

Financial highlights

	6 months ended 30 June 2007 Unaudited	6 months ended 30 June 2006 Unaudited	Change
Group revenue	£38.3 million	£28.2 million	+35.8%
Profit before income tax – continuing operations	£1.0 million	£0.7 million	+42.8%
Gross cash position	£3.0 million	£0.4 million	+650%
Basic earnings per share – continuing operations	4.8p	5.8p	(17.2%)
Dividend per share	2.8 p	2.6 p	+7.7%

“Metnor has continued to make significant progress following the restructuring of the Group. Our core contracting and construction businesses have record order books, whilst the developing property portfolio is poised to generate significant returns in the second half of the financial year. Though the restructuring has been largely completed, we are continuing to fine tune the business to ensure strong returns from the high level of investments we have made in the Group over the past 18 months or so. These solid results combined with an increasing visibility from all of our businesses, provides the Board with confidence in maintaining Metnor’s growth profile over the coming years.”

Stephen Rankin
Chief Executive

6 September 2007

Chief Executive's statement

Metnor Group plc announces interim results for the six months ended 30 June 2007. The unaudited interim financial information represents the first published financial information prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') adopted by the EU ('Adopted IFRSs').

IFRS

Metnor Group plc's shares are traded on the Alternative Investment Market ('AIM') and the AIM Rules require that the next annual consolidated financial statements of the Group, for the year ending 31 December 2007, be prepared in accordance with Adopted IFRSs.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of Adopted IFRSs as at 30 June 2007 that are effective (or available for early adoption) at 31 December 2007, the Group's first annual reporting date at which it is required to use Adopted IFRSs. Based on these Adopted IFRSs, the directors have applied the accounting policies, as set out in the restatement document referred to in note 1 of this interim financial information, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

However, the Adopted IFRSs that will be effective (or available for early adoption) in the financial statements for the year ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007.

Results

The first half of the year has seen a strong performance across the Group's core activities. Interim profit before income tax from continuing operations is in line with expectations and is ahead of the corresponding period last year. As previously stated, the Group generates the majority of its profit in the second half of its trading year and following the sale of the Group's galvanizing operations in 2006, this seasonal trend is expected to continue in future years.

Group revenue in the period was £38.3 million (2006: £28.2 million) and profit before income tax from continuing operations was £1.0 million (2006: £0.7 million). A loss from discontinued operations of £394,000 has been recognised in respect of the Group's non-core telecommunications business which is in the process of being sold.

Basic earnings per share from continuing operations have fallen from 5.8p in 2006 to 4.8p in 2007 as the prior year figures included a tax credit of £145,000 compared with a tax charge of £285,000 in 2007.

The Board is proposing an interim dividend of 2.8p (2006: 2.6p), which will be payable on 2 November 2007 to shareholders on the register on 5 October 2007.

Gross cash balances at 30 June 2007 stood at £3.0 million (2006: £0.4 million).

Trading Review

The Group's core contracting and construction businesses started the year with record order books and both have traded strongly in the first half of the year.

Norstead, our mechanical and electrical contracting arm, continues to operate in the retail and pharmaceutical sectors and anticipates completing a number of large contracts before the year end. Trading at the half year is ahead of the corresponding period last year and the Board therefore anticipates a strong performance from the division at the full year.

In May, we agreed terms with the management of Norstead's Glasgow office for a management buyout of our contracting operations in Scotland. We had been unable to grow the business in Scotland as quickly as we would have liked and the management buyout will enable Norstead to concentrate on its larger offices in Newcastle and Maidenhead. We wish the team up in Scotland success as they build their new business.

Our construction arm continues to perform well and has just completed a stadium development project at Watford Football Club. Our timber frame division is working on 4 major projects primarily in the Care and Hotel sectors, and anticipates completing a number of large contracts in the second half of the year. Again, whilst profit delivery is typically second half weighted, trading at the half year is ahead of the corresponding period last year and the Board remains confident for the full year outcome from this division.

The Group's property division is working through the pre-construction phase on several sites which the Group intends to develop out. As noted at the end of last year, we were disappointed not to obtain a planning decision on a Care home site in Poole but we are pleased to be able to announce that we were successful in being granted planning on a similar site in Chelmsford at the end of August 2007. We anticipate work starting on this site in September.

Despite the loss of Poole in this financial year the board is still confident of a significant contribution from our property arm in the full year results provided the trading deals complete in the timescale currently anticipated.

The Group's pressure testing division is trading very well. The newly established Aberdeen branch is beginning to make a significant contribution and worldwide sales of equipment continues to grow. The division has used both Aberdeen and overseas sales to successfully offset the downturn in Great Yarmouth and trading at the half year is significantly ahead of the corresponding period last year. The board is therefore optimistic of a strong full year performance from the division.

Finally, although the core businesses of the Group have traded well during the period, our mobile telecommunications subsidiary has continued to struggle as the major operators continue to cut back on expenditure in the mobile market and we have been unable to generate the workload required to cover costs. We are in the process of disposing of this operation and have recognised a post tax loss of £394,000 in the half year figures to cover losses on existing contracts prior to disposal.

Board Changes

On 24th August we announced that Howard Gold was standing down as Chairman after three years of service. The Board would like to thank Howard for his contribution over the years and wish him well for the future.

Howard was replaced as Chairman by Peter Cussins who brings with him a wealth of property experience accumulated over 30 years of working in the sector. Peter is well known and respected in the North East property market and as the company's focus moves towards property related transactions the board feels his contribution and skills will prove invaluable.

Stephen Rankin
Chief Executive

6 September 2007

Consolidated income statement

for the six months ended 30 June 2007

	Notes	6 months ended 30 June 2007 Unaudited £000	6 months ended 30 June 2006 Unaudited £000	12 months ended 31 Dec 2006 Audited £000
Continuing operations				
Revenue		38,271	28,238	86,623
Cost of sales		(34,281)	(24,683)	(73,935)
Gross profit		3,990	3,555	12,688
Administrative expenses		(3,183)	(2,918)	(7,213)
Operating profit		807	637	5,475
Finance income		288	126	721
Finance expenses		(146)	(204)	(1,106)
Share of profit of joint ventures		78	185	61
Profit before income tax		1,027	744	5,151
Income tax	5	(285)	145	(499)
Profit from continuing operations		742	889	4,652
(Loss)/profit from discontinued operations (net of tax)		(394)	603	4,599
Profit for the period		348	1,492	9,251
Basic earnings per share				
	6			
Continuing operations		4.8p	5.8p	30.4p
Discontinued operations		(2.5p)	4.0p	30.0p
		2.3p	9.8p	60.4p
Diluted earnings per share				
	6			
Continuing operations		4.6p	5.8p	29.9p
Discontinued operations		(2.4p)	3.9p	29.5p
		2.2p	9.7p	59.4p

Consolidated statement of changes in equity

for the six months ended 30 June 2007

	6 months ended 30 June 2007 Unaudited £000	6 months ended 30 June 2006 Unaudited £000	12 months ended 31 Dec 2006 Audited £000
Profit for the period	348	1,492	9,251
Dividends on equity shares	(1,161)	(1,070)	(1,469)
Shares issued	195	–	111
Share based payments	124	–	232
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in total equity	(494)	422	8,125
Total equity at start of period	30,932	22,807	22,807
	<hr/>	<hr/>	<hr/>
Total equity at end of period	30,438	23,229	30,932
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Balance sheet

at 30 June 2007

		As at 30 June 2007 Unaudited £000	As at 30 June 2006 Unaudited £000	As at 31 Dec 2006 Audited £000
	Notes			
Non-current assets				
Property, plant and equipment		4,686	3,240	3,169
Intangible assets		3,875	4,232	3,875
Investments in joint ventures		244	308	101
Other investments, including derivatives		1,665	1,508	1,487
Deferred tax assets		32	–	60
		<u>10,502</u>	<u>9,288</u>	<u>8,692</u>
Current assets				
Inventories		29,826	11,809	15,960
Trade and other receivables		17,240	15,182	17,586
Cash and cash equivalents		3,155	393	14,228
Assets classified as held for re-sale	4	217	21,843	–
		<u>50,438</u>	<u>49,227</u>	<u>47,774</u>
Total assets		<u>60,940</u>	<u>58,515</u>	<u>56,466</u>
Non-current liabilities				
Other interest-bearing loans and borrowings		11,110	6,750	6,158
Deferred tax liabilities		–	38	–
		<u>11,110</u>	<u>6,788</u>	<u>6,158</u>
Current liabilities				
Trade and other payables		19,198	15,951	18,770
Tax payable		42	687	606
Liabilities classified as held for re-sale	4	152	11,860	–
		<u>19,392</u>	<u>28,498</u>	<u>19,376</u>
Total liabilities		<u>30,502</u>	<u>35,286</u>	<u>25,534</u>
Net assets		<u>30,438</u>	<u>23,229</u>	<u>30,932</u>
Equity attributable to equity holders of the parent				
Share capital		155	153	154
Share premium		2,818	2,514	2,624
Reserves		2,477	2,377	2,477
Retained earnings		24,988	18,185	25,677
Total equity		<u>30,438</u>	<u>23,229</u>	<u>30,932</u>

Cash flow statement

for the six months ended 30 June 2007

	6 months ended 30 June 2007 Unaudited £000	6 months ended 30 June 2006 Unaudited £000	12 months ended 31 Dec 2006 Audited £000
Cash flows from operating activities			
Profit for the period	348	1,492	9,251
Adjustments for:			
Depreciation, amortisation and impairment	288	255	1,261
Unrealised profit on sales to joint ventures	(65)	(106)	(23)
Financial income	(288)	(270)	(289)
Financial expense	146	348	674
Share of profit of joint ventures	(78)	(185)	(61)
Gain on sale of property, plant and equipment	(18)	(4)	(41)
Profit on sale of discontinued operations	-	-	(4,252)
Equity settled share-based payment expenses	124	-	232
Taxation on continuing operations	284	(174)	438
Taxation on discontinued operations	(139)	316	736
Increase in trade and other receivables	(51)	(956)	(7,476)
(Increase)/decrease in stock	(13,869)	(7,048)	4,603
Increase in trade and other payables	584	4,077	9,797
Cash from operating activities	(12,734)	(2,255)	14,850
Interest paid	(146)	(348)	(892)
Income tax paid	(685)	(255)	(860)
Net cash from operating activities	(13,565)	(2,858)	13,098
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	35	12	72
Interest received	210	73	162
Disposal of subsidiary, net of cash disposed of	-	-	6,779
Acquisition of property, plant and equipment	(1,881)	(312)	(2,936)
Loans repaid by joint venture	(53)	328	468
Net cash from investing activities	(1,689)	101	4,545
Cash flows from financing activities			
Proceeds from the issue of share capital	195	-	111
Proceeds from new loan	4,952	-	6,158
Repayment of borrowings	-	-	(13,190)
Dividends paid	(1,161)	(1,070)	(1,469)
Net cash from financing activities	3,986	(1,070)	(8,390)
Net (decrease)/increase in cash and cash equivalents	(11,268)	(3,827)	9,253
Cash and cash equivalents at start of period	14,228	4,975	4,975
Cash and cash equivalents at end of period	2,960	1,148	14,228
Included in cash and cash equivalents in balance sheet	3,155	393	14,228
Included in assets held for resale	(195)	755	-
Cash and cash equivalents at end of period	2,960	1,148	14,228

1 Basis of preparation

The AIM Rules require that the next annual consolidated financial statements of the Group, for the year ending 31 December 2007, be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU ('Adopted IFRSs').

The interim financial information has been prepared on the basis of the recognition and measurement requirements of Adopted IFRSs that are effective (or available for early adoption) at 31 December 2007, the Group's first annual reporting date at which it is required to use Adopted IFRSs. Based on these Adopted IFRSs, the directors have applied the accounting policies, as set out in the IFRS restatement document referred to below, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

However, the Adopted IFRSs that will be effective (or available for early adoption) in the financial statements for the year ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the financial statement are prepared for the year ending 31 December 2007.

The preparation of this financial information resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous UK Generally Accepted Accounting Practice ('UK GAAP'). The revised accounting policies have, except where otherwise stated, been applied to all periods presented in this financial information.

IFRS 1 – 'First Time Adoption of International Financial Reporting Standards' mandates that most IFRS are applied fully retrospectively, meaning that the opening balance sheet at 1 January 2006 is restated as if those accounting policies had always been applied. IFRS 1 permits companies to apply certain exemptions from the full requirements of IFRS during the transition. Details of the exemptions applied by the Group are outlined in the restatement document referred to below.

A detailed review of the changes in our accounting policies and reconciliations of our financial statements from UK GAAP to IFRS at key dates were published to the London Stock Exchange on 6 September 2007 and are also available on the Group's website at www.metnor.co.uk.

2 Accounting policies

The accounting policies that the group intend to apply to the year ending 31 December 2007 are set out in the IFRS restatement document referred to in note 1.

3 Status of financial information

The comparative figures for the financial year ended 31 December 2006 are not the company's statutory accounts for that year. Those accounts, which were prepared under UK GAAP, have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim information for the half years ended 30 June 2007 and 30 June 2006 is unaudited. This information does not constitute statutory accounts within the meaning of the Companies Act 1985. In relation to the financial information for the year ended 31 December 2006, this has been extracted from a restatement of the financial information taken from the Group's statutory financial statements for that year and the auditors have issued a Special Purpose Audit Report on that financial information. This audit report can be found appended to the IFRS restatement document referred to in note 1.

4 Discontinued operations

In October 2006, the Group disposed of its galvanizing operations and the results of this business segment were classified as discontinued in 2006.

At 30 June 2007, the Group is in the process of selling its telecommunications network subsidiary and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the assets and liabilities associated with this operation have been classified as held for re-sale. The results of the operations have also been classified as discontinued and comparative numbers have been reclassified accordingly. The full results of this subsidiary, together with a reconciliation of how these numbers are presented in the consolidated income statement are as follows:

	6 months ended 30 June 2007 Unaudited £000	6 months ended 30 June 2006 Unaudited £000	12 months ended 31 Dec 2006 Audited £000
Revenue	657	1,089	1,970
Cost of sales	(747)	(611)	(1,048)
Gross profit	(90)	478	922
Administrative expenses	(408)	(575)	(1,226)
Loss before tax on discontinued operations	(498)	(97)	(304)
Income tax	139	29	61
Trading loss arising from telecoms business	(359)	(68)	(243)
Net trading result and 2006 profit on disposal of Galvanizing operations	(35)	671	4,842
(Loss)/Profit from discontinued operations per consolidated income statement	(394)	603	4,599

The net cash flows from discontinued operations included in the cash flow statement are as follows:

Operating activities	(360)	(610)	355
Investing activities	(43)	(28)	(4)
Financing activities	-	-	-

5 Income tax

The taxation charge for the six months ended 30 June 2007 and 30 June 2006 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

6 Earnings per share

The calculation of earnings per share is based on the profit for the period and on the weighted average number of ordinary shares in issue and ranking for dividend in the period.

	6 months ended 30 June 2007 Unaudited	6 months ended 30 June 2006 Unaudited	12 months ended 31 Dec 2006 Audited
Profit for the period (£000)	348	1,492	9,251
Weighted average number of ordinary shares ('000)	15,444	15,286	15,307
Earnings per share	2.3p	9.8p	60.4p

The calculation of diluted earnings per share is as follows:

Profit for the period (£000)	348	1,492	9,251
Weighted average number of ordinary shares ('000)	16,033	15,435	15,576
Earnings per share	2.2p	9.7p	59.4p

7 Interim results

These results were approved by the Board of Directors on Thursday 6 September 2007.

Copies of the interim statement will be sent to shareholders on or around 21 September 2007. Further copies will be available from the Company's registered office at Metnor House, Mylord Crescent, Killingworth, Newcastle upon Tyne, NE12 5YD and are also available on our website at www.metnor.co.uk.