). Amounts due from / to subsidiary companies are interest bearing, repayable on demand, and unsecured.

#### *Ultimate controlling party*

In the directors' opinion, the Company's ultimate controlling party is Mr S Rankin.

## Notice of Annual General Meeting

### METNOR GROUP PLC - Company Number 3596379

NOTICE IS HEREBY GIVEN THAT THE TWELFTH ANNUAL GENERAL MEETING of Metnor Group plc ('the Company') will be held at Metnor House, Mylord Crescent, Killingworth, Newcastle upon Tyne, NE12 5YD on Tuesday 29 June 2010 at 11 00 am 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 2009 and the reports of the Directors and Auditors thereon
- 2) To re-elect Mr A Greenwell, who retires by rotation in accordance with the provisions of the Articles of Association of the company, as a director of the company
- 3) To re-elect Mr W Thoburn, who was appointed by the Board during the year as an additional director of the company
- 4) To re-appoint KPMG Audit Plc as auditors
- 5) To authorise the directors to agree the remuneration of the auditors

To consider and, if thought fit, to pass the following resolutions (of which resolution 6 shall be proposed as an ordinary resolution and resolution 7 will be proposed as a special resolution), namely -

- 6) That, in substitution for all subsisting authorities the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act") to allot shares in the company or to grant rights to subscribe for or to convert any security into shares in the company ("Rights") up to a maximum aggregate nominal amount of £4,846,088 59 (being an amount equal to the authorised but unissued share capital of the Company) PROVIDED THAT
  - a) this authority shall expire at the conclusion of the Annual General Meeting next held after the passing of this resolution or the date falling 15 months from the date of the passing of this resolution, whichever is the earlier, and
  - b) the company may before the expiry of such period make an offer, agreement or other arrangement which would or might require shares to be allotted or Rights to be granted after the expiry of such period and the directors may allot shares or grant Rights in pursuance of any such offer, agreement or other arrangements as if the authority conferred hereby had not expired

This resolution revokes and replaces all unexercised authorities previously granted to the directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act to allot shares or grant Rights but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities

- 7) That, subject to the passing of resolution 6 above, the directors be and they are hereby empowered in accordance with section 570 of the Act to allot equity securities (as defined by section 560 of the 2006 Act) in the company for cash pursuant to the authority conferred upon them by resolution 6 of this notice (as varied from time to time by the company in general meeting) as if section 561 of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited
  - a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise or as regards shares held by an approved depository or in issue in uncertified form or otherwise howsoever, and
  - b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £4,846,088 59 (being an amount equal to the authorised but unissued share capital of the Company),

## Notice of Annual General Meeting *(continued)*

### **METNOR GROUP PLC - Company Number 3596379**

and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the company or the date falling 15 months from the passing of this resolution unless renewed or extended prior to or at such meeting except that the company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities

By order of the Board

**KA Atkinson**  
*Company Secretary*

28 May 2010

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

## **Notes**

- 1 A member entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A form of proxy is enclosed with this document. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the enclosed proxy form.
- 4 To be valid, the proxy form must be duly completed and signed or sealed (as appropriate) and must be received by the Company's Registrars, Share Registrars Limited, Suite E, First Floor, Lion and Lamb Yard, Farnham, Surrey, GU9 7LL so as to arrive not later than 48 hours before the time appointed for the holding of the Meeting.
- 5 In the case of a corporation, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the proxy form must be signed by the individual or his or her attorney duly authorised. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

## Notice of Annual General Meeting *(continued)*

- 6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior)
- 7 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share
- 8 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at least 48 hours prior to the time set for the Meeting in order to be entitled to attend and vote at the Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting
- 9 Except as provided above, members who have general queries about the Meeting should contact the Company Secretary at Metnor House, Mylord House, Mylord Crescent, Killingworth, Newcastle upon Tyne, NE12 5YD (no other methods of communication will be accepted)

You may not use any electronic address provided either

- in this notice of annual general meeting, or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated

## Explanatory notes:

The Companies Act 2006 provides that Directors shall only allot unissued shares with the authority of shareholders in general meeting. Resolution 6 will be proposed as an Ordinary Resolution for the renewal of the Directors' general authority to allot shares up to an aggregate nominal amount of £4,846,088.59, which is an amount equal to the authorised but unissued share capital of the Company. This authority will, unless renewed, varied or revoked by the Company, expire on 30 September 2011, or, if earlier the date of the next Annual General Meeting of the Company.

The Companies Act 2006 also provides that any allotment of new shares for cash must be made pro rata to individual shareholders' holdings, unless such provisions are disapplied under section 570 of the Companies Act 2006. Resolution 7 will be proposed as a Special Resolution for the renewal of the Directors' authority to allot equity securities for cash, without first offering them to shareholders pro rata to their holdings. This authority facilitates issues made by way of rights to shareholders which are not strictly in accordance with section 561(1) of the Companies Act 2006, and authorises other allotments of up to a maximum aggregate nominal amount of £4,846,088.59, which is an amount equal to the authorised but unissued share capital of the Company.