



**METNOR**  
GROUP PLC

# 2008

## INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008



### **Epsom Downs Racecourse – Pavilion**

Norstead project for the full Mechanical and Electrical design and build of the new Entrance Pavilion, including heating, ventilation, climate control, lighting, small power, external lighting, CCTV, fire, intruder and disabled alarm systems.

Front cover:

Portland Green, Newcastle upon Tyne – Metnor Property Group mixed use development. Due to start on site 2008.

Carlisle Square, Newcastle upon Tyne – Metnor Construction completed 2007.

## Financial highlights

	<b>Unaudited 6 months ended 30 June 2008</b>	Unaudited 6 months ended 30 June 2007	Change
Revenue	<b>£44.5 million</b>	£38.3 million	+16.2 %
Operating profit	<b>£0.97 million</b>	£0.81 million	+19.8 %
Profit before income tax	<b>£1.11 million</b>	£1.03 million	+7.8 %
Basic earnings per share from continuing operations	<b>5.2 p</b>	4.8 p	+8.3 %

*"I am pleased to report a positive set of results with increased revenue and profits across most of our trading divisions in the first half of the year. This is a particularly pleasing achievement given the current difficulties in the property sector and set against a background of economic downturn.*

*In view of current adverse market conditions, we are adopting a cautious approach to our development pipeline for the remainder of the year and do not anticipate any significant completions in the period.*

Stephen Rankin  
**Chief Executive**

15 September 2008

## Chairman and Chief Executive's statement

Against a backdrop of economic uncertainty and continued turbulence in the property sector, we are pleased to report an encouraging performance in the first half of 2008. Trading across the majority of the group's core activities has been in line with expectations with a particularly strong performance from our construction division.

### Results

Revenue in the six months ended 30 June 2008 was up by 16.2 % at £44.5 million (2007: £38.3 million) and operating profits were £0.97 million (2007: £0.81 million) an increase of 19.8 %. Profit before tax at £1.11 million was up by 7.8 % on the same period last year (2007: £1.03 million).

Basic earnings per share in the period increased by 126 % from 2.3p to 5.2p as the prior year figure included a loss from discontinued operations of £0.39 million. Excluding the effect of this loss, earnings per share from continuing operations increased by 8.3 % to 5.2p (2007: 4.8p).

Gross cash balances at 30 June 2008 stood at £3.1 million (2007: £3.0 million) whilst borrowings were £13.4 million compared with £11.1 million at the same stage in 2007. The additional borrowings comprise funds drawn down on a specific loan facility for the development of a care home site which is due to be completed at the end of the year.

The Board believes that the group should conserve cash within the business whilst the economic outlook remains uncertain and is not proposing an interim dividend.

### Trading Review

The group continues to operate in the core areas of property development, Mechanical and Electrical ('M&E') contracting and construction and overall each of these divisions has performed well in the period under review.

In our property division, as noted in our 2007 Annual Report, we have completed the disposal of our troublesome student accommodation site in Newcastle for a gross consideration of £5.8 million and this has enabled us to progress with some of our other property sites. We are at an advanced stage in the development of a large care home site for a publicly quoted operator which should be completed by the end of the year. At the same time we are progressing on the development of a major extension to an office investment which we already own and this will be completed in first half of 2009.

Given the current state of the property market, we have scaled back our search for new development sites and our principal focus is to secure planning permissions for our existing sites.

Our M&E contracting division has had a mixed performance with strong trade in the Southern region from our Maidenhead office but a weakening performance in the Northern region. Our workload for the remainder of 2008 is secure and we are now focusing our efforts on securing work for 2009 in our traditional retail, pharmaceutical and office markets.

Our construction arm has produced a very strong first half performance across both its timber frame and traditional divisions. We are at varying stages of construction on four care home sites using our timber frame method of construction. We are also progressing a number of hotel sites using traditional construction techniques. These latter sites should be completed by the end of the year.

We should be able to maintain a strong order book throughout 2009 and beyond for our construction division assuming that the anticipated flow of planning permissions in the pipeline are achieved.

Finally, the group's specialist pressure testing division continues to trade very well in both the Aberdeen and Great Yarmouth markets.

### Outlook

The wider economy continues to deteriorate and the property market in which we operate is particularly badly affected at present. This will have a short term impact on the company's results as there will be inevitable timing delays and we may only be able to secure the true value of certain of our property development sites when confidence in the market is restored.

We believe that the current difficulties in the UK economy will persist well into 2009. This will inevitably impact on all companies in our sector, but we believe that through the prudent control of the group's development program with an emphasis on cash conservation, we will be in a strong position to take advantage of future opportunities which will inevitably arise as conditions improve.

Peter Cussins

**Chairman**

**15 September 2008**

Stephen Rankin

**Chief Executive**

## Consolidated income statement

for the six months ended 30 June 2008

		<b>Unaudited 6 months ended 30 June 2008 £000</b>	Unaudited 6 months ended 30 June 2007 £000	Audited 12 months ended 31 December 2007 £000
	<b>Notes</b>			
<b>Revenue</b>	<b>3</b>	<b>44,461</b>	38,271	84,049
Cost of sales		<b>(40,419)</b>	(34,281)	(74,654)
<b>Gross profit</b>		<b>4,042</b>	3,990	9,395
Administrative expenses		<b>(3,072)</b>	(3,183)	(6,473)
<b>Operating profit</b>	<b>3</b>	<b>970</b>	807	2,922
Financial income		<b>128</b>	288	518
Financial expenses		<b>(154)</b>	(146)	(353)
Share of profit of jointly controlled entities (net of income tax)		<b>164</b>	78	8
<b>Profit before income tax</b>		<b>1,108</b>	1,027	3,095
Income tax expense	<b>4</b>	<b>(310)</b>	(285)	(848)
<b>Profit from continuing operations</b>		<b>798</b>	742	2,247
Loss from discontinued operations (net of income tax)		<b>-</b>	(394)	(493)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>3</b>	<b>798</b>	348	1,754
<b>Basic earnings/(loss) per share</b>	<b>5</b>			
Continuing operations		<b>5.2p</b>	4.8p	14.5p
Discontinued operations		<b>-</b>	(2.5)p	(3.2)p
		<b>5.2p</b>	2.3p	11.3p
<b>Diluted earnings/(loss) per share</b>	<b>5</b>			
Continuing operations		<b>5.2p</b>	4.6p	14.2p
Discontinued operations		<b>-</b>	(2.4)p	(3.1)p
		<b>5.2p</b>	2.2p	11.1p

## Consolidated statement of changes in equity

for the six months ended 30 June 2008

	<b>Unaudited 6 months ended 30 June 2008 £000</b>	Unaudited 6 months ended 30 June 2007 £000	Audited 12 months ended 31 December 2007 £000
<b>Note</b>			
<b>Profit for the period</b>	<b>798</b>	348	1,754
Dividends on equity shares	<b>8</b> (433)	(1,161)	(1,594)
Issue of ordinary shares	-	195	195
Own treasury shares acquired	<b>6</b> (61)	-	-
Equity settled share-based payments	<b>74</b>	124	85
<b>Net increase/(decrease) in total equity</b>	<b>378</b>	(494)	440
Total equity at start of period	<b>31,372</b>	30,932	30,932
<b>Total equity at end of period</b>	<b>31,750</b>	30,438	31,372

# Consolidated balance sheet

at 30 June 2008

	<b>Unaudited</b>	Unaudited	Audited
	<b>As at</b>	As at	As at
	<b>30 June</b>	30 June	31 December
<b>Note</b>	<b>2008</b>	2007	2007
	<b>£000</b>	£000	£000
<b>Non-current assets</b>			
Investment properties	<b>4,004</b>	-	4,004
Property, plant and equipment	<b>6,645</b>	4,686	4,092
Goodwill	<b>3,875</b>	3,875	3,875
Investments in jointly controlled entities	<b>1,994</b>	1,736	2,523
Derivative financial instruments	<b>-</b>	173	-
Deferred tax assets	<b>137</b>	32	137
	<b>16,655</b>	10,502	14,631
<b>Current assets</b>			
Inventories	<b>26,563</b>	29,826	23,459
Trade and other receivables	<b>15,201</b>	17,240	20,036
Cash and cash equivalents	<b>3,050</b>	3,155	2,823
Assets classified as held for re-sale	<b>-</b>	217	-
Derivative financial instruments	<b>10</b>	-	48
	<b>44,824</b>	50,438	46,366
<b>Total assets</b>	<b>61,479</b>	60,940	60,997
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	<b>(13,448)</b>	(11,110)	(10,246)
<b>Current liabilities</b>			
Trade and other payables	<b>(16,030)</b>	(19,198)	(19,221)
Income tax payable	<b>(251)</b>	(42)	(158)
Liabilities classified as held for re-sale	<b>-</b>	(152)	-
	<b>(16,281)</b>	(19,392)	(19,379)
<b>Total liabilities</b>	<b>(29,729)</b>	(30,502)	(29,625)
<b>Net assets</b>	<b>31,750</b>	30,438	31,372
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>155</b>	155	155
Share premium	<b>2,818</b>	2,818	2,818
Merger reserve	<b>2,477</b>	2,477	2,477
Retained earnings	<b>26,300</b>	24,988	25,922
<b>Total equity</b>	<b>31,750</b>	30,438	31,372

## Consolidated cash flow statement

for the six months ended 30 June 2008

	<b>Unaudited 6 months ended 30 June 2008 £000</b>	Unaudited 6 months ended 30 June 2007 £000	Audited 12 months ended 31 December 2007 £000
<b>Net cash absorbed by operating activities</b>	<b>7</b>	<b>(557)</b>	<b>(8,816)</b>
<b>Cash flows from investing activities</b>			
Interest received	<b>122</b>	210	414
Proceeds from sale of property, plant and equipment	<b>53</b>	35	169
Disposal of discontinued operation, net of cash disposed of	-	-	577
Acquisition of property, plant and equipment	<b>(2,883)</b>	(1,881)	(1,621)
Acquisition of investment properties	-	-	(4,004)
Loans to jointly controlled entities	<b>(297)</b>	(53)	(1,073)
Loans repaid by jointly controlled entities	<b>1,081</b>	-	260
<b>Net cash outflow from investing activities</b>	<b>(1,924)</b>	<b>(1,689)</b>	<b>(5,278)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	-	195	195
Proceeds from new bank loan	<b>6,152</b>	4,952	4,088
Repayment of borrowings	<b>(2,950)</b>	-	-
Own treasury shares purchased	<b>6</b>	-	-
Dividends paid	<b>8</b>	(1,161)	(1,594)
<b>Net cash inflow from financing activities</b>	<b>2,708</b>	<b>3,986</b>	<b>2,689</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>227</b>	<b>(11,268)</b>	<b>(11,405)</b>
Cash and cash equivalents at start of period	<b>2,823</b>	14,228	14,228
<b>Cash and cash equivalents at end of period*</b>	<b>3,050</b>	<b>2,960</b>	<b>2,823</b>
<b>*Balance sheet analysis of cash and cash equivalents</b>			
Included in cash and cash equivalents	<b>3,050</b>	3,155	2,823
Included in assets held for resale	-	(195)	-
	<b>3,050</b>	<b>2,960</b>	<b>2,823</b>

## 1 General

Metnor Group plc ("the company") is a company incorporated in the United Kingdom. The address of its registered office and principal place of business is Metnor House, Mylord Crescent, Killingworth, Newcastle upon Tyne, NE12 5YD.

The interim financial information set out in this statement for the six months ended 30th June 2008 and the comparative figures for the six months ended 30th June 2007 are unaudited. This financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparative figures for the financial year ended 31 December 2007 are not the company's statutory accounts for that financial year. Those accounts 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 financial information set out in this statement is presented in pounds sterling and has been rounded to the nearest thousand pounds. The financial information comprises the consolidated financial information for the company and its subsidiaries (together "the group").

## 2 Basis of preparation

These interim financial statements have been prepared in accordance with the measurement and recognition criteria of Adopted IFRSs. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the group as at and for the year ended 31st December 2007.

The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31st December 2007, as described in those financial statements. The Board approved these interim financial statements on 15 September 2008.

## 3 Segmental information

The group's main business segments comprise the following:

- Mechanical and Electrical (M&E) contracting
- Construction and building operations
- Property development and investment
- Central costs and other activities

In 2007 the group closed its telecoms division which was treated as a separate segment and which is shown in the comparative figures as a discontinued activity.

All of the group's activities are undertaken in the United Kingdom and accordingly the group has only one geographical segment.

**3 Segmental information** (continued)

	<b>Unaudited 30 June 2008 £000</b>	Unaudited 30 June 2007 £000	Audited 31 December 2007 £000
<b>Revenue</b>			
M&E contracting activities	<b>20,271</b>	23,607	52,252
Construction activities	<b>18,276</b>	13,142	29,892
Property activities	<b>6,680</b>	154	363
Central costs and other activities	<b>1,650</b>	1,528	3,201
Discontinued activities	<b>-</b>	657	902
	<b>46,877</b>	39,088	86,610
Less: inter segment revenue	<b>(2,416)</b>	(160)	(1,659)
	<b>44,461</b>	38,928	84,951
Less: discontinued activities	<b>-</b>	(657)	(902)
	<b>44,461</b>	38,271	84,049
<b>Operating profit</b>			
M&E contracting activities	<b>292</b>	887	2,705
Construction activities	<b>319</b>	140	960
Property activities	<b>266</b>	(116)	(936)
Central costs and other activities	<b>93</b>	(104)	193
	<b>970</b>	807	2,922
<b>Operating profit from continuing operations</b>	<b>970</b>	807	2,922
Finance income	<b>128</b>	288	518
Finance expenses	<b>(154)</b>	(146)	(353)
Share of profit of jointly controlled entities (net of tax)	<b>164</b>	78	8
Income tax expense	<b>(310)</b>	(285)	(848)
	<b>798</b>	742	2,247
<b>Profit from continuing operations</b>	<b>798</b>	742	2,247
Discontinued activities	<b>-</b>	(394)	(493)
	<b>798</b>	348	1,754
<b>Assets</b>			
M&E contracting activities	<b>12,301</b>	18,610	17,688
Construction activities	<b>8,462</b>	6,994	7,267
Property activities	<b>31,889</b>	29,298	28,158
Central costs and other activities	<b>8,827</b>	5,821	7,884
Discontinued activities	<b>-</b>	217	-
	<b>61,479</b>	60,940	60,997
<b>Liabilities</b>			
M&E contracting activities	<b>6,734</b>	12,613	12,704
Construction activities	<b>7,805</b>	5,145	5,502
Property activities	<b>13,770</b>	11,904	10,072
Central costs and other activities	<b>1,420</b>	688	1,347
Discontinued activities	<b>-</b>	152	-
	<b>29,729</b>	30,502	29,625

#### 4 Income Tax

The taxation charge for the six months ended 30 June 2008 and 30 June 2007 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

#### 5 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.

	<b>Unaudited 6 months ended 30 June 2008</b>	Unaudited 6 months ended 30 June 2007	Audited 12 months ended 31 December 2007
<b>Basic earnings per share</b>			
Profit for the period (£000)	<b>798</b>	348	1,754
Analysed as:			
Continuing operations (£000)	<b>798</b>	742	2,247
Discontinued operations (£000)	<b>-</b>	(394)	(493)
Weighted average number of ordinary shares ('000)	<b>15,467</b>	15,444	15,461
Earnings per share			
on continuing operations	<b>5.2p</b>	4.8p	14.5p
on discontinued operations	<b>-</b>	(2.5)p	(3.2)p
	<b>5.2p</b>	2.3p	11.3p

The calculation of diluted earnings per share uses the same profit figures as above but uses a weighted average number of shares to reflect the dilutive effect of share options in existence at the period end as follows:

	<b>Unaudited 6 months ended 30 June 2008</b>	Unaudited 6 months ended 30 June 2007	Audited 12 months ended 31 December 2007
<b>Diluted earnings per share</b>			
Weighted average number of ordinary shares ('000)	<b>15,474</b>	16,033	15,821
Earnings per share			
on continuing operations	<b>5.2p</b>	4.6p	14.2p
on discontinued operations	<b>-</b>	(2.4)p	(3.1)p
	<b>5.2p</b>	2.2 p	11.1p

#### 6 Purchase of own shares

On 7 May 2008, the company purchased 37,000 of its own 1p Ordinary shares for a total consideration, including costs, of £61,000. These shares are held as treasury shares and have been excluded from the company's issued share capital for the purposes of calculating the earnings per share figure from the date acquired by the company in accordance with IAS 33.

The cost of acquiring these treasury shares has been deducted from retained earnings in accordance with the requirements of IAS 32.

**7 Reconciliation of profit for the period to net cash absorbed by operations**

	<b>Unaudited 6 months ended 30 June 2008 £000</b>	Unaudited 6 months ended 30 June 2007 £000	Audited 12 months ended 31 December 2007 £000
Profit for the period	<b>798</b>	348	1,754
Adjustments for:			
Depreciation	<b>363</b>	288	762
Share of profit of jointly controlled entities	<b>(164)</b>	(78)	(8)
Gain on sale of property, plant and equipment	<b>(34)</b>	(18)	(34)
Loss on sale of discontinued operations	<b>-</b>	-	36
Movement in unrealised profit on sales to jointly controlled entities	<b>(41)</b>	(65)	(67)
Equity-settled share-based payment expenses	<b>74</b>	124	85
Finance income	<b>(128)</b>	(288)	(518)
Finance expenses	<b>154</b>	146	353
Income tax expense from continuing operations	<b>310</b>	284	848
Income tax expense from discontinued operations	<b>-</b>	(139)	(196)
<b>Operating cash flow before movements in working capital</b>	<b>1,332</b>	602	3,015
Change in inventories	<b>(3,088)</b>	(13,869)	(7,314)
Change in trade and other receivables	<b>4,829</b>	(51)	(3,101)
Change in trade and other payables	<b>(3,214)</b>	584	450
<b>Cash absorbed by operations</b>	<b>(141)</b>	(12,734)	(6,950)
Interest paid	<b>(199)</b>	(146)	(686)
Income tax paid	<b>(217)</b>	(685)	(1,180)
<b>Net cash absorbed by operating activities</b>	<b>(557)</b>	(13,565)	(8,816)

**8 Dividends**

The following dividends were recognised during the period:

	<b>Unaudited 6 months ended 30 June 2008 £000</b>	Unaudited 6 months ended 30 June 2007 £000	Audited 12 months ended 31 December 2007 £000
Final paid 2007: 2.8p (2006: 7.5p) per ordinary share	<b>433</b>	1,161	1,161
Interim paid 2007: 2.8p per ordinary share	<b>-</b>	-	433
	<b>433</b>	1,161	1,594

**9 Interim results**

Copies of the interim financial statements will be sent to shareholders on or around 26 September 2008. 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](http://www.metnor.co.uk)







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