

**Metnor Group PLC**

**Annual report and consolidated financial  
statements**

**Registered number 03596379**

**31 December 2004**



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## Financial highlights

	2004 £000	2003 £000
Turnover	66,267	56,214
Operating profit	2,860	4,468
Profit before tax	3,312	4,810
Profit before tax before goodwill amortisation	3,437	5,099
Shareholders' funds	<u>20,137</u>	<u>19,091</u>
Basic earnings per share	15.4p	20.1p
Dividend per share	8.7p	8.0p

## Directors, secretary and advisors

<b>Directors</b>	Chairman	HB Gold*
	Deputy Chairman	A Rankin*
	Chief Executive	S Rankin**
	Finance Director	KA Atkinson
	Director	D Pinkerton
	Director	RJ Pratt
	Director	A Greenwell

\*non-executive directors and members of the Audit and Remuneration Committees.

\*\*member of the Remuneration Committee.

<b>Registered and head office</b>	Metnor House Mylord Crescent Killingworth Tyne & Wear NE12 5YD
<b>Company secretary</b>	KA Atkinson

<b>Nominated broker and nominated advisor</b>	Brewin Dolphin Securities Ltd 34 Lisbon Street Leeds LS1 4LX
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<b>Auditors</b>	KPMG Audit Plc Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
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<b>Solicitors</b>	Mincoffs 5 Osborne Terrace Jesmond Newcastle upon Tyne NE2 1SQ
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<b>Registrars</b>	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ
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## Chairman's statement

### Results

2004 proved to be a challenging year for the Group but following a difficult first six months, it is pleasing to report that the second half of the year has been much improved generating a pre tax profit of £2.7 million, 13% higher than same period last year (2003 second half profit £2.4 million). For the year as a whole, our profit before tax before goodwill amortisation of £3.4 million, whilst below last year's result, is in line with current market expectations.

The second half performance reflects the completion of a number of large contracts in our contracting division which I anticipated in my interim report in September, and these have also helped contribute to an 18% increase in Group turnover in the year to £66.3 million (2003: £56.2 million).

With the completion of several large contracts, Group cash flows in the year have been positive with a net cash inflow from operations of £6.4 million (2003: £3.5 million). We have invested a further £3.8 million (2003: £1.9 million) in our various Joint Venture developments, yet at the year-end the Group's cash position remains strong with cash reserves of £5.4 million (2003: £5.7 million).

The year end position enables us to maintain our progressive dividend policy and the Board proposes a final dividend of 6.5p per Ordinary share (2003: 6.0p), which will give a total dividend for the year of 8.7p per Ordinary share (2003: 8.0 p) – an increase of 9% in the year. Subject to approval by shareholders at the Annual General Meeting the final dividend will be paid on Friday 10 June 2005 to shareholders on the register on Friday 13 May 2005.

### Business Review

A breakdown of the performance of the Group's individual operations is given in the Chief Executive's Operating Report below.

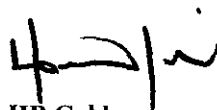
### Staff

In my first year as Chairman, I have been impressed by the quality, friendliness and endeavour of all the employees I have met who work across the Group's various disciplines. Their hard work has helped the Group to get through what has at times been a difficult year and I would like to thank them, on behalf of the Board, for all of their efforts in 2004.

### Prospects

We started 2004 in optimistic mood but a number of unforeseen events in our Galvanizing business and delays in completion of various construction and development contracts meant that our results, whilst in line with revised market expectations, were disappointing.

I am confident that we have the strategy in place to make 2005 a successful year for the Group and expect 2005 to bring significant returns from the various investments we have made over the past 2 years.



HB Gold  
Chairman

15 April 2005

## Chief Executive's Report

I ended my report last year optimistic that 2004 would bring further improvements in the Group's performance and consequently the results in 2004 were a major disappointment to myself and to the Board as a whole.

*A number of unforeseen factors, some within our control and some outwith, contributed to our performance in 2004 and a fuller explanation is given in my detailed report below. Nevertheless, I remain confident that we now have in place a strategy and a team that will deliver growth and improved profitability in 2005 and beyond. This confidence stems from the investments we have made over the past 18-24 months, which I believe will begin to provide returns in 2005, which will both enhance shareholder value and improve the Group's share price performance.*

### Mechanical and Electrical Contracting

2004 has seen our contracting division (Norstead) turn in an exceptionally strong performance with completion of some longer term contracts started in 2003 and on which we are now able to recognise profitability. Turnover has increased and profits more than trebled with outstanding performance from both our Newcastle office and, particularly, our South East (Maidenhead) operations, both of which have had extremely successful years. Our relatively new venture in Glasgow has consolidated its position during 2004 with major contracts completing in 2005, which will provide increased profitability north of the border.

Our strategy of building key relationships with diverse major customers has allowed Norstead to continue to expand within many market sectors, generating repeat business and improving efficiencies across our operations. Increased turnover has allowed us to minimise the previous peaks and troughs in the timing of profit recognition.

Contracting remains a challenging industry sector but with quality contracts already secured within a healthy order book, we expect margins to remain at current levels for 2005.

### Construction and Project Management

2004 has been a major disappointment for our construction division with margins being squeezed and a number of problems being encountered on large contracts undertaken in the year. Whilst the problems encountered were specific to individual contracts, we have undertaken a thorough review of the business, have made changes in key personnel and have closed our loss making small works and maintenance department to enable us to focus on project managing larger contracts.

At the same time, we remain confident that our new timber frame division will fulfil its potential and this division is working on contracts worth in excess of £10 million as we move into a new year.

Early indications are that 2005 will see a turn around in performance in this division.

### Property Development

Last year I announced the setting up of an in-house property development team to complement the various joint ventures in which we have invested.

This type of business is by its very nature a long-term operation but the team is working on a number of exciting projects, which should begin to bear fruit in the latter part of 2005. The challenge in this type of business is to ensure a pipeline of opportunities which will contribute to the Group's results on an annual basis and the mix of projects we are looking at should fulfil this objective over the medium term.

Our various Joint Venture arrangements are also beginning to bring returns and I expect a significant contribution from these activities in 2005.

## Chief Executive's Report *(continued)*

### Galvanizing

Our interim report in September commented on the difficulties we were experiencing in our Galvanizing division with workforce problems and dual sourcing by key customers contributing to a significantly poorer performance compared to our record results in 2003. Whilst we were able to recover some of the lost ground towards the end of 2004 our net result in the year was below expectations and previous years.

We are in the process of a strategic review of both of our galvanizing plants with a view to improving the mix and flow of work between plants. This should generate increased profitability in 2005.

### Other Activities

Our non-core activities had mixed fortunes during 2004 with our specialist rental division in Great Yarmouth experiencing a steady year whilst our mobile phone network operation in Leeds had a difficult year as the major operators stopped spending on their networks and concentrated on marketing and launching "3G" technology.

This resulted in a small loss in our telecommunications operation in the year but we have taken steps in the early part of 2005 to broaden the activities of this division and the re-launched Metnor Infrastructure Services (formerly Norstead Communications) now has a broader remit which will enable it to feed off and complement our existing contracting and development activities. The future for this division, whilst still in its infancy, looks very promising.

### Conclusion and Summary

Over the past few years our goal has been to bring together and build a group of companies that have the ability to work with and complement each other's strengths and technical knowledge. Whilst the results have been mixed, I am confident that we now have a strategy to take the Group forward and we are already seeing signs that the investments we have made in recent years are beginning to bear fruit. I believe 2005 will see significant advances which should bring the profitability we all hope for and expect.



**S Rankin**  
*Chief Executive*

15 April 2005

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

The principal activities of the group are that of mechanical and electrical contracting, metal galvanizing, construction, property developments and the manufacture, sale and hire of hydraulic and pressure testing equipment.

### Business review

A commentary on the group's business activities and future prospects is included in the Chairman's Statement and the Chief Executive's report on pages 3-5.

### Proposed dividend

The directors recommend a final ordinary dividend of 6.5 pence per share (2003: 6.0 pence) making, together with the interim dividend paid of 2.2 pence per share (2003: 2.0 pence) a total of 8.7 pence per share (2003: 8.0 pence) for the year. The proposed dividend is payable on 10 June 2005 to those on the register on 13 May 2005.

### 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 67 days for the group and 72 days for the company.

### 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 8 relate to ordinary business and resolutions 9 and 10 relate to special business.

### Directors and directors' interests

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

JP Pither	(retired 15 June 2004)
HB Gold	(appointed 16 June 2004)
A Rankin	
S Rankin	
KA Atkinson	
D Pinkerton	
RJ Pratt	
A Greenwell	
AO Fletcher	(resigned 1 April 2004)



## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

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	4,023,809
S Rankin	4,063,809	4,048,809
D Pinkerton	5,112	5,112
KA Atkinson	2,000	2,000
HB Gold	35,785	35,785

The directors who held office at the date of approval of the financial statements held the following share options:

	At start of year or date of appointment	At end of year or date of appointment	Exercise price	Earliest exercisable date	Date of expiry
KA Atkinson	76,531	76,531	196.0p	3 October 2004	3 October 2011
RJ Pratt	100,000	100,000	197.8p	13 October 2003	13 October 2010
A Greenwell	30,000	30,000	113.5p	13 October 2003	13 October 2010
A Greenwell	42,000	42,000	235.0p	26 June 2004	26 June 2012

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.

The mid market price of the company's shares at the year end was 191 pence and ranged from 151 pence to 256 pence during the year. No options were exercised during the year and there are no performance related conditions to be satisfied before options can be exercised.

There have been no changes to the above since the year end.

### 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.

### Major shareholdings

As at 14 April 2005 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	3,318,095	21.7%
Active Capital Trust plc	641,235	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 recognise the value of the revised Combined Code issued in July 2003.

The company, whilst not bound by the Combined Code, seeks to comply with the 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 (A Rankin and HB Gold) with formally delegated duties and responsibilities. S Rankin is also a member of the remuneration committee.

The audit committee receives and reviews reports from the company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the group. 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 group made no political contributions during the year. Donations to UK charities amounted to £500 (2003:£2,350).

### Auditors

In accordance with section 384 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



KA Atkinson  
Secretary

Metnor House  
Mylord Crescent  
Killingworth  
Tyne & Wear  
NE12 5YD

15 April 2005

## 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 Audit Plc**

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

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

We have audited the financial statements on pages 11 to 31.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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**

The directors are responsible for preparing the directors report and as described on page 9, 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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the 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 2004 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**  
*Chartered Accountants*  
*Registered Auditor*

15 April 2005

**Consolidated profit and loss account**  
*for the year ended 31 December 2004*

	Note	2004 £000	2003 £000
<b>Turnover - group and share of joint ventures</b>			
Continuing operations		67,126	53,591
Discontinued operations		-	2,623
		<hr/>	<hr/>
		67,126	56,214
Less: share of joint ventures' turnover		(859)	-
		<hr/>	<hr/>
Group Turnover		66,267	56,214
Cost of sales		(56,270)	(44,953)
		<hr/>	<hr/>
<b>Gross profit</b>		9,997	11,261
Administrative expenses		(7,257)	(6,793)
		<hr/>	<hr/>
<b>Group operating profit</b>			
Continuing operations		2,740	4,721
Discontinued operations	2	-	(253)
		<hr/>	<hr/>
<b>Group operating profit</b>	2	2,740	4,468
<b>Share of operating profit of Joint Ventures</b>		120	-
		<hr/>	<hr/>
<b>Operating profit including Joint Ventures</b>		2,860	4,468
Interest receivable	6	452	342
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3	3,312	4,810
Tax on profit on ordinary activities	7	(992)	(1,595)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		2,320	3,215
Minority interests		28	(151)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		2,348	3,064
Dividends paid and proposed	8	(1,330)	(1,222)
		<hr/>	<hr/>
<b>Retained profit for the group and its share of joint ventures</b>	18	1,018	1,842
		<hr/>	<hr/>
Basic earnings per share	9	15.4p	20.1p
Diluted earnings per share	9	15.3p	20.0p
		<hr/>	<hr/>
Dividend per share	8	8.7p	8.0p
		<hr/>	<hr/>

The group has no recognised gains and losses other than the profit for the year.

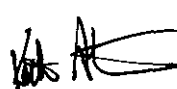
**Consolidated balance sheet**  
**at 31 December 2004**

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	10	4,164	4,452
Tangible assets	11	2,944	4,005
Investments			
Investments in joint ventures:			
Share of gross assets		6,016	2,215
Share of gross liabilities		(6,286)	(2,328)
		(270)	(113)
Other investments		5,381	2,590
	12	5,111	2,477
		12,219	10,934
<b>Current assets</b>			
Stocks	13	1,593	2,502
Debtors	14	14,437	10,350
Investments	12	2,263	1,000
Cash at bank, on deposit and in hand	23	5,442	5,746
		23,735	19,598
<b>Creditors: amounts falling due within one year</b>	15	(15,733)	(11,137)
<b>Net current assets</b>		8,002	8,461
<b>Total assets less current liabilities</b>		20,221	19,395
<b>Provisions for liabilities and charges</b>	16	(70)	(98)
<b>Net assets</b>		20,151	19,297
<b>Capital and reserves</b>			
Called up share capital	17	153	153
Share premium account	18	2,514	2,486
Merger reserve	18	2,377	2,377
Profit and loss account	18	15,093	14,075
<b>Shareholders' funds: equity</b>		20,137	19,091
<b>Minority interests: equity</b>		14	206
		20,151	19,297

These financial statements were approved by the board of directors on 15 April 2005 and were signed on its behalf by:



**S Rankin**  
Chief Executive



**KA Atkinson**  
Finance Director

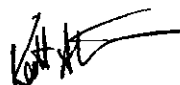
**Company balance sheet**  
*at 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	<i>10</i>	4,164	4,452
Tangible assets	<i>11</i>	346	1,276
Investments	<i>12</i>	6,512	3,720
		<hr/> 11,022 <hr/>	<hr/> 9,448 <hr/>
<b>Current assets</b>			
Stocks	<i>13</i>	1,020	1,743
Debtors	<i>14</i>	11,883	7,952
Cash at bank, on deposit and in hand		4,913	4,100
		<hr/> 17,816 <hr/>	<hr/> 13,795 <hr/>
<b>Creditors: amounts falling due within one year</b>	<i>15</i>	(18,275)	(13,781)
<b>Net current (liabilities)/assets</b>		<hr/> (459) <hr/>	<hr/> 14 <hr/>
<b>Net assets</b>		<hr/> 10,563 <hr/>	<hr/> 9,462 <hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>17</i>	153	153
Share premium account	<i>18</i>	2,514	2,486
Merger reserve	<i>18</i>	2,477	2,477
Profit and loss account	<i>18</i>	5,419	4,346
		<hr/> 10,563 <hr/>	<hr/> 9,462 <hr/>
<b>Shareholders' funds: equity</b>		<hr/> 10,563 <hr/>	<hr/> 9,462 <hr/>

These financial statements were approved by the board of directors on 15 April 2005 and were signed on its behalf by:



**S Rankin**  
*Chief Executive*



**KA Atkinson**  
*Finance Director*

**Consolidated cash flow statement**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Group operating profit		2,740	4,468
Depreciation and amortisation charges		699	981
Profit on sale of fixed assets		(10)	(43)
Decrease/(increase) in stocks		1,827	(396)
(Increase)/decrease in debtors		(4,085)	265
Increase/(decrease) in creditors		5,030	(1,846)
Charge in respect of share award		-	1
Unrealised profit on sales to joint venture		244	113
<b>Net cash inflow from operating activities</b>		<b>6,445</b>	<b>3,543</b>

**Cash flow statement**

Cash flow from operating activities		6,445	3,543
Returns on investments and servicing of finance	22	212	205
Taxation		(1,498)	(1,378)
Capital expenditure	22	(421)	(1,567)
Acquisitions and disposals	22	(3,816)	(1,871)
Equity dividends paid		(1,253)	(870)
Cash outflow before management of liquid resources and financing		(331)	(1,938)
Management of liquid resources	22	831	1,540
Financing	22	27	(20)
<b>Increase/(Decrease) in cash in the year</b>		<b>527</b>	<b>(418)</b>

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

	23		
Increase/(Decrease) in cash in the year		527	(418)
Cash outflow from change in liquid resources		(831)	(1,540)
<b>Movement in net funds in the year</b>		<b>(304)</b>	<b>(1,958)</b>
<b>Net funds at the start of the year</b>		<b>5,746</b>	<b>7,704</b>
<b>Net funds at the end of the year</b>		<b>5,442</b>	<b>5,746</b>



**Reconciliations of movements in shareholders' funds**  
*for the year ended 31 December 2004*

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit for the financial year	2,348	3,064	2,403	299
Dividends paid and proposed	(1,330)	(1,222)	(1,330)	(1,222)
<b>Retained profit/(loss) for the financial year</b>	<b>1,018</b>	<b>1,842</b>	<b>1,073</b>	<b>(923)</b>
Own shares cancelled	-	(18)	-	(18)
New shares issued	28	-	28	-
Credit in respect of share award	-	1	-	1
<b>Net addition to shareholders' funds</b>	<b>1,046</b>	<b>1,825</b>	<b>1,101</b>	<b>(940)</b>
Opening shareholders' funds	19,091	17,266	9,462	10,402
<b>Closing shareholders' funds</b>	<b>20,137</b>	<b>19,091</b>	<b>10,563</b>	<b>9,462</b>

## Notes

*(forming part of the financial statements)*

### 1 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.

#### *Basis of preparation*

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

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. Business combinations are either acquisition or merger accounted depending on the circumstances of the business combination. 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.

The company has taken advantage of the exemption contained within FRS 8 and has not disclosed transactions or balances with entities which form part of the group. Details of the company's subsidiaries are given in note 12.

#### *Goodwill*

Purchased goodwill arising on consolidation (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) 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.

Purchased goodwill other than arising on consolidation is capitalised and amortised to nil over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

#### *Joint Ventures*

The Group accounts for joint ventures under the gross equity method of accounting. The company balance sheet shows the investment in joint ventures at cost less amounts written off.

The Group's share of the profits less losses of joint ventures are included in the Group profit and loss account. The Group balance sheet includes the investment in joint ventures at the Group's share of gross assets less gross liabilities.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 20%
Motor vehicles	-	20% to 25%

No depreciation is provided on freehold land.

#### *Leases*

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.

#### *Employee share schemes*

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period to when the employee becomes unconditionally entitled to the shares. The outstanding credit entry for the charge to the profit and loss account is reported in the reconciliation of movements in the shareholders' funds in order to reflect the fact that it represents the proceeds of an equity instrument.

#### *Stocks and work in progress*

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.

The company's contracting activities are regarded as having the attributes of long term contracts and are treated as follows:

- the amount by which recorded turnover is in excess of payments on account is classified as amounts recoverable on contracts and separately disclosed within current assets;
- the balance of payments on account in excess of amounts (a) matched with turnover and (b) offset against long term contract balances, are classified as payments on account and separately disclosed within creditors;
- the amount of long term contracts at cost incurred net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover are classified as long term contract balances and separately disclosed within stocks. This presentation is in accordance with the provisions of Statement of Standard Accounting Practice No.9 (revised).

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge for taxation is based on the profit for the year and in accordance with FRS 19. Full provision without discounting has been made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax computation.

#### 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 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.

### 2 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:

	Turnover	2004 Operating profit	Net assets	Turnover	2003 Operating profit	Net assets
	£000	£000	£000	£000	£000	£000
Contracting activities	34,010	1,672	13,074	25,308	1,146	10,745
Construction and project management	21,656	55	1,633	15,382	1,711	1,721
Galvanizing and other activities	10,601	1,013	5,444	12,901	1,864	6,831
Continuing operations	66,267	2,740	20,151	53,591	4,721	19,297
Discontinued operations	-	-	-	2,623	(253)	-
	66,267	2,740	20,151	56,214	4,468	19,297

#### Discontinued operations

Following a period of disappointing trading, in June 2003 the Group decided to close its London based, mechanical and electrical contracting subsidiary, Norstead (South East) Limited.

**Notes (continued)**

**3 Profit on ordinary activities before taxation**

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit		
Group	48	43
Company	26	22
Other services – tax advisory services	10	5
Depreciation	574	692
Amortisation of positive goodwill	288	289
Amortisation of negative goodwill	(163)	-
Hire of plant and machinery	802	577
Operating lease rentals – property	136	174
Operating lease rentals - vehicles	136	254
Profit on sale of fixed assets	(10)	(43)
	<hr/>	<hr/>

**4 Remuneration of directors**

	2004 £000	2003 £000
Directors' emoluments	708	483
Company contributions to money purchase pension schemes	33	31
Amounts paid to third parties in respect of directors' services	14	26
	<hr/>	<hr/>
	755	540
	<hr/>	<hr/>

Amounts attributable to highest paid director:

Emoluments	194	107
Company contributions to money purchase pension schemes	5	4
	<hr/>	<hr/>

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	4	4
	<hr/>	<hr/>

## Notes (continued)

### 5 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	
	2004	2003
Production	354	339
Administration	103	84
	<u>457</u>	<u>423</u>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	11,351	10,415
Social security costs	1,180	1,064
Other pension costs	85	95
	<u>12,616</u>	<u>11,574</u>

### 6 Interest receivable

	2004	2003
	£000	£000
Bank interest	214	206
Interest on loans to Joint Ventures	238	136
	<u>452</u>	<u>342</u>

## Notes (continued)

### 7 Taxation

	2004 £000	2003 £000
<i>Current tax</i>		
UK corporation tax at 30%	1,133	1,602
Adjustments in respect of prior years	(145)	(2)
	<hr/>	<hr/>
Total current tax	988	1,600
<i>Deferred tax (see note 16)</i>		
Reversal of timing difference	(28)	(5)
	<hr/>	<hr/>
Group taxation	960	1,595
Share of joint ventures tax	32	-
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>992</b>	<b>1,595</b>
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (2003: *higher*) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Corporation tax reconciliation</i>		
Profit on ordinary activities before tax	3,312	4,810
Less: share of joint ventures profit	(120)	-
	<hr/>	<hr/>
	3,192	4,810
	<hr/>	<hr/>
Corporation tax at 30% (2003: 30%)	958	1,443
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	147	159
Depreciation for period in excess of capital allowances	28	5
Marginal relief	-	(5)
Adjustments in respect of prior years	(145)	(2)
	<hr/>	<hr/>
Total current tax charge (see above)	988	1,600
	<hr/>	<hr/>

### 8 Dividends

	2004 £000	2003 £000
<i>Equity shares:</i>		
Interim dividend paid 2.2p (2003: 2.0p)	336	305
Final dividend proposed 6.5p (2003: 6.0p)	994	917
	<hr/>	<hr/>
<b>Total dividends 8.7p per share (2003: 8.0p)</b>	<b>1,330</b>	<b>1,222</b>
	<hr/>	<hr/>

## Notes (continued)

### 9 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year of £2,348,000 (2003: £3,064,000) by the weighted average number of shares, 15,282,985 (2003: 15,266,110) in issue during the year.

Diluted earnings per share is calculated in the same way as basic earnings per share but using a weighted average number of shares in issue of 15,342,703 (2003: 15,308,237) to reflect the dilutive effect of share options in existence at the year end of 59,718 (2003: 42,127) (see note 17).

### 10 Intangible fixed assets

Group	Positive goodwill £000	Negative goodwill £000	Total £000
<b>Goodwill</b>			
<i>Cost</i>			
At beginning of year	6,025	-	6,025
Additions	-	(163)	(163)
	<hr/>	<hr/>	<hr/>
At end of year	6,025	(163)	5,862
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	1,573	-	1,573
Charged credited in year	288	(163)	125
	<hr/>	<hr/>	<hr/>
At end of year	1,861	(163)	1,698
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2004	4,164	-	4,164
	<hr/>	<hr/>	<hr/>
At 31 December 2003	4,452	-	4,452
	<hr/>	<hr/>	<hr/>

Company	Positive Goodwill £000
<b>Goodwill</b>	
<i>Cost</i>	
At beginning and end of year	5,775
	<hr/>
<i>Amortisation</i>	
At beginning of year	1,323
Charged in year	288
	<hr/>
At end of year	1,611
	<hr/>
<i>Net book value</i>	
At 31 December 2004	4,164
	<hr/>
At 31 December 2003	4,452
	<hr/>



## Notes (continued)

### 10 Intangible fixed assets (continued)

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 goodwill arising on consolidation should be amortised over 20 years on a straight line basis.

#### Negative Goodwill

During the year the company purchased the 10% minority interest held in its subsidiary undertaking, Metnor Construction Limited, for the sum of £1,000. The net assets attributable to the minority interest at the date of the purchase were £164,000 resulting in a negative goodwill figure of £163,000.

The whole of the negative goodwill has been credited to the profit and loss account in the current period as it relates entirely to monetary assets.

### 11 Tangible fixed assets

Group	Land and buildings £000	Plant and machinery £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	3,162	3,300	1,387	7,849
Additions	167	188	284	639
Disposals	-	(108)	(410)	(518)
Reclassification (see below)	(918)	-	-	(918)
At end of year	2,411	3,380	1,261	7,052
<b>Depreciation</b>				
At beginning of year	465	2,795	584	3,844
Charge for year	54	216	304	574
On disposals	-	(92)	(218)	(310)
At end of year	519	2,919	670	4,108
<b>Net book value</b>				
At 31 December 2004	1,892	461	591	2,944
At 31 December 2003	2,697	505	803	4,005

The net book value of land and buildings comprises:

	2004 £000	2003 £000
Freehold	1,685	2,485
Long leasehold	207	212
	1,892	2,697

Included above is freehold land of £ 621,000 (2003: £1,524,000) which is not depreciated.

Land acquired in 2003 has been reclassified as land held for development and has been transferred to work in progress (note 13).

**Notes** *(continued)*

**11 Tangible fixed assets** *(continued)*

<b>Company</b>	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	903	399	514	1,816
Additions	15	52	134	201
Disposals	-	(117)	(178)	(295)
Reclassification	(918)	-	-	(918)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	334	470	804
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	-	300	240	540
Charge for year	-	52	111	163
On disposals	-	(117)	(128)	(245)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	235	223	458
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2004	-	99	247	346
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	903	99	274	1,276
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 12 Investments

#### Fixed asset investments

Group	Joint ventures £000	Loans to joint ventures £000	Shares in group undertakings £000	Total £000
<i>Cost</i>				
At beginning of year	(113)	2,590	-	2,477
Additions in year	-	2,791	-	2,791
Share of profits of Joint Venture	87	-	-	87
Unrealised profit on trading with Joint Ventures	(244)	-	-	(244)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(270)	5,381	-	5,111
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Company</i>				
<i>Cost</i>				
At beginning of year	-	2,590	1,130	3,720
Additions in year	-	2,791	1	2,792
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	5,381	1,131	6,512
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Current asset investments</b>			<b>2004</b>	<b>2003</b>
<b>Group</b>			<b>£000</b>	<b>£000</b>
Investment held for re-sale			<b>2,263</b>	<b>1,000</b>
			<hr/>	<hr/>

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

Subsidiary undertakings	% shareholding	Country of registration	Principal activity
Metnor Property Group Limited	100%	England	Property Development
Metnor Galvanizing Limited	100%	England	Hot dip galvanizing
Moortime Limited	100%	England	Group property holding company
Norstead Limited	100%	England	Dormant
NorMet (UK) Limited	100%	England	Investment holding company
Sharewave Limited	100%	England	Property development company
Cell Audit Limited	100%	England	Telecommunications
Metnor Projects Limited	100%	England	Investment holding company
Lockunit Limited	100%	England	Investment holding company
Norstead (South East) Limited	100%	England	Mechanical and electrical contracting
Metnor Construction Limited	100%	England	Construction
Metnor Infrastructure Services Limited	79%	England	Telecommunications network installation

All of the subsidiary undertakings noted above, with the exception of Lockunit Limited, have been consolidated in the Group financial statements. The financial statements of Lockunit Limited have not been consolidated as it is being held exclusively for resale. The aggregate amount of the consolidated capital and reserves of Lockunit Limited at 31 December 2004 was £479,000. The consolidated loss for the period was £524,000, and the amount owed to Metnor Group PLC was £2,455,000.

## Notes (continued)

### 12 Investments (continued)

Joint Ventures	% shareholding	Country of registration	Principal activity
Gateway Park Limited	50%	England	Property Development
City & Northern Drum Limited	50%	England	Property Development
City & Northern MP Limited	33%	Isle of Man	Property Development

The group's share of the trade of its joint ventures in the year was:

	2004 £000	2003 £000
Turnover	859	-
Operating profit	120	-
Tax	32	-
Retained profit	88	-
Current assets	6,016	2,215
Liabilities due within one year	6,286	2,328

### 13 Stocks

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Land held for development (note 11)	918	-	918	-
Raw materials and consumables	246	406	102	98
Work in progress	429	2,096	-	1,645
	<u>1,593</u>	<u>2,502</u>	<u>1,020</u>	<u>1,743</u>

### 14 Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts recoverable on contracts	3,843	-	2,799	-
Trade debtors	9,747	9,701	3,874	4,120
Amounts owed by group undertakings	-	-	5,084	3,718
Amounts owed by related undertakings (note 25)	103	262	-	-
Other debtors	64	16	1	1
Prepayments and accrued income	680	371	98	94
Deferred tax asset (note 16)	-	-	27	19
	<u>14,437</u>	<u>10,350</u>	<u>11,883</u>	<u>7,952</u>

## Notes (continued)

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Payments received on account	1,252	125	777	-
Trade creditors	9,430	7,064	5,617	4,094
Amounts owed to group undertakings	-	-	8,676	7,890
Amounts owed to related undertakings (see note 25)	46	36	10	34
Taxation and social security	359	515	192	176
Other creditors	456	207	278	138
Accruals and deferred income	2,829	1,395	1,512	773
Dividend proposed	994	917	994	917
Corporation tax due	367	878	219	(241)
	<u>15,733</u>	<u>11,137</u>	<u>18,275</u>	<u>13,781</u>

### 16 Provisions for liabilities and charges

	Deferred taxation	
	Group	Company (note 14)
	£000	£000
Liability/(asset) at beginning of year	98	(19)
Credit to the profit and loss account for the year	(28)	(8)
	<u>70</u>	<u>(27)</u>
Liability/(asset) end of year	70	(27)

The elements of deferred taxation are as follows:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Accelerated capital allowances	70	98	(27)	(19)
Short term timing differences	-	-	-	-
	<u>70</u>	<u>98</u>		
Deferred tax liability	70	98		
			<u>(27)</u>	<u>(19)</u>
Deferred tax asset (note 14)			(27)	(19)

## Notes (continued)

### 17 Called up share capital

#### Group and company

	2004 £000	2003 £000
<i>Authorised</i>		
Equity: 500,000,000 ordinary shares of 1p each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 15,286,110 (2003: 15,261,110) ordinary shares of 1p each	<u>153</u>	<u>153</u>

The company issued 25,000 1p ordinary shares at a price of 113.5p during the year following the exercise of options by one of the company's employees.

#### Share options

The following options over the allotment of shares exist at the year end.

Date options granted	Number of ordinary share of 1p each	Period during which Right is exercisable	Exercise price
13 October 2000	55,000	13 October 2003 to 13 October 2010	113.5p
13 October 2000	100,000	13 October 2003 to 13 October 2010	197.8p
30 July 2001	53,300	30 July 2004 to 30 July 2011	185.0p
3 October 2001	76,531	3 October 2004 to 3 October 2011	196.0p
26 June 2002	42,000	26 June 2003 to 26 June 2012	235.0p
31 December 2002	7,500	31 December 2005 to 31 December 2012	156.0p
17 April 2003	100,000	17 April 2006 to 17 April 2013	158.0p

The market price of the Company's shares during the year ranged from 151p to 256p, and at the end of the year was 191p.

### 18 Reserves

	Group			Company		
	Share premium account £000	Merger reserve £000	Profit and loss account £000	Share premium account £000	Merger reserve £000	Profit and loss account £000
Opening balance	2,486	2,377	14,075	2,486	2,477	4,346
Retained profit for the financial year	-	-	1,018	-	-	1,073
New shares issued	28	-	-	28	-	-
At end of year	<u>2,514</u>	<u>2,377</u>	<u>15,093</u>	<u>2,514</u>	<u>2,477</u>	<u>5,419</u>

## Notes (continued)

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2004	2003	2004	2003
	Land and	Land and	Land and	Land and
	buildings	buildings	buildings	buildings
	£000	£000	£000	£000
Operating leases in respect of property which expires:				
Within one year	-	62	-	-
Between one and five years	43	35	43	35
Over five years	33	33	33	33
	<hr/>	<hr/>	<hr/>	<hr/>
	76	130	76	68
	<hr/>	<hr/>	<hr/>	<hr/>

### 20 Contingent liabilities

The company has entered into an omnibus guarantee and set off agreement with its bankers whereby the company is liable, jointly and severally with other members of the Group in respect of overdrawn balances on certain Group bank accounts. At 31 December 2004 there were overdrawn balances amounting to £176,000 (2003: £2,000) which were offset against credit balances of £5,050,000 (2003: £5,204,000).

The company has guaranteed certain of the bank borrowings of its subsidiary undertakings and joint ventures. At 31 December 2004 the company had guaranteed borrowings in the sum of £9,000,000 (2003: £1,000,000).

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

### 21 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £85,100 (2003: £81,030).

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

**Notes (continued)**

**22 Analysis of cash flows**

	2004 £000	2003 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	212	205
	<u>212</u>	<u>205</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(639)	(1,731)
Sale of plant, machinery and vehicles	218	164
	<u>(421)</u>	<u>(1,567)</u>
<b>Net cash outflow for capital expenditure</b>	<u>(421)</u>	<u>(1,567)</u>
<b>Acquisitions and disposals</b>		
Loans to joint ventures	(2,553)	(871)
Short term investment	(1,263)	(1,000)
	<u>(3,816)</u>	<u>(1,871)</u>
<b>Net cash outflow for acquisitions and disposals</b>	<u>(3,816)</u>	<u>(1,871)</u>
<b>Management of liquid resources</b>		
Cash removed from deposit	831	1,540
	<u>831</u>	<u>1,540</u>
<b>Financing activities</b>		
Funds paid to minority interest	(1)	(2)
Purchase of own shares	-	(18)
New shares issued	28	-
	<u>27</u>	<u>(20)</u>
<b>Net cash inflow/(outflow) from financing</b>	<u>27</u>	<u>(20)</u>

**23 Analysis of net funds**

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand and at bank	4,640	527	5,167
Cash on deposit	1,106	(831)	275
	<u>5,746</u>	<u>(304)</u>	<u>5,442</u>



## **Notes (continued)**

### **24 Financial assets and liabilities**

The Group's activities are financed by cash at bank and short term investments which comprise cash placed on deposit.

The Group's treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining acceptable level of risk. Other than mentioned above there are no financial instruments, derivatives or commodity contracts used. The Group considers that the interest rate and currency risks are not significant.

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 2004 the average interest rate earned on the temporary closing cash balance was 4.25% (2003: 3.875%). 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.

### **25 Related party disclosures**

#### **Subsidiary undertakings**

Details of the group's subsidiary undertakings are given in note 12. In accordance with Financial Reporting Standard 8 – Related Party Disclosures (FRS 8), transactions with balances between entities have been eliminated on consolidation and are not reported.

#### **Joint ventures**

Details of the group's joint ventures and the extent of financial guarantees given by the group are given in notes 12 and 20. The group undertook work for its joint ventures in the sum of £2,336,000 during the year and at the year end was owed £257,000.

#### **Other related parties**

During the year the group undertook construction work for Ultimate Leisure Group plc in the sum of £3,716,000 and was owed £198,000 at the year end. Mr S Rankin, Mr A Rankin and their close family control 37% of the share capital of Ultimate Leisure Group plc.

During the year the group undertook construction work for Mr A Rankin in the sum of £376,000 and £100,000 was owed at the year end.

Metro Industrial Holdings Limited charged the group £288,000 in respect of rent and management charges during the year and at the year end the group owed this company £36,000. Mr S Rankin, Mr A Rankin and Mr K Atkinson are directors of Metro Industrial Holdings Limited. Mr S Rankin and Mr A Rankin are also shareholders in Metro Industrial Holdings Limited.

All transactions with related parties have been carried out on an arms length basis.

## Notice of annual general meeting

### METNOR GROUP PLC - Company Number 3596379

NOTICE IS HEREBY GIVEN THAT THE SEVENTH ANNUAL GENERAL MEETING of Metnor Group PLC ('the Company') will be held at 5<sup>th</sup> Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on Friday 27 May 2005 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 2004 and the reports of the Directors and Auditors thereon.
- 2) To declare a final dividend for 2004 of 6.5p per share.
- 3) To re-elect Mr S 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 re-elect Mr R Pratt, who retires by rotation in accordance with the provisions of the Articles of Association of the company, as a director of the company.
- 5) To re-elect Mr H Gold, who was appointed by the Board following the company's last Annual General Meeting, as a director of the company.
- 6) To re-appoint KPMG Audit Plc as auditors.
- 7) 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 8 shall be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions), namely:-

- 8) That, in substitution for all subsisting authorities 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 £50,953.70 (being one third of the issued 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 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.

**Notice of annual general meeting** *(continued)*  
**METNOR GROUP PLC - Company Number 3596379**

9) That, subject to the passing of resolution 8 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) for cash pursuant to the authority conferred upon them by resolution 8 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 £7,643.05 (being 5% of the issued share capital of the Company);

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) That the company be and is hereby generally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 1p each upon and subject to the following conditions:

- a) the maximum aggregate number of ordinary shares which may be purchased is 1,528,611 (being 10% of the issued share capital of the Company); and
- b) ordinary shares may not be purchased at a price, which is more than 5 per cent, above the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase or at a price which is less than 1p per ordinary share; and

the authority to purchase conferred by this resolution shall expire at the earlier of 15 months from the date of this resolution and the conclusion of the Annual General Meeting next held, save that the company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

**27 April 2005**

**KA Atkinson**  
*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 41 of the Uncertificated Securities Regulations 2001 specifies that regard shall only be had to those shareholders registered in the Register of Members of the company by close of business on 25 May 2005 in determining the rights of any person to attend or vote at the meeting.