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**Metnor Group PLC**

# Annual report and consolidated financial statements

Registered number 3596379

31 December 2000

# Contents

# Financial Highlights

| | **Increased by** | **2000** | 1999 |
|---|---|---|---|
| | | **£000** | £000 |
| Turnover | **53%** | **39,240** | 25,579 |
| Pre tax profits | **55%** | **4,368** | 2,821 |
| Post tax profits | **50%** | **2,875** | 1,914 |
| Shareholders' funds | **23%** | **11,980** | 9,771 |
| Earnings per share | **30%** | **18.8p** | 14.5p |
| Earnings per share before amortisation of goodwill | **31%** | **20.7p** | 15.8p |
| Dividend per share | **12%** | **4.5p** | 4.0p |

## Directors, Secretary and Advisors

| | | |
|---|---|---|
| **Directors** | Chairman* | JP Pither |
| | Managing Director | S Rankin |
| | Production Director | D Pinkerton |
| | Finance Director | RG Guy |
| | Director* | A Rankin |
| | Director | RJ Pratt |

*non-executive

| | |
|---|---|
| **Registered and Head office** | Metnor House<br>Mylord Crescent<br>Camperdown Industrial Estate<br>Killingworth<br>Tyne & Wear NE12 5YD |
| **Company secretary** | RG Guy |
| **Nominated broker and nominated advisor** | Brewin Dolphin Securities Ltd<br>34 Lisbon Street<br>Leeds LS1 4LX |
| **Auditors** | KPMG Audit Plc<br>Quayside House<br>110 Quayside<br>Newcastle upon Tyne<br>NE1 3DX |
| **Solicitors** | Mincoffs<br>Kensington House<br>4-6 Osborne Road<br>Newcastle upon Tyne<br>NE2 2AA |
| **Registrars** | IRG plc<br>Balfour House<br>390/398 High Road<br>Ilford<br>Essex IG1 1NQ |

# Chairman's Statement

### Financial report

During the year the Group performed well, resulting in pre-tax profits increasing by 55% to £4.37m (£4.66m before amortisation of goodwill) (1999: £2.82m), on turnover up 53% to £39.24m (1999: £25.5m). Earnings per share before amortisation of goodwill is 20.7p (*1999: 15.*8p) which represents an increase of 31%. The Directors are recommending a final dividend of 3p, making a total for the year of 4.5p.

### Trading Update

After a slow second half in 2000, galvanizing has recovered in 2001. During the first three months of this year we have benefited from several large contract awards, resulting in our galvanizing plants operating close to capacity.

Whilst price pressure remains, our excellent reputation for service and quality is resulting in new orders and repeat business which will allow the division to perform well.

Norstead division continues to grow strongly. Both the traditional mechanical and electrical contracting business and our specialist telecommunications operation is benefiting from significant contract awards in 2001.

Whilst there has undoubtedly been a slow down in the telecommunications sector, this has been offset by our broadening customer base. Norstead's reputation is spreading rapidly and we anticipate further contract awards. Our current order book is healthy and we are approaching the current year with a degree of optimism.

During this year we completed our first overseas contract in Paris. I feel this is an important milestone for the Group as it demonstrates our ability to operate throughout Europe, whilst adding another important element to our "credentials" in this area. Additional overseas work is expected during 2001, further boosting our projected revenues.

NorMet, our smallest division which supplies and hires parts and equipment to the offshore oil industries benefited during 2000 from the increased oil price and continues to trade well.

Finally, I would again like to express my gratitude to all of our staff whose hard work has allowed us to make so much progress over the year.

**Jon Pither**
*Non-Executive Chairman*

10 April 2001

## Directors' report

The directors present their annual report and the audited financial statements for the year to 31 December 2000.

### Principal activities

The principal activities of the group are that of jobbing galvanizers, mechanical and electrical contracting and manufacture, sale and hire of hydraulic and assorted equipment. The majority of group activity now relates to contracting.

### Business review

A commentary on the group's business activities and future prospects is included in the Chairman's statement on page 3.

### Proposed dividend

The directors recommend that a final ordinary dividend of 3.0 pence per share be paid, making together with the interim dividend paid of 1.5 pence per share a total of 4.5 pence per share for the year. Details of shares issued during the year are disclosed in note 18. The proposed dividend is payable on 8 June 2001 to those on the register on 27 April 2001.

### Policy and practice on payment of creditors

It is the group policy to pay suppliers in accordance with terms and conditions agreed prior to the commencement of trading, provided that the supplier has met its contractual obligations. The group does not follow any single code or standard on payment practice. At the year end creditors days were 54 days for the group and 62 for the company.

### Introduction of the Euro

The impact of the introduction of the Euro is expected to be minimal.

### Annual General Meeting

The business to be transacted at the Annual General Meeting is set out in the notice of meeting at the back of this report.

Resolutions 1 to 6 relate to ordinary business and resolutions 7 and 8 relate to special business.

Resolution 7, which will be proposed as an ordinary resolution, empowers the Directors to allot equity securities as described up to an aggregate nominal amount up to £50,903.70.

Resolution 8, which will be proposed as a special resolution, authorises the directors to allot securities (subject to the passing of resolution 7) provided that the power shall be limited to rights issues or any other pre-emptive offer in favour of holders of equity securities proportionately to the respective amounts held as described, up to an aggregate nominal amount of £7,635.55.

# Directors' report *(continued)*

### Directors and directors' interests

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

A Rankin
S Rankin
JP Pither
D Pinkerton
RG Guy
RJ Pratt

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

| | **Ordinary shares of 1p each** | |
|---|---|---|
| | **Interest at end of year** | **Interest at start of year** |
| A Rankin | 4,023,809 | 3,452,381 |
| S Rankin | 4,023,809 | 3,452,380 |
| JP Pither | 326,002 | 326,002 |
| D Pinkerton | 5,112 | 5,000 |

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

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except for RJ Pratt who on 13 October 2000 was granted options over 100,000 ordinary 1p shares, exercisable at 197.8p exercisable between 3 and 10 years after issue. There have been no changes to the above since the year end.

### Major shareholdings

As at 10 April 2001 the following shareholdings in 3% or more of the ordinary share capital of the Company, other than the directors' holdings shown above, have been notified to the Company:

| | **Ordinary shares of 1p each** | |
|---|---|---|
| | **Number** | **Percentage** |
| JR Rankin | 3,738,095 | 24.5% |
| Aim VCT PLC | 841,235 | 4.2% |

## Directors' report *(continued)*

### Employees

The group recognises its social and statutory duty to employ disabled persons and considers such persons for employment where the requirements of the job are such that the duties can be effectively and safely covered by a handicapped or disabled person. In the event of employees becoming disabled, every effort is made to ensure that their employment with the group continues, bearing in mind the handicap or disability.

The need to develop the careers of disabled employees is accepted by the group and the necessary steps are taken to train and promote disabled employees where it is in their own and the group's best interest.

The directors have always recognised the importance of good communications and have continued to inform and consult with employees' representatives on all matters likely to affect them. A briefing group mechanism exists to enable information to be disseminated to all employees.

### Corporate governance

The directors recognised the value of the Principles of Good Corporate Governance and the Code of Best Practice prepared by the Committee on Corporation Governance chaired by Sir Ronald Hampel published in June 1998 ('the Combined Code').

The company seeks to comply with the Combined Code so far as is practicable and appropriate for a public company of its size. The company also seeks to follow the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The board has established an audit committee and a remuneration committee, each of which comprises the non - executive directors JP Pither and A Rankin with formally delegated duties and responsibilities, and S Rankin is also a member of the remuneration committee.

The audit committee receives and reviews reports from management and the company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the company. The audit committee has unrestricted access to the company's auditors.

The remuneration committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors are set by the board. The remuneration committee also administers the group's share option schemes.

### Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £2,510.

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

R. G. Guy

**RG Guy**
*Secretary*

Metnor House
Mylord Crescent
Killingworth
Tyne & Wear
NE12 5YD

10 April 2001

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

KPMG

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

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

We have audited the financial statements on pages 9 to 28.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual report. As described on page 7, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**
*Chartered Accountants*
*Registered Auditor*

10 April 2001

# Consolidated profit and loss account

*for the year ended 31 December 2000*

| | Note | 2000 £000 | 1999 £000 |
|---|---|---|---|
| **Turnover** | *3* | **39,240** | 25,579 |
| Cost of sales | | **(31,164)** | (20,344) |
| **Gross profit** | | **8,076** | 5,235 |
| Administrative expenses | | **(3,875)** | (2,516) |
| **Operating profit** | *3* | **4,201** | 2,719 |
| Interest receivable and similar income | *7* | **167** | 102 |
| **Profit on ordinary activities before taxation** | *3-7* | **4,368** | 2,821 |
| Tax on profit on ordinary activities | *8* | **(1,493)** | (907) |
| **Profit on ordinary activities after taxation** | | **2,875** | 1,914 |
| Dividends paid and proposed | *9* | **(687)** | (583) |
| **Retained profit for the financial year** | *20* | **2,188** | 1,331 |
| Basic earnings per share | *10* | **18.8p** | 14.5p |
| Diluted earnings per share | *10* | **18.6p** | 13.5p |
| Basic earnings per share before amortisation of goodwill | *10* | **20.7p** | 15.8p |
| Diluted earnings per share before amortisation of goodwill | *10* | **20.5p** | 14.7p |

All of the above relates to continuing operations.

There were no recognised gains and losses during the current and previous year other than the profit for the financial year.

# Consolidated balance sheet
*at 31 December 2000*

| | Note | 2000 | | 1999 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *11* | | **5,317** | | 5,605 |
| Tangible assets | *12* | | **2,664** | | 2,895 |
| | | | **7,981** | | 8,500 |
| **Current assets** | | | | | |
| Stocks | *14* | **1,581** | | 1,783 | |
| Debtors | *15* | **5,527** | | 4,782 | |
| Cash at bank and in hand | *24* | **4,719** | | 3,212 | |
| | | **11,827** | | 9,777 | |
| **Creditors:** amounts falling due within one year | *16* | **(7,828)** | | (8,506) | |
| **Net current assets** | | | **3,999** | | 1,271 |
| **Net assets** | | | **11,980** | | 9,771 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | **153** | | 136 |
| Shares to be allotted | *19* | | **-** | | 1,800 |
| Share premium account | *20* | | **2,486** | | 2,486 |
| Merger reserve | *20* | | **2,377** | | 594 |
| Profit and loss account | *20* | | **6,964** | | 4,755 |
| **Shareholders' funds: equity** | | | **11,980** | | 9,771 |

These financial statements were approved by the board of directors on 10 April 2001 and were signed on its behalf by:

**A Rankin**
*Director*

# Company balance sheet
***at 31 December 2000***

| | *Note* | 2000 | | 1999 (restated) | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *11* | | **5,317** | | 5,605 |
| Tangible assets | *12* | | **376** | | 355 |
| Investments | *13* | | **1,084** | | 1,084 |
| | | | **6,777** | | 7,044 |
| **Current assets** | | | | | |
| Stocks | *14* | **1,484** | | 1,671 | |
| Debtors | *15* | **4,404** | | 3,544 | |
| Cash at bank and in hand | | **4,413** | | 2,904 | |
| | | **10,301** | | 8,119 | |
| **Creditors:** amounts falling due within one year | *16* | **(9,709)** | | (10,120) | |
| **Net current assets/(liabilities)** | | | **592** | | (2,001) |
| **Net assets** | | | **7,369** | | 5,043 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | **153** | | 136 |
| Shares to be allotted | *19* | | **-** | | 1,800 |
| Share premium account | *20* | | **2,486** | | 2,486 |
| Merger reserve | *20* | | **2,477** | | 694 |
| Profit and loss account | *20* | | **2,253** | | (73) |
| **Shareholders' funds: equity** | | | **7,369** | | 5,043 |

These financial statements were approved by the board of directors on 10 April 2001 and were signed on its behalf by:

**A Rankin**
*Director*

# Consolidated cash flow statement

*for the year ended 31 December 2000*

## Reconciliation of operating profit to net cash flow from operating activities

| | Note | 2000 £000 | 1999 £000 |
|---|---|---|---|
| Operating profit | | **4,201** | 2,719 |
| Depreciation and amortisation charges | | **869** | 592 |
| Profit on sale of fixed assets | | **(6)** | (23) |
| Decrease/(increase) in stocks | | **202** | (1,494) |
| (Increase)/decrease in debtors | | **(745)** | 2,570 |
| Increase in creditors | | **1,383** | 982 |
| Charge in respect of share award | | **21** | - |
| **Net cash inflow from operating activities** | | **5,925** | 5,346 |

## Cash flow statement

| | Note | 2000 £000 | 1999 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | **5,925** | 5,346 |
| **Returns on investments and servicing of finance** | 23 | **167** | 102 |
| **Taxation** | | **(1,269)** | (669) |
| **Capital expenditure** | 23 | **(344)** | (656) |
| **Acquisitions and disposals** | 23 | **(2,300)** | (2,720) |
| **Equity dividends paid** | | **(672)** | (405) |
| **Management of liquid resources** | 23 | **(482)** | - |
| Cash inflow before financing | | **1,025** | 998 |
| **Financing** | 23 | - | 258 |
| **Increase in cash in the year** | | **1,025** | 1,256 |

## Reconciliation of net cash flow to movement in net funds

| | Note | 2000 £000 | 1999 £000 |
|---|---|---|---|
| **Reconciliation of net cash flow to movement in net funds** | 24 | | |
| **Increase in cash in the year** | | **1,025** | 1,256 |
| **Movement in net funds in the year** | | **1,025** | 1,256 |
| **Net funds at the start of the year** | | **3,212** | 1,956 |
| **Net funds at the end of the year** | | **4,237** | 3,212 |

# Reconciliations of movements in shareholders' funds

*for the year ended 31 December 2000*

| | Group | | Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 (restated) |
| | **£000** | £000 | **£000** | £000 |
| Profit for the financial year | **2,875** | 1,914 | **2,992*** | 451 |
| Dividends paid and proposed | **(687)** | (583) | **(687)** | (583) |
| **Retained profit/(loss) for the financial year** | **2,188** | 1,331 | **2,305** | (132) |
| Premium arising on share issue (net of issue costs) | - | 848 | - | 848 |
| New share capital subscribed | - | 9 | - | 9 |
| Shares to be allotted | - | 1,800 | - | 1,800 |
| Charge in respect of share award written back | **21** | - | **21** | - |
| **Net addition to shareholders' funds** | **2,209** | 3,988 | **2,326** | 2,525 |
| Opening shareholders' funds | **9,771** | 5,783 | **5,043** | 2,518 |
| **Closing shareholders' funds** | **11,980** | 9,771 | **7,369** | 5,043 |

* Including £1,000,000 dividend from subsidiary undertaking

# Notes

*(forming part of the financial statements)*

## 1 Prior Year Adjustment

Following the acquisition of Norstead Limited and NorMet (UK) Limited on 7 May 1999, the trade and net assets of the two companies were transferred to Metnor Group PLC ('the company') at the fair value of the net assets, excluding any amount in respect of goodwill. The cost of the company's investment in those subsidiary undertakings reflected the underlying fair value of the net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in the subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there was no overall loss to the company, it would fail to give a true and fair view to charge the diminution to the company's profit and loss account for that year and it should instead be re-allocated to goodwill so as to recognise in the company's individual balance sheet the effective cost to the company of acquiring that goodwill.

The prior year balance sheet and profit and loss account of the company have been adjusted to reflect the re-allocation to goodwill and an amortisation charge in respect of that goodwill of £145,000. The effect of the departure from Schedule 4 explained above is to increase the value of goodwill in the company's balance sheet at 31 December 1999 by £5,605,000 and the company's profit for the year then ended by the same amount. The effect of the departure on the current year is to increase the value of goodwill in the company's balance sheet at 31 December 2000 and reduce the profit for the year by the amortisation charge of £288,000.

Consideration for the acquisitions made during 1999 included share capital of £2,400,000 (as detailed in note 13). The premium arising on the first issue of £594,000 was incorrectly reflected within share premium account. Section 131 of the Companies Act 1985 does not permit this to be credited to the share premium account, and accordingly the amount has been re-allocated to a merger reserve by means of a prior year adjustment.

The group profit and net assets are not affected by the transfers.

## 2 Accounting policies

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

The group has adopted Financial Reporting Standards 15 and 16 during the year as required and neither have any significant impact.

### *Basis of preparation*

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

### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2000. Business combinations are either acquisition or merger accounted. Under the merger method the results of each company are included for the whole of the financial year. This method was adopted for the merger of Metnor Group PLC and Metnor Galvanizing Limited during the year ended 31 December 1998. Under the acquisition method the results of the subsidiary undertakings acquired in the period are included from the date of acquisition and this method has been adopted for all other acquisitions.

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

# Notes *(continued)*

## 2 Accounting policies *(continued)*

### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given and any associated acquisition costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised by equal annual instalments over a period appropriate to each investment but to be no more than 20 years.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill.

### *Tangible fixed assets and depreciation*

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

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

No depreciation is provided on freehold land or assets in the course of construction.

### *Foreign currencies*

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

### *Leases*

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

### *Post-retirement benefits*

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

### *Stocks*

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

Work in progress is valued at cost including an appropriate proportion of attributable overheads, net of progress payments made. Progress payments on account in excess of work in progress is included in creditors. Full provision is made for losses on unprofitable contracts.

# Notes *(continued)*

## 2 Accounting policies (continued)

### *Taxation*

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

### *Turnover*

Turnover represents the amounts (excluding value added tax) from the provision of goods and services derived in the UK from the principal activities of the company. In respect of contracting income turnover includes the amounts invoiced on contracts completed in the year (not previously recognised), net of value added tax, plus the net increase in the costs incurred on all incomplete contracts.

### *Cash and liquid resources*

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

## 3 Segmental information

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

An analysis by business segment is provided below:

| | **2000** | | | 1999 | | |
|---|---|---|---|---|---|---|
| | **Turnover** | **Operating profit** | **Net assets** | Turnover | Operating profit | Net assets |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Hot dip galvanizing | **9,747** | **1,263** | **4,615** | 9,708 | 1,897 | 4,734 |
| Engineering, maintenance and contracting | **28,116** | **2,479** | **2,774** | 15,228 | 598 | 2,080 |
| Manufacture, sale and hire of hydraulic and assorted equipment | **1,377** | **459** | **678** | 643 | 224 | 462 |
| Central costs | **-** | **-** | **3,913** | - | - | 2,495 |
| | **39,240** | **4,201** | **11,980** | 25,579 | 2,719 | 9,771 |

# Notes *(continued)*

## 4 Profit on ordinary activities before taxation

| | **2000** **£000** | 1999 £000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Auditors' remuneration: | | |
| Audit | | |
| Group | **31** | 30 |
| Company | **17** | 3 |
| Other services - fees paid to the auditor and its associates | **6** | 9 |
| Depreciation | **581** | 422 |
| Amortisation of goodwill | **288** | 170 |
| Hire of plant and machinery | **57** | 38 |
| Abortive acquisition costs (including £24k paid to the auditors and its associates not detailed above) | **57** | - |

## 5 Remuneration of directors

| | **2000** **£000** | 1999 £000 |
|---|---|---|
| Directors' emoluments | **401** | 253 |
| Company contributions to money purchase pension schemes | **12** | 14 |
| Amounts paid to third parties in respect of directors' services | **10** | 13 |
| | **423** | 280 |
| Amounts attributable to highest paid director: | | |
| Emoluments | **192** | 80 |
| Company contributions to money purchase pension schemes | **4** | - |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | **2** | 2 |

# Notes *(continued)*

## 6 Staff numbers and costs

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

| | Number of employees | |
|---|---|---|
| | **2000** | 1999 |
| Production | **236** | 215 |
| Administration | **61** | 63 |
| | **297** | 278 |

The aggregate payroll costs of these persons were as follows:

| | **2000** | 1999 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **6,189** | 4,386 |
| Social security costs | **604** | 419 |
| Other pension costs | **41** | 37 |
| | **6,834** | 4,842 |

## 7 Other interest receivable and similar income

| | **2000** | 1999 |
|---|---|---|
| | **£000** | £000 |
| Bank interest | **167** | 102 |

# Notes *(continued)*

## 8 Taxation

| | 2000 £000 | 1999 £000 |
|---|---|---|
| UK corporation tax at 30% *(1999: 30.25%)* | **1,493** | 907 |

## 9 Dividends

| | 2000 £000 | 1999 £000 |
|---|---|---|
| Equity shares: | | |
| Interim dividend paid | **229** | 140 |
| Final dividend proposed 3p *(1999: 2.9p)* | **458** | 443 |
| | **687** | 583 |

## 10 Earnings per share

Earnings per share is calculated by dividing the profit after taxation for the year of £2,875,000 (1999: £1,914,000) by the weighted average number of shares, 15,271,110 (1999: 13,191,399) in issue during the year.

The diluted earnings per share for 1999 is calculated by dividing the profit after taxation for the year of £1,914,000 by the weighted average number of shares 14,163,611. The 1,714,286 shares detailed in note 13 as deferred consideration have been included in the fully diluted calculation in accordance with Financial Reporting Standard 14. The 2000 calculation is adjusted for the share options granted during the year (see note 18), by increasing the weighted average number of shares to 15,453,032. There were no share issues during the current year.

The basic and diluted earnings per share before amortisation of goodwill is calculated on the same basis as above after adjusting the profit after taxation for the year for the amortisation of goodwill of £288,000 and is presented to highlight the impact of the acquisitions in 1999.

## Notes *(continued)*

### 11 Intangible fixed assets

| | Goodwill £000 |
|---|---|
| **Group** | |
| ***Cost*** | |
| At beginning and end of year | 5,775 |
| ***Amortisation*** | |
| At beginning of year | 170 |
| Charged in year | 288 |
| At end of year | 458 |
| ***Net book value*** | |
| **At 31 December 2000** | **5,317** |
| At 31 December 1999 | 5,605 |

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Given the nature of the businesses acquired and the relative stability of the industry in which they operate, the directors consider that the resulting goodwill should be amortised over 20 years on a straight line basis.

| | Goodwill £000 |
|---|---|
| **Company** | |
| ***Cost*** | |
| As originally stated | - |
| Prior year adjustment (see note 1) | 5,750 |
| As restated and at end of year | 5,750 |
| ***Amortisation*** | |
| As originally stated | - |
| Prior year adjustment (see note 1) | 145 |
| Charge in year | 288 |
| At end of year | 433 |
| ***Net book value*** | |
| **At 31 December 2000** | **5,317** |
| At 31 December 1999 as restated | 5,605 |

# Notes *(continued)*

## 12 Tangible fixed assets

| | Land and buildings | Plant and machinery | Motor vehicles | Assets in course of construction | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Group** | | | | | |
| ***Cost*** | | | | | |
| At beginning of year | 1,800 | 3,108 | 691 | 13 | 5,612 |
| Additions | - | 112 | 214 | 56 | 382 |
| Transfers | - | 45 | - | (45) | - |
| Disposals | - | (131) | (139) | - | (270) |
| At end of year | 1,800 | 3,134 | 766 | 24 | 5,724 |
| ***Depreciation*** | | | | | |
| At beginning of year | 272 | 2,172 | 273 | - | 2,717 |
| Charge for year | 52 | 341 | 188 | - | 581 |
| On disposals | - | (131) | (107) | - | (238) |
| At end of year | 324 | 2,382 | 354 | - | 3,060 |
| ***Net book value*** | | | | | |
| **At 31 December 2000** | **1,476** | **752** | **412** | **24** | **2,664** |
| At 31 December 1999 | 1,528 | 936 | 418 | 13 | 2,895 |

The net book value of land and buildings comprises:

| | **2000** | 1999 |
|---|---|---|
| | **£000** | £000 |
| Freehold | **1,464** | 1,501 |
| Short leasehold | **12** | 27 |
| | **1,476** | 1,528 |

Included above is freehold land of £621,000 which is not depreciated.

# Notes *(continued)*

## 12 Tangible fixed assets (*continued*)

| | Plant and machinery £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|
| **Company** | | | |
| *Cost* | | | |
| At beginning of year | 200 | 510 | 710 |
| Additions | 36 | 138 | 174 |
| Disposals | - | (95) | (95) |
| At end of year | 236 | 553 | 789 |
| ***Depreciation*** | | | |
| At beginning of year | 133 | 222 | 355 |
| Charge for year | 30 | 114 | 144 |
| On disposals | - | (86) | (86) |
| At end of year | 163 | 250 | 413 |
| ***Net book value*** | | | |
| **At 31 December 2000** | **73** | **303** | **376** |
| At 31 December 1999 | 67 | 288 | 355 |

# Notes *(continued)*

## 13 Fixed asset investments

| | £000 |
|---|---|
| **Shares in group undertaking** | |
| ***Cost*** | |
| As originally stated | 6,834 |
| Prior year adjustment (see notes 1 and 11) | (5,750) |
| | 1,084 |

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

| Company | Country of registration | Principal activity |
|---|---|---|
| Metnor Galvanizing Limited | England | Hot dip galvanizing |
| Moortime Limited | England | Group property holding company |
| Norstead Limited | England | Dormant |
| NorMet (UK) Limited | England | Investment holding company |

Norstead Limited and NorMet (UK) Limited were acquired for initial consideration consisting of £1,800,000 cash and 571,429 Ordinary 1p shares in Metnor Group PLC (market value of £600,000). Deferred consideration became payable as a result of the acquisitions' performance for the year ended 31 December 1999, comprising £2,300,000 cash and 1,714,286 Ordinary 1p shares in Metnor Group PLC to be allotted (market value of £1,800,000).

NorMet (UK) Limited owns 100% of the Ordinary share capital of Metnor (Great Yarmouth) Limited a company registered in England which is now dormant.

The post acquisition results of all subsidiaries are included in the consolidated results of Metnor Group PLC.

# Notes *(continued)*

## 14 Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **97** | 108 | **-** | - |
| Work in progress | **1,393** | 1,555 | **1,393** | 1,555 |
| Finished goods and goods for resale | **91** | 120 | **91** | 116 |
| | **1,581** | 1,783 | **1,484** | 1,671 |

## 15 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£000** | £000 | **£000** | £000 |
| Trade debtors | **5,281** | 4,635 | **2,824** | 2,024 |
| Amounts owed by group undertakings | **-** | - | **1,370** | 1,502 |
| Amounts owed by related undertakings (see note 26) | **2** | 4 | **3** | 1 |
| Other debtors | **178** | 111 | **175** | - |
| Prepayments and accrued income | **65** | 32 | **32** | 17 |
| Corporation tax recoverable | **1** | - | **-** | - |
| | **5,527** | 4,782 | **4,404** | 3,544 |

All of the above are recoverable within one year.

## 16 Creditors: amounts falling due within one year

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£000** | £000 | **£000** | £000 |
| Trade creditors | **4,051** | 3,532 | **3,781** | 3,147 |
| Payments on account | **1,146** | 169 | **1,146** | 169 |
| Amounts owed to group undertakings | **-** | - | **2,693** | 2,837 |
| Amounts owed to related undertakings (see note 26) | **55** | 65 | **7** | 19 |
| *Taxation and social security* | **299** | 390 | **133** | 203 |
| Other creditors | **7** | 2 | **7** | - |
| Accruals and deferred income | **803** | 821 | **693** | 728 |
| Dividend proposed | **458** | 443 | **458** | 443 |
| Corporation tax due | **1,009** | 784 | **791** | 274 |
| Deferred consideration (see note 13) | **-** | 2,300 | **-** | 2,300 |
| | **7,828** | 8,506 | **9,709** | 10,120 |

# Notes *(continued)*

## 17 Provisions for liabilities and charges

No provisions have been made for deferred taxation. The amounts unprovided are set out below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£000** | £000 | **£000** | £000 |
| Difference between accumulated depreciation and amortisation and capital allowances | **229** | 387 | **(14)** | (10) |

## 18 Called up share capital

| | **2000** | 1999 |
|---|---|---|
| | **£000** | £000 |
| ***Authorised*** | | |
| Equity: 500,000,000 ordinary shares of 1p each | **5,000** | 5,000 |
| ***Allotted, called up and fully paid*** | | |
| Equity: 15,271,110 (*1999: 13,556,824*) ordinary shares of 1p each | **153** | 136 |

See note 19 for movements in the year.

**Share options**

On 9 August 2000, options were granted over 135,000 ordinary shares of 1p each under the terms of the Company's Unapproved Share Option Scheme. The options are exercisable at 113.5p between 3 and 10 years after issue. On 13 October 2000 options were granted to Mr RJ Pratt for 100,000 ordinary shares of 1p each. The options are exercisable at 197.8p between 3 and 10 years after issue.

This scheme was granted approval by Inland Revenue on 8 January 2001.

The market value of the Group's shares during the year ranged from 96.5p to 266.5p and at the end of the year was 236p.

## 19 Share capital to be allotted

| | **2000** | 1999 |
|---|---|---|
| | **£000** | £000 |
| Fair value of ordinary share capital to be allotted | - | 1,800 |

As part consideration for the acquisition of Norstead Limited and NorMet (UK) Limited 1,714,286 new ordinary shares of 1p each were issued. At the time of the acquisition the directors considered that the fair value of the shares to be issued was £1,800,000.

# Notes *(continued)*

## 20 Share premium and reserves

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Share premium account** | **Merger reserve** | **Profit and *loss account*** | **Share *premium* account** | **Merger reserve** | **Profit and *loss account*** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| As originally stated | **3,080** | **-** | **4,755** | **3,180** | **-** | **72** |
| Prior year adjustment (see note 1) | **(594)** | **594** | - | **(694)** | **694** | **(145)** |
| Opening balance as restated | **2,486** | **594** | **4,755** | **2,486** | **694** | **(73)** |
| Retained profit for the financial year | **-** | **-** | **2,188** | **-** | **-** | **2,305** |
| Premium on share issues, less expenses | **-** | **1,783** | **-** | **-** | **1,783** | **-** |
| Share award charge written back | **-** | **-** | **21** | **-** | **-** | **21** |
| At end of year | **2,486** | **2,377** | **6,964** | **2,486** | **2,477** | **2,253** |

## 21 Commitments

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

| | Group and company | |
|---|---|---|
| | **2000** | 1999 |
| | **£000** | £000 |
| Contracted | **23** | 32 |

## 22 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £40,732 *(1999:£36,789)*.

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

# Notes *(continued)*

## 23 Analysis of cash flows

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Returns on investment and servicing of finance** | | | | |
| Interest received | 167 | | 102 | |
| **Net cash inflow from returns on investment and servicing of finance** | | 167 | | 102 |
| **Capital expenditure** | | | | |
| Purchase of tangible fixed assets | (382) | | (688) | |
| Sale of plant and machinery | 38 | | 32 | |
| **Net cash outflow for capital expenditure** | | (344) | | (656) |
| **Acquisitions and disposals** | | | | |
| Purchase of subsidiary undertakings | (2,300) | | (2,034) | |
| *Net overdrafts acquired with subsidiary* undertakings | - | | (686) | |
| **Net cash outflow for acquisitions** | | (2,300) | | (2,720) |
| **Management of liquid resources** | | | | |
| Cash placed on deposit | | 482 | | - |
| **Financing** | | | | |
| Issue of ordinary share capital | - | | 300 | |
| Expenses paid in connection with share issue | - | | (42) | |
| **Net cash inflow for financing** | | - | | 258 |

## 24 Analysis of net funds

| | At beginning of year £000 | Cash flow £000 | At end of year £000 |
|---|---|---|---|
| Cash in hand and at bank | 3,212 | 1,025 | 4,237 |
| Cash on deposit | - | - | 482 |
| | 3,212 | 1,025 | 4,719 |

# Notes *(continued)*

## 25 Financial assets and liabilities

For the purposes of the following disclosures, short-term debtors and creditors have been excluded, as permitted by Financial Reporting Standard 13.

The group's financial assets comprise only cash. At 31 December 2000 the average interest rate earned on the temporary closing cash balance was 5.21% (*1999: 4.75%*).

The group has no financial liabilities.

The fair value of the group's other financial assets and liabilities is not materially different from their book value.

## 26 Related party disclosures

The group's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them in the year ended 31 December 2000 are summarised below:

| **Name of related party** | **Amounts owing to/(owed by) the group at 31 December 2000 £** |
|---|---|
| Metro Industrial Holdings Limited | (1,105) |
| MIH Group Management Limited | (47,551) |
| MIH Properties Limited | (5,914) |
| Metro Sport Limited | 1,989 |

| **Value of transactions with related parties in the year ended 31 December 2000** | £ |
|---|---|
| Purchases from related parties on normal trading terms | 519,305 |
| Sales to related parties on normal trading terms | 27,183 |

S Rankin and A Rankin, directors of the company, hold directorships in the other companies listed above, and are shareholders of Metro Industrial Holdings Limited.

The company has an agreement for services with Surrey Management Services Limited. JP Pither is a director of this company. During the year the company paid £10,173 to this company for JP Pither's services.

# Notice of annual general meeting

**METNOR GROUP PLC - Company Number 3596379**

NOTICE IS HEREBY GIVEN THAT THE SECOND ANNUAL GENERAL MEETING of Metnor Group PLC ('the Company') will be held at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on 30 May 2001 at 11.00am for the purpose of considering and if thought fit, passing thereat or at any adjournment thereof, resolutions as to the ordinary business of the company as follows:

1) To receive and adopt the company's accounts for the year ended 31 December 2000 and the reports of the Directors and Auditors thereon.

2) To re-elect Mr R G Guy, 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 A Rankin, who retires by rotation in accordance with the provisions of the Articles of Association of the company, as a director of the company.

4) To declare a dividend of 3.0p per share.

5) To re-appoint KPMG Audit Plc as auditors.

6) To authorise the directors to fix the remuneration of the auditors.

To consider and, if thought fit, to pass the following resolutions (of which resolution 7 shall be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution), namely:-

7) That, to the exclusion of and in substitution for any such authority previously conferred on them and subsisting at the date of this resolution (save to the extent that the same may have already been exercised and save for any such authority granted by statute), the directors be and they are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £50,903.70 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 relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer, agreement or other arrangements as if the authority conferred hereby had not expired.

8) That, subject to the passing of resolution 7 above, the directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the said Act) pursuant to the authority conferred upon them by resolution 7 of this notice (as varied from time to time by the company in general meeting) as if section 89(1) 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 £7,635.55;

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.

10 April 2001
By Order of the Board

**R G Guy**
*Company Secretary*

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

# Notes

1. A member entitled to vote at the meeting is entitled to appoint one or more proxies to attend and vote in his place. *A proxy need not be a member of the company.*

2. To be effective, a form of proxy must be duly completed and executed and must be received together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power of attorney or other authority, by the company's registrars, IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time of the meeting.

3. The following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the company's registered office from the date of this notice and at the place of the Annual General Meeting from 15 minutes before, and until the conclusion of the meeting.

   (a) Register of the directors' interests (and their families) in the shares or debenture or capital of the company and its subsidiaries.

   (b) Copies of the directors' service agreements with the company.

4. The company pursuant to Regulation 34 of the Uncertified Securities Regulations 1995 specifies that regard shall only be had to those shareholders registered in the Register of Members of the company by 6.00pm on 28 May 2001 in determining the rights of any person to attend or vote at the meeting.