SUPPLEMENTAL INFORMATION MEMORANDUM

Midland Bank

Member HSBC *Group*

MIDLAND BANK PLC

(A company incorporated with limited liability in England with registered number 14259)
as Issuer

DEBT ISSUANCE PROGRAMME

On 23 June 1994 Midland Bank plc (the "**Bank**") established a Debt Issuance Programme (the "**Programme**"). This supplemental information memorandum (the "**Supplemental Information Memorandum**") has been prepared in connection with the Programme and is supplemental to, and should be read in conjunction with, the Information Memorandum dated 26 June 1998 prepared in connection with the Programme (the "**Information Memorandum**"). Unless otherwise defined herein, terms defined in the Information Memorandum shall have the same meanings when used herein.

Save as disclosed herein there has been no significant change and no significant new matter has arisen since publication of the Information Memorandum. The Bank accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange Limited (the "**London Stock Exchange**") for notes (the "**Notes**") issued under the Programme described in the Information Memorandum during the period of twelve months from the date of this document to be admitted to the Official List.

A copy of this Supplemental Information Memorandum, which comprises supplementary listing particulars in accordance with Part IV of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales as required by Section 149 of such Act.

7 May 1999

This Supplemental Information Memorandum is to be read in conjunction with the Information Memorandum, with, in relation to any issue of Notes, the pricing supplement relating thereto (each a ***"Pricing Supplement"****) and with all documents incorporated by reference provided always that any such documents incorporated by reference shall not form part of these supplementary listing particulars. In the event of any inconsistency between this Supplemental Information Memorandum and the Information Memorandum, this Supplemental Information Memorandum shall prevail.*

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Supplemental Information Memorandum or any documents incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, The Law Debenture Trust Corporation p.l.c. (the ***"Trustee"****, which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 23 June 1994 between the Bank, and the Trustee (such trust deed as modified and/or restated from time to time, the* ***"Trust Deed"****)) or any of the dealers named under "Subscription and Sale" on page 46 of the Information Memorandum (the* ***"Dealers"****, which expression shall include any additional dealers appointed under the Programme from time to time).*

The Dealers and the Trustee have not separately verified the information contained in this Supplemental Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of this Supplemental Information Memorandum or any document incorporated by reference therein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Supplemental Information Memorandum or any documents incorporated by reference therein or their distribution with regard to any other information supplied by or on behalf of the Bank.

Neither this Supplemental Information Memorandum nor any documents incorporated by reference herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank, the Trustee or any of the Dealers that any recipient of this Supplemental Information Memorandum or any document incorporated by reference herein should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. No part of this Supplemental Information Memorandum nor any documents incorporated by reference herein constitute an offer or invitation by or on behalf of the Bank, the Trustee or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

Neither the delivery of this Supplemental Information Memorandum, any documents incorporated by reference herein or any Pricing Supplement nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained in this Supplemental Information Memorandum is correct at any time subsequent to the date hereof or that any other written information delivered in connection with this Supplemental Information Memorandum is correct as of any time subsequent to the date indicated in such document. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank or its subsidiary undertakings during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Bank when evaluating the Notes.

The distribution of this Supplemental Information Memorandum and any document incorporated by reference herein and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Supplemental Information Memorandum or any document incorporated by reference herein or any Notes come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Supplemental Information Memorandum or any document incorporated herein by reference, see "Subscription and Sale" on page 46 of the Information Memorandum. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States to, or for the account or benefit of, U.S. persons (as defined in "Subscription and Sale" on page 46 of the Information Memorandum).

MIDLAND BANK PLC

Recent Developments

On 14 April 1999, the Board of Directors of the Bank made the following announcement:*

"The Government of Malta and Midland Bank plc, a wholly owned subsidiary of HSBC Holdings plc, have signed a share purchase agreement for Midland to purchase the Government's 67.1% shareholding in Mid-Med Bank plc. Separately, the Government has also confirmed its intention to seek to procure the sale to Midland of shares in Mid-Med that are currently held by companies in which the Government has a majority interest. These represent a further shareholding of 2.7%.

Mid-Med is the largest commercial bank in Malta with over 60 offices and branches and 1,800 staff. At 30 September it had a net asset value of USD183 million.

The purchase is subject to regulatory approval and to a number of terms and conditions, including the completion of satisfactory due diligence by Midland by the end of June 1999. Under the terms of the agreement, Midland will acquire the Government's shares at a price representing 1.537 times the net asset value of Mid-Med at 30 September 1998, adjusted to reflect the findings of the due diligence. Without such adjustment, this would represent a price per share of Lm2.90, a premium of 69 cents over the average price at which the shares have traded over the last six months and 90 cents over a twelve month period. At this price the consideration for the Government's shareholding would amount to Lm70.99 million (USD178.33 million).

Immediately upon acquisition of the Government stake, Midland intends to make a public offer for the balance of shares at the same price per share. Until this offer is made, the shares will remain suspended from trading.

Midland will also make a single payment to the Government of Lm12 million, in recognition of the Government's agreement to provide various guarantees and warranties, including a guarantee covering certain debts owed to Mid-Med by state owned or related companies, and to accept deferral of part of the payment due to it.

Completion of the purchase will require Mid-Med Bank to amend its Memorandum and Articles of Association, to lift the restriction which currently limits individual shareholdings to 3%. Details of an Extraordinary General Meeting proposing a resolution to achieve this were announced on 9 April.

Midland has had a presence in Malta since 1996 and is the only international bank with a full banking licence in Malta. Drawing upon its international experience, it intends to build upon the investment that Mid-Med has already made in enhancing customer service.

In addition to the range of products currently provided by Mid-Med and its subsidiaries, Midland intends to develop new services for personal, small business and corporate customers. This will include the introduction of an innovative range of wealth management services including fund management and insurance products, providing a competitive choice for the bank's customers.

Commenting on the proposed acquisition, the Honourable John Dalli, Finance Minister of the Government of Malta, said: "Since first establishing a presence here Midland has demonstrated its commitment to Malta. I am confident that its purchase of Mid-Med will contribute to the Government's aim of enhancing Malta's international profile and attracting overseas investment into the local economy. Furthermore, Midland's membership of the HSBC Group will mean that its customers in Malta will have access to the global expertise and resources of one of the world's most successful financial services organisations."

David Baker, Midland Bank's Chief Operating Officer, said: "I am delighted that this agreement has been reached with the Government, allowing us to participate in the continuing development of Malta as an important financial services centre.

"Midland is very keen to provide a wider range of products to the customers of Mid-Med and also enhanced opportunities for employee development, both of which come from being part of a global organisation like HSBC."

Midland is a principal member of the HSBC Group, one of the world's leading international banking and financial services organisations, with major consumer, commercial and investment banking businesses in Europe, Asia-Pacific, the Americas and the Middle East. The Group's head office is based in London and its holding company, HSBC Holdings plc, is incorporated in the United Kingdom. The Group has 5,000 offices in 79 countries and territories and has total assets of USD483 billion as at 31 December 1998."

* References in the announcement to "Midland" and "Midland Bank" are to the Bank

DIRECTORS OF MIDLAND BANK PLC

As at the date of this Supplemental Information Memorandum, the Directors of the Bank, their functions and their principal outside activities (if any) of significance to Midland, are as follows:

Name	Function within Midland	Principal outside activity
J R H Bond	Chairman	Group Chairman, HSBC Holdings plc
K R Whitson	Deputy Chairman	Group Chief Executive, HSBC Holdings plc
W R P Dalton	Chief Executive	
D W Baker	Chief Operating Officer	
J F Devaney[(1)]	Director	
R Emerson[(1)]	Director	Director of Taxation & Treasury, Glaxo Wellcome plc
S K Green	Director	Executive Director, HSBC Holdings plc
A J Hales[(1)]	Director	Chief Executive, Allied Domecq PLC
R M J Orgill	Director	Global Head of Corporate and Institutional Banking for the HSBC Group
A C Reed (Mrs)[(1)]	Director	Divisional Director, Financial Control, Marks & Spencer plc
H A Rose[(1)]	Director	

The business address of all of the Directors of the Bank is 27/32 Poultry, London EC2P 2BX.

Notes

(1) denotes Independent Non-Executive Director

CONSOLIDATED CAPITALISATION OF MIDLAND BANK PLC

The following table shows the audited authorised and issued share capital and Consolidated Loan Capital of the Bank and its subsidiary undertakings as at 31 March 1999:

	Authorised £m	Authorised U.S.$m	Issued and fully paid £m
Ordinary Share Capital			
Ordinary shares (of nominal value £1 each)	1,000	-	797
			Proceeds of issue £m
Preference Share Capital			
Sterling preference shares (of nominal value £1 each)	150	-	-
US Dollar preference shares (of nominal value U.S.$0.01 each)	-	2	525
			Amount outstanding £m
Consolidated Loan Capital			
Undated subordinated loan capital of Midland Bank plc			
Undated Floating Rate Primary Capital Notes (U.S.$750 million)			465
Undated Floating Rate Primary Capital Notes (U.S.$500 million)			310
Undated Floating Rate Primary Capital Notes (Series 3) (U.S.$300 million)			186
9¼% Step-Up Undated Subordinated Notes			150
8.625% Step-Up Undated Subordinated Notes			150
			1,260
Subordinated loan capital of Midland Bank plc			
Subordinated Floating Rate Notes 2001			250
8 5/8% Subordinated Notes 2004 (U.S.$400 million)			246
9% Subordinated Notes 2005			200
7.625% Subordinated Notes 2006 (U.S.$500 million)			310
14% Subordinated Unsecured Loan Stock 2002/2007			100
Subordinated Step-Up Coupon Callable Floating Rate Notes 2007 (U.S.$50 million)			31
Subordinated Step-Up Coupon Floating Rate Notes 2007			150
6.95% Subordinated Notes 2011 (U.S.$300 million)			186
6½% Subordinated Notes 2023			197
7.65% Subordinated Notes 2025 (U.S.$300 million)			185
			1,854
Subordinated loan capital of subsidiary undertakings			
Guaranteed Floating Rate Notes 1989/1999 (DM 200 million)			68
6.99% Guaranteed Loan 1999 (Yen 5.0 billion)			26
Guaranteed Floating Rate Unsecured Loan Stock/Notes 2001			1
			95
Total Consolidated Loan Capital			3,210

Note:
(1) The ordinary share capital and the one preferred ordinary share of Midland Bank plc are beneficially owned by HSBC Holdings plc.

Save for the proposed issue of the U.S.$375,000,000 Subordinated Step-Up Coupon Floating Rate Notes due 2009 on 20 May 1999, there has been no material change in the share capital of the Bank or the Consolidated Loan Capital of the Bank and its subsidiary undertakings since 31 March 1999.

THIS DOCUMENT IS IMPORTANT. If you are in any doubt about the contents of this document or about what action you should take you should immediately seek your own personal advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities. If you have sold or transferred all of your Existing Ordinary shares in Metnor Group PLC, you should send this document, the Form of Proxy and the Application Form to the purchaser or transferee or to the agent through whom the sale of transfer was affected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Existing Ordinary shares, you are referred to in the instructions regarding split applications set out in the accompanying Application Form.

A copy of this document, which comprises a prospectus relating to the Company and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 and the rules of the Alternative Investment Market of the London Stock Exchange, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the Public Offers of Securities Regulations 1995.

The Directors, whose names are set out on page 3 of this document and the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Bell Lawrie Wise Speke, a division of Brewin Dolphin Securities Ltd, which is regulated by The Securities and Futures Authority Limited, is acting as Nominated Adviser and nominated broker to the Company. Persons receiving this document should note that, in connection with the admission to the Alternative Investment Market, Bell Lawrie Wise Speke is acting for the Company and no one else and it will not be responsible to any other person for providing the protections afforded to clients of Bell Lawrie Wise Speke nor for providing advice in relation to the Acquisitions.

Metnor Group PLC

(Incorporated and Registered in England and Wales under the Companies Act 1985 with number 3596379)

Acquisition of NorMet (UK) Limited
and Norstead Limited
Admission of 856,822 new Ordinary shares to the
Alternative Investment Market
Placing and Open Offer of 285,393 new Ordinary shares
at 105p per share

Application will be made for the Existing Ordinary shares, Consideration shares and Offer shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. The Alternative Investment Market is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of the Alternative Investment Market are less demanding than those of the Official List of the London Stock Exchange. It is emphasised that no application is being made for admission of the issued Ordinary share capital of the Company to the Official List. Furthermore, the London Stock Exchange has not itself approved the contents of this document.

A notice convening an Extraordinary General Meeting of Metnor Group PLC to be held at the offices of Wise Speke Limited, Commercial Union House, 39 Pilgrim Street NE1 6RQ at 10.00 am on 7 June 1999 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to the Company's registrars IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and to be valid must arrive no later than 10.00 am on 4 June 1999.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	
Chairman*	J P Pither
Managing Director	S Rankin
Finance Director	R G Guy
Production Director	D Pinkerton
Director *	G S L Forrest
Director *	A Rankin
** non executive*	
	all of:
Registered and Head Office	Metnor House Mylord Crescent Camperdown Industrial Estate Killingworth Tyne & Wear NE12 0YD
Company Secretary	R G Guy
Nominated Broker and Nominated Adviser	Bell Lawrie Wise Speke a division of Brewin Dolphin Securities Limited 34 Lisbon Street Leeds LS1 4LX
Reporting Accountants and Auditors	KPMG Audit plc Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
Solicitors to the Company	Mincoffs Kensington House 4-6 Osborne Road Newcastle upon Tyne NE2 2AA
Registrars	IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agents	New Issues Department IRG plc PO Box No 166 Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document unless otherwise stated or the context otherwise requires:

"Act"	the Companies Act 1985 as amended by the Companies Act 1989
"Acquisitions"	the acquisition of the entire issued share capitals of NorMet and Norstead
"Acquisition Agreement"	the conditional agreement dated 7 May 1999 between (1) the Controlling Shareholders, and (2) the Company relating to the acquisition of the entire issued share capitals of NorMet and Norstead, details of which are set out in paragraph 6 of Part VI of this document
"Admission"	admission of the Offer shares to trading on AIM and such admission becoming effective
"AGM" or Annual General Meeting"	the annual general meeting of the Company scheduled to take place on 28 May 1999
"AGM Resolutions"	the resolutions to be proposed at the AGM details of which are set out in paragraph 2(e) of Part VI of this document
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules applicable to admission to trading on the AIM contained in chapter 16 of the rules of the London Stock Exchange
"Application Form"	the application form for use in connection with the Open Offer
"Articles"	the Company's articles of association
"Bell Lawrie Wise Speke"	Bell Lawrie Wise Speke, a division of Brewin Dolphin Securities Ltd
"Board" or "Directors"	the directors of the Company, or a duly authorised committee
"Company", "Metnor Group" or "Metnor"	Metnor Group PLC
"Consideration shares"	the 571,429 new Ordinary shares which are to be issued to the Controlling Shareholders pursuant to the terms of the Acquisition Agreement
"Controlling Shareholders"	Mr A Rankin, Mr S Rankin and Mr J R Rankin
"Deferred shares"	up to 1,714,286 new Ordinary shares which are to be issued to the Controlling Shareholders pursuant to the terms of the Acquisition Agreement
"EGM Resolutions"	the resolutions to be proposed at the EGM, details of which are contained in the notice of EGM set out at the end of this document
"Enlarged Group"	the Company and its subsidiary undertakings following completion of the Acquisitions
"Executive Directors"	Stephen Rankin, David Pinkerton and Robert Guy
"Existing Group"	the Company and its subsidiary undertakings prior to the completion of the Acquisitions
"Existing Ordinary shares"	the 12,700,002 Ordinary shares in issue at the date of this document
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for 10.00am on 7 June 1999 by the notice set out at the end of this document
"Form of Proxy"	the form of proxy for use in connection with the EGM
"Independent Directors"	Jon Pither, Graham Forrest and David Pinkerton
"Issue Price"	105p per New Ordinary share
"London Stock Exchange"	London Stock Exchange Limited
"Metnor Galvanizing" or "MGL"	Metnor Galvanizing Limited, the wholly owned trading subsidiary of Metnor
"MGY"	Metnor (Great Yarmouth) Limited
"MIH"	Metnor Industrial Holdings Limited, a Rankin family company
"New Ordinary shares"	the Consideration shares, the Deferred shares and the Offer shares
"Non Executive Directors"	Jon Pither, Allan Rankin and Graham Forrest
"NorMet"	NorMet (UK) Limited, the parent company of MGY
"Norstead"	Norstead Limited

"Offer shares"	the 285,393 New Ordinary shares, the subject of the Open Offer
"Open Offer"	the conditional invitation by Bell Lawrie Wise Speke, as agent for the Company, to Qualifying Shareholders to apply for the Offer shares as set out in Part II of this document
"Ordinary shares"	ordinary shares of lp each in the capital of the Company
"Placing"	the conditional placing, subject to clawback, by Bell Lawrie Wise Speke, as agent for the Company, of the Offer shares at the Issue Price
"Placing Agreement"	the agreement relating to the Placing and Open Offer details of which are set out in paragraph 5(l) of Part VI of this document
"POS Regulations"	the Public Offers of Securities Regulations 1995
"Prospectus"	this document dated 7 May 1999
"Qualifying Shareholders"	holders of Existing Ordinary shares on the Record Date
"Rankin family company"	a company owned and controlled by members of the Rankin family or their associates
"Re-Admission"	re-admission of the Existing Ordinary shares and the Offer shares, and admission of the Consideration shares to AIM and such admission becoming effective
"Record Date"	30 April 1999
"Taxes Act"	the Income and Corporation Taxes Act 1988
"UK"	the United Kingdom of Great Britain and Northern Ireland
"VCT"	a company which is approved as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988

EXPECTED TIMETABLE

	1999
Record Date for Open Offer	30 April
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims only)	3.00 pm on 26 May
Annual General Meeting	11.00 am on 28 May
Latest time and date for registration of Application Forms and payment in full	3.00 pm on 28 May
Dealings in Offer shares to commence	9.00 am on 1 June
Latest time and date for receipt of Form of Proxy for EGM	10.00 am on 4 June
EGM	10.00 am on 7 June
Existing Ordinary shares and Offer shares suspended	7 June
Acquisitions completed, dealings in Consideration shares to commence and dealings in Existing Ordinary shares and Offer shares to recommence	9.00 am on 8 June
Definitive share certificates for Offer shares and Consideration shares despatched no later than	15 June

ISSUE STATISTICS

Issue Price	105p
Number of Offer shares	285,393
Number of shares in issue immediately following completion of the Acquisitions and the Placing and Open Offer	15,271,110*
Prospective P/E ratio of Acquisitions	6.4

*Assuming 1,714,286 Deferred shares issued

PART I

LETTER FROM THE CHAIRMAN OF METNOR GROUP

Directors:
J P Pither*
S Rankin
R G Guy
D Pinkerton
G S L Forrest*
A Rankin*
** non executive*

Registered Office:
Metnor House
Mylord Crescent
Camperdown Industrial Estate
Killingworth
Tyne & Wear
NE12 OYD

7 May 1999

To the holders of Existing Ordinary shares

Dear Shareholder

Introduction

It was announced today that Metnor had conditionally agreed to acquire the entire issued share capitals of Norstead and NorMet, a holding company which owns MGY, for an initial sum of £2.4 million to be satisfied as to £1.8 million in cash and £600,000 in the form of the Consideration shares. In addition, further consideration of up to £4.1 million, in the form of £2.3 million in cash and £1.8 million in the form of the Deferred shares at the Issue Price may be payable to the Controlling Shareholders depending upon the combined financial results of the trade of NorMet, Norstead and MGY for the year ending 31 December 1999. The total consideration payable will not exceed £6.5 million.

In addition, the Company is seeking to raise a total of approximately £300,000, before expenses, by way of a conditional Placing and Open Offer of 285,393 new Ordinary shares by Bell Lawrie Wise Speke to Qualifying Shareholders, at the Issue Price.

Further details of the Acquisitions are set out in paragraph 6 of Part VI.

In view of their size and because parties to the Acquisitions include certain directors of the Company, the Acquisitions are dependent upon approval by Metnor shareholders. An EGM has been convened for these purposes to be held at the offices of Wise Speke, Commercial Union House, 39 Pilgrim Street, Newcastle Upon Tyne, NE1 6RQ on 7 June 1999 at 10.00 am, notice of which is set out at the end of this document.

Details of the Open Offer

The Company has decided to raise approximately £300,000 in the Open Offer. 285,393 new Ordinary shares have been placed firm subject to clawback by Qualifying Shareholders. This will cover the expenses incurred in connection with the Acquisitions, the Placing and the Open Offer.

The Open Offer provides Qualifying Shareholders with the opportunity to apply for Offer shares at the Issue Price on the basis described below. Qualifying Shareholders may apply for Offer shares on the following basis:

2 Offer shares for every 89 Existing Ordinary shares

registered in their names at the close of business on the Record Date, and so in proportion for any other number of Existing Ordinary shares so registered. Entitlements to apply for Offer shares will be rounded down to the nearest whole number. Fractions of Offer shares will be disregarded in the calculation of Qualifying Shareholders' entitlements and will be aggregated and taken up by the placees. Applications, together with payment in full, must be received by 3.00 pm on 28 May 1999.

The new Ordinary shares to be issued in connection with the Open Offer will, when issued, rank *pari passu* in all respects with the Existing Ordinary shares except that they will not qualify for the final dividend for 1998 and the interim dividend for 1999. Full details of the Open Offer are contained in Part II of this document and on the enclosed Application Form. Other than in connection with the Open Offer, none of the New Ordinary shares are being marketed or are available in whole or in part to the public.

Dealings in the Offer shares are expected to commence on 1 June 1999.

Applications under the Open Offer

An application to subscribe for Offer shares may only be made on the Application Form containing details of your entitlement to Offer shares which is enclosed. Each Application Form is personal to the Qualifying Shareholder(s) named theron and may not be assigned or transferred other than to satisfy *bona fide* market claims pursuant to the Rules of the London Stock Exchange. The terms of the Open Offer provide that Qualifying Shareholders who make valid applications for Offer shares up to and including their maximum pro rata entitlement will be entitled to receive such Offer shares.

Qualifying Shareholders who have sold or transferred all or part of their registered holdings of Existing Ordinary shares should on receipt of the Application Form complete Box G and deliver the Application Form together with this document to the stockbroker or other agent who effected the sale and who will arrange for the form to be split or transmitted to the purchaser(s), as an invitation to subscribe for Offer shares under the Open Offer may represent a benefit which can be claimed from them by the purchaser(s) under the Rules of the London Stock Exchange.

Further details of the Open Offer, including details of the conditions to which it is subject and the procedure for application and payment, are set out in the letter from Bell Lawrie Wise Speke contained in Part II of this document.

Conditions of the Open Offer

The Open Offer is conditional, *inter alia*, upon the passing of the AGM Resolutions and Admission becoming effective by not later than 4 June 1999.

Background to, and reasons for, the Acquisitions

As described in the Company's prospectus in August 1998, one of the Existing Group's reasons for admission to AIM was to allow it to address future acquisition opportunities as they arose with the objective of expanding the range of services offered by it. The Directors believe that the Acquisitions will enable the Existing Group to do this and permit the cross-selling of such services to an expanded client base.

Norstead and MGY are both Rankin family companies and their businesses are well known to Stephen Rankin, Allan Rankin and Bob Guy. They operate in selected areas in the engineering services industry. The Directors believe that the Acquisitions will enhance the Existing Group's earnings per share, add critical mass to the Existing Group and strengthen its position as a provider of engineering and construction support services.

The business of Norstead and MGY

Norstead

Norstead's principal business activities comprise mechanical and electrical contracting and undertaking maintenance works.

Norstead currently operates from its head office in Newcastle (which is also its northern regional office) and is supported by two other regional offices in Chesterfield, Derbyshire and Egham, Surrey. It is currently in the process of re-locating its south eastern regional office from Egham to larger premises in Maidenhead.

Norstead has three distinct operations: provision of mechanical services, electrical services and maintenance services which account for approximately 60, 30 and 10 per cent of its current turnover respectively. Norstead has grown significantly as an organisation within the mechanical and electrical contracting sector operating primarily in the retail, pharmaceutical and telecommunications areas. The continued growth of Norstead has been founded on the increasing level of repeat business from an established client base including many large, well-known companies which operate in the above areas.

Robert Pratt, the managing director of Norstead, although responsible for the overall management and direction of Norstead, is sales and marketing orientated and actively seeks out areas within which Norstead may differentiate itself from its competitors.

MGY

Based in Great Yarmouth, Norfolk, MGY's principal business is the supply of parts and equipment to the offshore oil and gas industry. There are currently three separate but interlinked activities that MGY is involved with, namely:

- sales of hoses, hose assemblies, fittings and adapters;
- long and short term hire of pressure and electronic equipment; and
- testing, repair and calibration of pressure and electronic equipment.

MGY stocks and supplies hoses, hose assemblies, fittings and adapters. MGY is equipped to test, repair and calibrate, to clients' requirements, all the equipment mentioned above, to both clients' specifications and manufacturers' standards

History and development of Norstead and Metnor (Great Yarmouth)

Norstead

Norstead was incorporated as a subsidiary of MIH in 1992 for the purpose of acquiring the Norstead name and maintenance business and certain assets of Norstead Plant and Maintenance Services Limited (in receivership). The Norstead business was already established within the mechanical and electrical contracting sector operating from a head office in Killingworth, Tyne and Wear, and supported by a south east regional office located in Slough, Berkshire. Norstead's growth necessitated the expansion of the south eastern regional office to new premises in Egham, Surrey and the establishment of a midland's regional office in Chesterfield, each in 1994. Each office has achieved successive year on year growth in turnover.

MGY

The business of MGY was established in 1989 by Adrian Brooks, the current managing director of MGY, as a supplier of hoses, tubes, gauges and other similar items of equipment for the offshore oil and gas industry. In 1994, following requests from their customers, MGY proceeded to hire out pressure and electronic testing equipment. In addition, in 1998 it also set up a facility to test, repair and to calibrate such equipment.

MGY was acquired by a Rankin family company in 1992 and on 4 May 1999 was acquired from MIH by NorMet.

Financial information on Norstead

The trading record of Norstead for the three financial years ended 31 December 1998 is summarised below. The financial information has been extracted from the Accountants' Report included in paragraph (d) of Part III of this document.

	Year ended 31 December		
	1996	*1997*	*1998*
	£000	*£000*	*£000*
Turnover	9,503	13,898	22,095
Gross Profit	1,255	1,543	2,336
Operating Profit	312	481	825

Norstead

Norstead's turnover and operating profit has increased by over 132 and 164 per cent. respectively over the last 3 years. The company has performed a similar number of contracts each year but of increasing individual value.

Financial information on MGY

The trading record of MGY for the three financial years ended 31 December 1998 is summarised below. The financial information has been extracted from the Accountants' Report included in paragraph (c) of Part III of this document.

	Year ended 31 December		
	1996	*1997*	*1998*
	£000	*£000*	*£000*
Turnover	1,293	1,161	1,639
Gross Profit	582	527	985
Operating Profit	299	271	426

MGY

MGY operates in more cyclical marketplace and its performance is linked to the trading of its customers in the offshore oil and gas industry. MGY's turnover largely comprises the sale, and hire of, and testing and repair of equipment. MGY achieved a significant increase in gross profit in 1998 partly due to increased sales of products at a similar margin to 1997, but also due to increased levels of equipment hire at increased margins.

The Market

Norstead

The Directors believe that the value of the electrical and mechanical contracting sector is in excess of £1 billion per annum and the Directors expect this to grow. This growth is due to the increasingly technical and high cost element of potential construction projects and it is not uncommon for the mechanical and electrical element to be in excess of 60 per cent of the total spend of such construction projects.

Although there are many companies operating within the sector, the Directors believe that a large proportion operate within the domestic (as opposed to commercial) market where Norstead does not trade.

MGY

MGY supplies a wide variety of products and services that are used within the offshore oil and gas industry and information on markets and market share is limited. Great Yarmouth is regarded as the centre of offshore gas industry in the UK, and MGY is therefore in a prime location.

Deferred consideration under the Acquisition Agreement

The amount of the deferred element of the consideration for the Acquisitions is dependent upon the profit achieved by the trade of MGY, Norstead and NorMet in the year ending 31 December 1999. In order to warrant the maximum aggregate payment of £6.5 million, the combined profit before tax of the trade of MGY, Norstead and NorMet must be not less than £1.45 million, which would put the Acquisitions on a price earnings multiple of 6.4 times 1999 earnings (assuming a normalised tax rate of 30 per cent.). In the event that profit is less than below £1.45 million the deferred element of the consideration is reduced by £4.48 approximately for every £1 shortfall up to the first £250,000 of shortfall and by £5.99 for every £1 shortfall thereafter, initially off the cash element of the deferred consideration.

Dividend Policy

As stated in the Company's prospectus dated 5 August 1998, the Directors intend to pursue a progressive dividend policy, and to declare an interim dividend and a final dividend each year in a ratio of approximately one third: two thirds. A final dividend of 2.09p per Ordinary share is payable on 15 June to shareholders on the register at 21 May 1999 in respect of the period since the admission of Existing Ordinary shares to trading on AIM on 19 August 1998.

The New Ordinary shares will, when issued, rank *pari passu* with the Existing Ordinary shares (except that they would not qualify for the final dividend for 1998 nor the interim dividend for 1999). The first dividend to holders of the New Ordinary shares is expected to be declared in April 2000 in respect of the final dividend for the year ending 31 December 1999.

Tax Status

The Inland Revenue have confirmed that, subject to certain conditions which the Company has undertaken to fulfill, the Acquisitions should not impact on the qualifying status of the Existing Ordinary shares to VCT's and individuals who intend to claim relief under the Enterprise Investment Scheme (EIS). In addition the Directors believe the Offer shares will satisfy the criteria for qualifying for EIS relief and VCT qualifying status. Investors intending to claim these reliefs should seek their own advice.

Current trading and prospects

Existing Group

Trading since 31 December 1998 has been satisfactory.The Company has selected an external contractor to undertake a preliminary design in respect of the planned new galvanizing facility at Chesterfield. Whilst the Acquisitions will involve the Company utilising approximately £4.1 million of its projected cash resources (of which £2.3 million is deferred until mid 2000) the Directors believe that the Enlarged Group will have sufficient resources to finance the construction of the new facility.

Norstead

Trading since 31 December 1998 has been satisfactory. Since becoming part of the MIH group, Norstead has been able to demonstrate the financial stability which the Directors believe to be important to existing and potential clients. The Directors believe this will continue under Metnor's ownership following completion of the Acquisitions.

As part of the Enlarged Group the Directors believe that Norstead will be able to further enhance its position within the electrical and mechanical contracting market and Norstead's growing reputation for quality and efficiency places it in good position for the future.

MGY

Trading since 31 December 1998 has been satisfactory and the Directors are confident about the future of the MGY business.

Year 2000

The Enlarged Group, like most other companies, is faced with the Year 2000 Issue, which is the result of computer programs and microchip processors being designed with two digits rather than four to define the applicable year. This could result in miscalculations or a system failure on 1 January 2000, which, in turn, could disrupt a company's operations or render it unable to process its business transactions.

No assurances can be given either that the Enlarged Group's systems or third party systems will function satisfactorily or that, if problems occur, they will not have a material adverse effect on the Company's operations and financial performance. However, the Company has undertaken and completed a review of its manufacturing, accounting, and information systems, and as a result are satisfied that the potential risks of disruption to the Enlarged Group's business will have been minimised.

Admission and Dealings

The Placing and Open Offer is not conditional upon the completion of the Acquisitions. A resolution has been proposed at the AGM to authorise the Directors to allot sufficient new Ordinary shares to allow the issue of the Offer shares. Admission of the Offer shares to AIM is expected on 1 June.

As the Acquisitions constitute a reverse takeover under the AIM Rules, shares in Metnor will be suspended on the day of the EGM. An application will be made for the Consideration shares to be admitted to AIM and the Existing Ordinary shares and Offer shares to be re-admitted to AIM. It is anticipated that trading in all these shares will commence at 9.00 am on 8 June 1999. No application is being made for any of the New Ordinary shares to be admitted to the Official List of the London Stock Exchange. AIM commenced trading on 19 June 1995 and is the junior market of the London Stock Exchange. It is intended to provide a facility for emerging or smaller companies wishing to have their shares traded.

The shares of companies admitted to AIM are traded on the London Stock Exchange's SEATS PLUS system which enables buyers and sellers to trade with each other either through a market maker or by means of selecting displayed buy or sell orders. In common with many smaller companies quoted on the Official List of the London Stock Exchange, the shares of companies traded on AIM may be difficult to realise.

EGM

A notice convening the EGM is set out in full at the end of this document. The EGM Resolutions will be proposed at the EGM to approve, *inter alia*, the Acquisitions.

Directors' and major shareholders' intentions in the Open Offer

None of the Directors or Controlling Shareholders, who collectively own 79.4 per cent. of the Existing Ordinary shares, intends to take up their respective entitlements under the Open Offer.

Action to be taken

A Form of Proxy for use at the EGM is enclosed with this document. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy in accordance with the instructions therein and return it the Company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH as soon as possible and in any event not later that 10.00 am on 4 June 1999. The completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person if you so wish.

Further information

Your attention is drawn to the further information contained in Parts II to VI of this document. Following the Acquisitions, on the assumption that all the Deferred shares are issued under the Acquisition Agreement, the Directors will control approximately 56.50 per cent of the enlarged issued share capital of the Company and the Controlling Shareholders, two of whom are Directors, will have a beneficial interest in approximately 80.98 per cent of the enlarged issued share capital of the Company. Further information on the shareholdings of the Directors and the Controlling Shareholders is set out in paragraph 4 of Part VI of this document.

Recommendation

Allan Rankin, Stephen Rankin and Bob Guy are directors of NorMet and Norstead, and Bob Guy is also a director of MGY. As they have an interest in the Acquisitions, Allan Rankin, Stephen Rankin and Bob Guy have not participated in the Board's recommendation of the EGM Resolutions and will not vote on the EGM Resolutions in respect of their own shareholdings amounting to 6,333,332 Existing Ordinary shares representing, in aggregate, approximately 49.87 per cent. of the current issued share capital of the Company. In addition, Mr J Rankin will not vote on the EGM Resolutions in respect of his holding of 3,166,666 Existing Ordinary shares.

The Independent Directors, who have been so advised by Bell Lawrie Wise Speke, consider the approval of the EGM Resolutions to be in the best interests of the Company's shareholders as a whole. In providing advice to the Independent Directors, Bell Lawrie Wise Speke has taken into account the Independent Directors' commercial assessments. The Independent Directors believe that the Acquisitions are fair and reasonable in so far as the shareholders of the Company are concerned. The Independent Directors recommend that shareholders vote in favour of the EGM Resolutions as they intend to do in respect of their own beneficial shareholdings amounting to 581,004 Existing Ordinary shares representing, in aggregate, approximately 18.16 per cent of the shares capable of being voted on the EGM Resolutions.

Yours faithfully

Jon Pither
Chairman

LETTER FROM BELL LAWRIE WISE SPEKE

BELL LAWRIE WISE SPEKE

CORPORATE FINANCE

34 Lisbon Street Leeds LS1 4LX

To the holders of Existing Ordinary shares

7 May 1999

Dear Sir or Madam

Open Offer of 285,393 new Ordinary shares at 105p per share

1. Introduction

The letter from the Chairman, which is set out in Part I of this document, explains the reasons for, and details of, the Open Offer. Bell Lawrie Wise Speke has conditionally agreed, as agent for the Company, to make an Open Offer inviting Qualifying Shareholders to apply for Offer shares subject, *inter alia*, to the approval by shareholders of the AGM Resolutions. This letter and the accompanying Application Form contain the terms and conditions of the Open Offer. The Issue Price of 105p per share compares with the closing mid-market price of 116.5p per Ordinary share as recorded in the Appendix to the Stock Exchange Daily Official List for 6 May 1999, being the latest practicable date prior to the publication of this document.

2. Terms and Conditions of the Open Offer

We, Bell Lawrie Wise Speke, as agent for the Company, hereby invite Qualifying Shareholders to apply subject to the terms and conditions set out in this document and in the Application Form to subscribe for 285,393 Offer shares at a price of 105p per share, payable in full in cash upon application, free of all expenses (including stamp duty, if any). Qualifying Shareholders may apply for any whole number of Offer shares up to the following maximum entitlement:

2 Offer shares
for every
89 Existing Ordinary shares

registered in their names at the close of business on the Record Date and so in proportion for any greater number of Existing Ordinary shares then held. Applications, together with payment in full, must be received by 3.00 p.m. on 28 May 1999.

Applications may only be made on the accompanying Application Form, which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned or transferred, except to satisfy *bona fide* market claims. Qualifying Shareholders who have recently sold all or part of the registered holdings before the Existing Ordinary shares were marked "ex" should complete Box G on the accompanying Application Form and send it to the stockbroker, bank or other agent through whom the sale was effected for transmission to the purchaser (save that the accompanying Application Form should not be forwarded or transmitted into North America, Canada or Australia), as it may be that benefits arising under the Open Offer can be claimed from them by the purchaser under the rules of the London Stock Exchange.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that any Offer shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Offer shares which are not applied for under the Open Offer will be placed by Bell Lawrie Wise Speke as agent for the Company.

Bell Lawrie Wise Speke is a division of

BREWIN DOLPHIN SECURITIES LTD

A member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited

Registered office 5 Giltspur Street London EC1A 9BD Registered in England No. 2135876

The Open Offer is subject to satisfaction of the following principal conditions on or before 4 June 1999:

(i) Admission taking place;

(ii) the passing of the AGM Resolutions at the AGM or at any adjournment thereof; and

(iii) the Placing Agreement becoming or being declared unconditional in all respects and not being terminated.

Application will be made to the London Stock Exchange for the Offer shares to be admitted to AIM. The Offer shares will rank *pari passu* in all respects with the Existing Ordinary shares save they will not qualify for the final dividend for 1998 and the interim dividend relating to the six months ending on 30 June 1999.

3. Procedure for application and payment

The Application Form accompanying this document shows the number of Existing Ordinary shares registered in your name at the close of business on the Record Date. It also shows your maximum guaranteed entitlement of Offer shares under the Open Offer and also incorporates further terms of the Open Offer.

Applications to subscribe for Offer shares may only be made on the Application Form which, subject as mentioned below, is personal to the Qualifying Shareholder named thereon and incorporates further terms of the Open Offer. The Application Form represents a right to subscribe for Offer shares. It is not a document of title and cannot be traded.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Offer shares will not be sold in the market for the benefit of those who do not apply under the Open Offer.

The Application Form may be transferred and/or split only to satisfy *bona fide* market claims in relation to purchases and transfers of Existing Ordinary shares prior to the ex-entitlement date, which had not been registered at the close of business on the Record Date. Instructions with regard to transfers and splitting in such circumstances are set out in the Application Form.

Qualifying Shareholders who have sold or transferred all or part of their holdings of Existing Ordinary shares prior to the ex-entitlement date are advised to consult their stockbrokers or other professional advisers as soon as possible. The invitation to subscribe for Offer shares under the Open Offer may represent a benefit which can be claimed from such Qualifying Shareholders by the purchases or transferees of such shares under the Rules of the London Stock Exchange.

If you wish to apply to subscribe for any Offer shares to which you are entitled, you must complete the Application Form in accordance with the instructions printed thereby and return it by post or by hand to New Issues Department, IRG plc, PO Box No 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU with a cheque or banker's draft for the full amount payable on application, so as to arrive not later than 3.00 pm on 28 May 1999. Applications will be invalid if received after that time. Applications once received will be irrevocable. Bell Lawrie Wise Speke and the Company further reserve the right (but shall not be obliged) to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

Cheques or banker's drafts should be made payable to "IRG – A/c Metnor Group PLC" and crossed "A/C Payee". Cheques and banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the facilities provided by either of those companies or those committees. No application will be considered unless those requirements are fulfilled. The right is reserved to present cheques on receipt and to seek special clearance of cheques to enable the Company to obtain value for remittances at the earliest opportunity. If cheques are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account. It is a term of the Open Offer that cheques will be honoured on first presentation.

All documents sent by a Qualifying Shareholder, or as he/she may direct, will be sent through the post at his/her risk. If the conditions referred to above under "Terms and Conditions of the Open Offer" are not fulfilled by 4 June 1999, application monies will be returned at the applicant's risk, without interest, within seven days. Any interest earned on the monies in the separate account will be retained for the benefit of the Company.

In the event that applications and payments from Qualifying Shareholders are not received for all the Offer shares available under the Open Offer the balance will be placed by Bell Lawrie Wise Speke as agent for the Company.

4. Overseas shareholders

No person receiving a copy of this document or the Application Form in a territory other than the UK may treat the same as constituting any offer or invitation to him or her, nor should he or she in any event use any Application Form, unless in any relevant territory such an invitation or offer could lawfully be made to him or her and such Application Form could lawfully be used without contravention of any legislation or other local regulatory or legal requirements. The posting of this document to any person in any jurisdiction in which it would be illegal for the Company to make such an offer or invitation is for informatin purposes only. It is the responsibility of any person outside the UK wishing to apply for Offer shares under the Open Offer to satisfy himself or herself as to full observance of the laws and regulatory requirements of the relevant overseas territory in connection therewith, including obtaining any governmental or other consents which may be required, observing other formalities required to be observed in such territory and paying any issue, transfer or other taxes payable in such territory.

All payments under the Open Offer must be made in pounds sterling. Tendering of payment will constitute a warranty and representation that acceptance of the Offer shares by the person tendering payment and/or the person on whose behalf payment is tendered will not constitute a breach by any such person or by the Company of any law or regulation of any relevant territory. The Company reserves the right to refuse to accept any such payment where it reasonably believes that to do so may constitute a breach of any law or regulation of any relevant territory.

5. Money Laundering Regulations 1993

It is a term of Open Offer that, to ensure compliance with the Money Laundering Regulations 1993, IRG may require, at its absolute discretion, verification of identity from any person lodging an Application Form who (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the shareholder named on the Application Form or, (ii) appear to IRG to be acting on behalf of some other person. In the former case, verification of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. If by 3.00 pm on 28 May 1999, IRG has not received evidence satisfactory to its as aforesaid, the Company may, in its absolute discretion, reject the relevant Application Form in which event the applicant's remittance will be returned without interest to the account of the drawee bank from which such monies were originally debited.

As a guide, if the value of the Offer shares applied for by a Qualifying Shareholder exceeds £10,000 the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the applicant may be required. A failure to provide the necessary evidence of identity may result in the rejection of the application or delays in the despatch of a share certificate. In order to avoid this, you should ideally make payment by means of a cheque drawn by the shareholder named on the Application Form. If this is not practicable and a cheque drawn by a third party, building society cheque or banker's draft is to be used you should:

(i) write the name and address of the shareholder named on the Application Form on the back of the cheque, building society cheque of banker's draft and record the date of birth of the shareholder;

(ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque the name and account number of the person whose building society or bank account is being debited; and

(iii) if you are making the application as an agent for one or more persons indicated on the Application Form indicate whether you are a UK or European Community regulated person or institution (for example a bank or stockbroker) and specify your status. If you are not a UK or European Community regulated person or institution, you should contact IRG.

If the Application Form is delivered by hand, you should ensure that you have with your evidence of identity (for example your passport).

6. Taxation

The comments set out below are based on existing law and what is understood to be current Inland Revenue practice. They are intended as a general guide only and apply only to shareholders who are resident in the United Kingdom for tax purposes (except to the extent that specific reference is made to shareholders resident outside the United Kingdom), who hold the shares as investments and who are the absolute beneficial owners thereof. Shareholders who are in doubt as to their position should consult their own professional advisers immediately.

Taxation of chargeable gains

Capital Gains Tax

It is understood that the Inland Revenue takes the view that, in circumstances such as these, the issue of Offer shares under the Open Offer by the Company to Qualifying Shareholders up to each Qualifying Shareholders entitlement will be treated as a reorganisation of the share capital for the purposes of United Kingdom taxation of capital gains.

Accordingly, Offer shares issued to Qualifying Shareholders by the Company pursuant to the Open Offer and not exceeding the Qualifying Shareholders' pro rata entitlement will together with the shareholder's holding of Existing Ordinary shares, be treated as a single asset acquired at the time the holding of Existing Ordinary Shares was acquired. The price paid for the Offer shares will be added to the base cost of the existing holding.

A United Kingdom resident individual Qualifying Shareholder who acquired his existing holding of Ordinary shares prior to 31 March 1998 will be entitled to an indexation allowance for periods up to 1 April 1998. The indexation allowance will be calculated by reference to the condsideration paid for the holding of Existing Ordinary Shares and not the price paid for the Offer shares. For periods after 5 April 1998 the indexation allowance has been replaced by taper relief. The amount of taper relief available to a Qualifying Shareholder depends on the number of complete years after 5 April 1998 that the Qualifying Shareholder has held the Existing Ordinary shares. If a Qualifying Shareholder acquired his holding of Existing Ordinary shares before 16 March 1998 he will be entitled to an additional year's worth of taper relief. For taper relief purposes the Offer shares taken up under the Open Offer will be treated as having been acquired at the same time as the Qualifying Shareholder's holding of Existing Ordinary shares. The above treatment does not apply to Existing Ordinary shares or Offer shares on which EIS relief is claimed. Such shareholders should consult their professional advisers.

A United Kingdom resident corporate Qualifying Shareholder will continue to be entitled to indexation relief for periods after 1 April 1998. For the purposes of calculating the indexation allowance, the expenditure incurred in subscribing for the Offer shares will be treated as having been incurred when the Qualifying Shareholder makes or becomes liable to make payment of the subscription monies.

A subsequent disposal of the Offer shares acquired pursuant to the Open Offer may, depending upon individual circumstances, give rise to a liability to United Kingdom taxation of capital gains.

7. Settlement and Dealings

The results of the Open Offer are expected to be announced on 28 May 1999. It is expected that dealings in the Offer shares, for normal account settlement, will commence on 1 June 1999. Pending despatch of the share certificates, transfers will be certified agains the register. Subject to the fulfilment of the conditions of the Open Offer set out above, it is expected that share certificates in respect of the Offer shares will be sent to relevant Qualifying Shareholders on 15 June 1999 by post at their own risk.

All documents or remittances sent by or to a Qualifying Shareholder, or as they may otherwise direct, will be sent through the post at such person's risk.

Application monies will be kept in a separate bank account pending fulfilment of the conditions of the Open Offer. In the event that the conditions of the Open Offer are not fulfilled on or before 4 June 1999, the Open Offer will lapse and all monies will be returned (without payment of interest) to applicants as soon as practicable thereafter.

Any instructions with regard to payments or notices which have been recorded by the Company or its registrars in respect of Existing Ordinary shares will apply to the Offer shares.

8. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. These proposals are reflected in the existing Articles of Association of the Company. The Directors will apply for the Offer shares to be admitted to CREST with effect from their admission to AIM. Accordingly, settlement of transactions in Offer shares following Admission may take place within the CREST system if the relevant holder so wishes. However, the Offer shares will be issued in certificated form.

9. Further information

Your attention is drawn to the remainder of this document which provides further information on the Company.

Yours faithfully
for and on behalf of Bell Lawrie Wise Speke

Neil Baldwin
Director

PART III

INFORMATION ON THE EXISTING GROUP

In July 1998, Metnor was established to act as a holding company for MGL, the principal trading subsidiary of the Existing Group, and for Moortime Limited which is a property subsidiary which owns the Middlesbrough and Chesterfield galvanising plants purchased from a Rankin family company prior to the admission to AIM of Metnor's ordinary shares on 19 August 1998.

The Existing Group's principal operation is the corrosion protection of steel products by way of hot dip galvanizing. The Existing Group operates hot dip galvanizing facilities located at Middlesbrough and at Chesterfield, which has the largest galvanizing bath in the UK. The Existing Group serves a broad range of customers who fabricate a wide variety of steel product principally for the UK street furniture and structural steel market sectors. The Directors consider that the Existing Group is one of the largest galvanizers in the jobbing/contract galvanizing market in the UK and has a market share of approximately 10 per cent.

Financial information on Metnor

The trading record of Metnor for the three financial years ended 31 December 1998 is summarised below. The financial information has been extracted from the Accountants' Report included in paragraph (a) of Part III of this document.

	Year ended 31 December		
	1996	*1997*	*1998*
	£000	*£000*	*£000*
Turnover	7,410	9,478	9,334
Gross Profit	1,819	2,584	2,903
Operating Profit	300	397	1,626
Tonnage galvanized	50,717	58,817	59,805

Performance

The key performance indicator for a galvanizer is the tonnage of steel galvanized in any period. As can be seen above the tonnage processed by the Existing Group throughout the period has maintained growth. Such growth in tonnage processed has a marked impact on profitability, as above break-even levels the marginal revenue of each additional tonne galvanized is increasingly greater than the marginal cost. The Directors believe that the increase in profits in 1997 reflected the Existing Group's strategy to increase the level of contract galvanizing to supplement traditional jobbing volume.

Zinc

The Existing Group's principal operating cost is zinc. The price of zinc is quoted on the London Metal Exchange. The visibility of the zinc price allows galvanizers to pass on increased costs to customers via a zinc surcharge which is applied across the industry. At certain times zinc is bought forward so as to satisfy obligations on fixed price jobs.

Throughout the period from April 1996 to May 1998 zinc purchases were made through Kirksyde Metals, a related undertaking. Kirksyde Metals charged MGL around 10 per cent more than the price at which it purchased the zinc. From 1 June 1998, all zinc purchasing has been performed in house, thereby reducing the comparable cost to the Group of each tonne purchased.

The galvanizing process produces two zinc by-products, zinc ash and zinc dross, which the Company sells on. Zinc dross, an iron-zinc alloy, can be sold for between 80 per cent and 90 per cent of the price of zinc. Zinc ash, which is the zinc oxide that forms of the surface of the zinc bath, has around an 80 per cent pure zinc content and a value of around 50 per cent of the price of zinc. During 1998, MGL purchased a zinc grinding mill to convert zinc ash into pellets increasing the re-sale value to around 90 per cent of the price of zinc.

New Galvanizing facility

The Company has selected an external contractor to undertake preliminary design work in respect of the new galvanizing facility at Chesterfield as soon as market demand justifies the investment. This will increase operational efficiency by allowing the Existing Group to schedule work between the existing bath and the planned smaller bath. The Directors anticipate that the new facility will take up to twelve months to build before becoming fully operational, at an expected cost of around £1.6 million. Target customers have already been identified and the bath will be designed specifically for the products of such potential customers. This will allow the Group to dip on a cost efficient basis and to price competitively. It is estimated that the new facility will have targeted throughput of approximately 16,000 tonnes per annum.

New Powder Coating facility

Certain customers require their galvanized product to be powder coated to provide a decorative finish. This operation is currently carried out by external contractors, resulting in increased loading, unloading and transport costs for the customer. Accordingly, following flotation the Existing Group proceeded to establish a powder coating facility at the Middlesbrough site which became operational in May 1999. The Directors believe that Existing Group will now be able to offer a one stop shop service to these customers.

Directors and Employees

Directors

The Board currently comprises three executive and three non executive directors. All the Directors were appointed to the Board of the Company following its formation on 6 July 1998 as the holding company of MGL. In addition to the brief biographies of the Directors below, supplementary information regarding the Directors is contained in Part VI of this document.

Executive Directors

Stephen Rankin, aged 35, Managing Director

Stephen Rankin joined the board of MGL in 1985. In 1987 he took operational control of the business following his father John Rankin's (Snr) decision to withdraw from the day to day management of MGL. Stephen was appointed Sales Director in 1990 and Managing Director in 1992. He is responsible for all aspects of the business with particular emphasis on sales, customer relationships and pricing and tender preparation.

David Pinkerton, aged 50, Production Director

David Pinkerton joined MGL in 1978 on the shop floor, quickly rising to become foreman. He became manager of the Middlesbrough plant in 1986, moving to be Manager of the new Chesterfield facility in 1987. He was appointed as Production Director at MGL in 1993.

Robert Guy, aged 63, Finance Director

Robert was appointed to the Board of MGL in 1993. He has been employed as a financial director of companies owned and controlled by the Rankin family since 1979 having previously been a director of a number of private companies. He is a fellow of the Institute of Administrative Accountants. Robert acts as a director of a number of other Rankin family businesses, in addition to his role with the Group. He is responsible for all aspects of the financial management of the business, supported by an accounts team based in the Killingworth head office.

Non Executive Directors

Jon Pither, aged 64, Non Executive Chairman

Jon Pither is the Non Executive Chairman of Metnor. He was formerly managing director of Amari Plc for nearly twenty years, during which time that company obtained a quotation on the Official List of the London Stock Exchange. It was acquired by Glynwed International plc in 1988. Mr Pither is currently the Chairman of The Aim Trust plc, Lady in Leisure Group plc, City Technology Holdings plc, Premier Direct Group plc, World Telecom PLC and is deputy chairman of The Alumasc Group plc and Jourdan plc.

Allan Rankin, aged 38, Non Executive Director

Allan Rankin was appointed as a director of MGL in 1993. He is actively involved in the strategic development of MGL. He is currently managing director of several private companies controlled by the Rankin family.

Graham Forrest, aged 36, Non Executive Director

Graham Forrest is a Non Executive Director of the Company. He is the joint managing director and co-founder of Lady in Leisure Group plc, an AIM quoted company. He is an Associate of the Institute of Chartered Accountants in England and Wales.

Employees

At 31 December 1998 the Existing Group employed 164 people whose functions were as follows:

	No.
Production (excluding agency workers)	132
Administration	32

PART IV

ACCOUNTANTS' REPORTS

KPMG

(a) Metnor Group PLC

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

The Directors
Metnor Group PLC
Mylord Crescent
Killingworth
Tyne and Wear
NE12 0YD

and

The Directors
Bell Lawrie Wise Speke
A Division of Brewin Dolphin Securities Ltd.
Corporate Finance Division
34 Lisbon Street
Leeds
LS1 4LX

7 May 1999

Dear Sirs

Metnor Group PLC

We report on the financial information set out in paragraphs 1 to 4.

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited financial statements of Metnor Galvanizing Limited ("MGL") for the years ended 31 December 1996 and 1997, and on a combination of the pro forma financial statements of Metnor Group PLC (Metnor Group), Metnor Galvanizing Limited and Moortime Limited (collectively referred to as Metnor) for the year ended 31 December 1998 prepared on the basis described in note 4.1 after making such adjustments as we consider necessary.

Responsibility

Such financial statements are the responsibility of the directors of Metnor Group and MGL who approved their issue.

The directors of Metnor Group are responsible for the contents of the prospectus dated 7 May 1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors and the previous auditors, who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its results for the three years then ended.

We consent to the inclusion in the prospectus dated 7 May 1999 of this report and accept responsibility for that report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1 Profit and loss accounts

	Note	*Year ended 31 December 1996 MGL £000*	*Year ended 31 December 1997 MGL £000*	*Year ended 31 December 1998 Metnor £000*
Turnover	4.3	7,410	9,478	9,334
Cost of sales		(5,591)	(6,894)	(6,431)
Gross profit		1,819	2,584	2,903
Administrative expenses		(1,519)	(2,187)	(1,277)
Operating profit		300	397	1,626
Profit on sale of fixed assets – continuing operations		17	27	10
Other interest receivable and similar income	4.7	165	167	170
Profit on ordinary activities before taxation	4.3-4.7	482	591	1,806
Tax on profit on ordinary activities	4.8	(163)	(191)	(554)
Profit on ordinary activities after taxation		319	400	1,252
Dividends on equity shares	4.9	—	—	(2,765)
Retained profit/(loss) for the year attributable to equity shareholders		319	400	(1,513)
Earnings per share	4.10	3.2p	4.0p	11.4p

In each year all activity relates to continuing operations. Results in the year ended 31 December 1998 include acquisitions in that year.

There were no recognised gains or losses in the years other than the gains or losses as shown.

2 Balance sheets

	Note	*At 31 December 1996 MGL £000*	*At 31 December 1997 MGL £000*	*At 31 December 1998 Metnor £000*
Fixed assets				
Tangible assets	4.11	699	711	2,312
Current assets				
Stocks	4.12	137	125	126
Debtors	4.13	4,886	5,510	2,471
Cash at bank and in hand		1	1	1,956
		5,024	5,636	4,553
Creditors: amounts falling due within one year	4.14	(1,186)	(1,410)	(1,082)
Net current assets		3,838	4,226	3,471
Net assets		4,537	4,937	5,783
Capital and reserves				
Called up share capital	4.16	—	—	127
Share premium account	4.17	—	—	2,232
Other reserves	4.17	2,470	—	—
Profit and loss account	4.17	2,067	4,937	3,424
Shareholders' funds: equity		4,537	4,937	5,783

3 Cash flow statements

	Note	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Net cash inflow from operating activities	4.21	553	215	4,741
Returns on investment and servicing of finance	4.22	165	167	170
Taxation		(237)	(163)	(816)
Capital expenditure and financial investment	4.22	(437)	(194)	(1,822)
Equity dividends paid		—	—	(2,500)
		44	25	(227)
Financing		—	—	2,358
Increase in cash in the year		44	25	2,131

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Increase in cash in the year		44	25	2,131
Net debt at the start of the year		(244)	(200)	(175)
Net (debt)/cash at the end of the year	4.23	(200)	(175)	1,956

4 Notes to the accounts

4.1 Basis of preparation

The financial information for the years ending 31 December 1996 and 1997 is that of Metnor Galvanizing Limited.

Metnor Group was incorporated on 6 July 1998 and purchased the entire share capital of Metnor Galvanizing Limited on 30 July 1998.

On 31 July 1998 Metnor Group purchased the entire share capital of Moortime Limited.

On 19 August 1998 Metnor Group commenced trading on the Alternative Investment Market.

The financial information of Metnor Group for the year ended 31 December 1998 is a consolidation of the financial statements of Metnor Group and its subsidiary undertakings made up to 31 December 1998.

Basis of consolidation

The method of consolidation has been adopted as required by Financial Reporting Standard 6. Under the merger method the results of each company are included for the whole of the financial year. This method has been adopted for the merger of Metnor Group PLC and Metnor Galvanizing Limited. Under the acquisition method the results of the subsidiary undertakings acquired or disposed of in the period are included from the date of acquisition or up to the date of disposal. This method has been adopted for the acquisition of Moortime Limited.

Auditors

Ryecroft Glenton & Co of 27 Portland Terrace, Newcastle upon Tyne, NE2 1QP were auditors of MGL for the year to 31 December 1996. We audited the accounts of MGL and Metnor Group for the two years ended 31 December 1998.

4.2 Accounting policies

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

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

Foreign currencies

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

Leases

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

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Negative goodwill arising on consolidation is included within fixed assets and released to the profit and loss account in the period in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

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	—	20 years
Leasehold land and buildings	—	life of lease
Plant and machinery	—	10 per cent. to 50 per cent. straight line per annum
Motor vehicles	—	20 per cent. to 25 per cent. straight line per annum

No depreciation is provided on freehold land.

Post retirement benefits

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

Stocks

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

Taxation

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

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

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.

4.3 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation arise from the principal activities of Metnor Group (jobbing galvanizers) which are carried out entirely in the United Kingdom.

4.4 Profit on ordinary activities before taxation

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Profit on ordinary activities before taxation is stated after charging			
Auditors' remuneration:			
Audit	4	4	15
Other services – fees paid to the auditors and its associates	1	1	2
Depreciation and other amounts written off tangible fixed assets	208	208	231
Hire of plant and machinery - Rentals paid under operating leases	46	41	90

4.5 Remuneration of directors

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Directors' emoluments	43	54	97
Bonus	—	450	—
	43	504	97
Company contributions to money purchase pension scheme	3	3	4
Amounts paid to third parties in respect of directors' services	—	60	—
	46	567	101

In addition to the above, the following management charges have been paid to Metnor Industrial Holdings Limited in respect of the services of the following directors of Metnor Group: Mr S Rankin, Mr A Rankin, Mr J Rankin and Mr R Guy.

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Management charge	210	225	—

Amounts accruing to the highest paid director:

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Emoluments	48	210	48
Company contributions to money purchase pension schemes	4	—	4

4.6 Employees

The average number of persons employed by MGL or Metnor (including directors) during the period, analysed by category, was as follows:

	Year ended 31 December 1996 MGL Number	Year ended 31 December 1997 MGL Number	Year ended 31 December 1998 Metnor Number
Administration	28	31	32
Production	138	148	132
	166	179	164

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Wages and salaries	2,183	2,908	2,918
Social security costs	202	273	282
Other pension costs	14	17	18
	2,399	3,198	3,218

4.7 Other interest receivable and similar income

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Rents receivable	4	7	4
Bank interest	161	160	166
	165	167	170

4.8 Taxation

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
UK Corporation tax at 31 per cent. (1997: 31 per cent., 1996: 33 per cent.)	163	191	554

4.9 Dividends

	Year ended 31 December 1996 MGL £000	Year ended 31 December 1997 MGL £000	Year ended 31 December 1998 Metnor £000
Equity shares:			
Interim dividend paid			2,500
Final dividend proposed	—	—	265
	—	—	2,765

4.10 Earnings per share

Earnings per share is calculated by dividing the profit after taxation for the year of £1,252,550 (proforma 1997: £400,308, 1996: £319,000) by weighted average number of shares 10,991,235 (proforma 1997: 10,000,002, 1996: 10,000,002) in issue during the year.

The fully diluted earnings per share is the same as the basic disclosed.

The proforma weighted average number of shares is calculated on the basis Metnor Group had been in existence throughout each year.

4.11 Tangible fixed assets

	Land and buildings *£000*	*Plant and machinery* *£000*	*Motor vehicles* *£000*	*Assets in course of construction* *£000*	*Total* *£000*
Cost					
At 1 January 1996	176	2,005	408	—	2,589
Additions	120	242	116	—	478
Disposals	—	(107)	(107)	—	(214)
At 31 December 1996	296	2,140	417	—	2,853
Additions	29	31	193	—	253
Disposals	—	(24)	(112)	—	(136)
At 31 December 1997	325	2,147	498	—	2,970
Additions	72	88	80	299	539
Disposals	—	—	(52)	—	(52)
Transfers from/(to) related parties	1,403	(47)	(108)	—	1,248
At 31 December 1998	1,800	2,188	418	299	4,705
Depreciation					
At 1 January 1996	174	1,752	209	—	2,135
Charge for the year	8	123	77	—	208
On disposals	—	(104)	(85)	—	(189)
At 31 December 1996	182	1,771	201	—	2,154
Charge for the year	11	109	88	—	208
On disposals	—	(22)	(81)	—	(103)
At 31 December 1997	193	1,858	208	—	2,259
Charge for the year	30	113	88	—	231
On disposals	—	—	(40)	—	(40)
Transfers from/(to) related parties	(3)	(26)	(28)	—	(57)
At 31 December 1998	220	1,945	228	—	2,393
Net book values:					
At 31 December 1996	114	369	216	—	699
At 31 December 1997	132	289	290	—	711
At 31 December 1998	1,580	243	190	299	2,312

The net book value of land and buildings at 31 December 1998 comprises:

	£000
Freehold	1,538
Short leasehold	42
	1,580

4.12 Stocks

	At 31 December 1996 MGL £000	*At 31 December 1997 MGL £000*	*At 31 December 1998 Metnor £000*
Raw materials and consumables	121	124	123
Finished goods and goods for resale	16	1	3
	137	125	126

4.13 Debtors

	At 31 December 1996 MGL £000	At 31 December 1997 MGL £000	At 31 December 1998 Metnor £000
Trade debtors	1,610	2,312	2,132
Amounts due from related undertakings	3,260	3,185	4
Corporation tax recoverable	—	—	285
Other debtors	—	—	8
Prepayments and accrued income	16	13	42
	4,886	5,510	2,471

4.14 Creditors: amounts falling due within one year

	At 31 December 1996 MGL £000	At 31 December 1997 MGL £000	At 31 December 1998 Metnor £000
Bank overdraft	202	176	—
Trade creditors	195	141	333
Amounts due to related undertakings	428	178	43
Taxation and social security	223	293	314
Other creditors	—	13	34
Accruals and deferred income	138	609	93
Dividend proposed	—	—	265
	1,186	1,410	1,082

4.15 Provisions for liabilities and charges

No provisions are required for deferred taxation. The amounts unprovided are set out below:

	1996 Unprovided MGL £000	1997 Unprovided MGL £000	1998 Unprovided Metnor £000
Difference between accumulated depreciation and amortisation and capital allowances	—	(57)	285

4.16 Called up share capital

	At 31 December 1996 MGL £	At 31 December 1997 MGL £	At 31 December 1998 Metnor £
Authorised			
Equity: 300 ordinary shares of £1 each	300	300	—
500,000,000 ordinary shares of 1p each	—	—	5,000,000
Allotted, called up and fully paid			
Equity: 300 Ordinary shares of £1 each	300	300	—
12,700,002 Ordinary shares of 1p each	—	—	127,000

During the year ended 31 December 1998 the following transactions took place:

- On 6 July 1998; 200 shares of £1.00 each were issued to form the initial capital of Metnor Group. By ordinary resolution passed on 6 July 1998 each issued and unissued share was subdivided into 100 ordinary shares of 1p.
- On 30 July 1998; 9,980,002 ordinary 1p shares were issued to enable Metnor Group to merge, in a share for share exchange, with Metnor Galvanizing Limited.
- On 19 August 1998; 2,700,000 ordinary 1p shares each were issued at a price of £1 per share through a placing and open offer. The net proceeds will be used to develop a powder coating operation and to finance the development of an additional galvanizing facility.

4.17 Share premium and reserves

	Plant replacement £000	*Land and buildings £000*	*Share premium £000*	*Profit and loss account £000*
At 1 January 1996	1,670	800	—	1,748
Retained profit for the year	—	—	—	319
At 31 December 1996	1,670	800	—	2,067
Retained profit for the year	—	—	—	400
Reserve transfer	(1,670)	(800)	—	2,470
At 31 December 1997	—	—	—	4,937
Retained loss for the year	—	—	—	(1,513)
Premium on share issue, less expenses	—	—	2,331	—
Merger relief	—	—	(99)	—
At 31 December 1998	—	—	2,232	3,424

4.18 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 MGL £000	*Year ended 31 December 1997 MGL £000*	*Year ended 31 December 1998 Metnor £000*
Opening shareholders' funds	4,218	4,537	4,937
Profit/(loss) for the year	319	400	(1,513)
Premium arising on share issue (net of issue costs)	—	—	2,232
New share capital subscribed	—	—	127
Closing shareholders' funds	4,537	4,937	5,783

4.19 Commitments

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

	Year ended 31 December 1996 MGL £000	*Year ended 31 December 1997 MGL £000*	*Year ended 31 December 1998 Metnor £000*
Contracted	—	18	12

4.20 Pension scheme

Metnor Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by Metnor Group to the fund and amounted to £18,358 (1997: £16,886; 1996: £13,497).

There were no outstanding or prepaid contributions at 31 December 1996, 1997 or 1998.

4.21 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 1996 MGL £000	*Year ended 31 December 1997 MGL £000*	*Year ended 31 December 1998 Metnor £000*
Operating profit	300	397	1,626
Depreciation charge	208	208	231
(Increase)/decrease in stocks	(33)	12	(1)
(Increase)/decrease in debtors	244	(625)	3,324
Increase/(decrease) in creditors	(166)	223	(439)
Net cash inflow from operating activities	553	215	4,741

4.22 Analysis of cash flows

	Year ended 31 December 1996 MGL £000	*Year ended 31 December 1997 MGL £000*	*Year ended 31 December 1998 Metnor £000*
Returns on investment and servicing of finance			
Interest received	161	160	166
Rent received	4	7	4
	165	167	170
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(478)	(253)	(2,039)
Sale of plant and machinery	41	59	217
	(437)	(194)	(1,822)
Financing			
Issue of ordinary share capital	—	—	2,700
Expenses paid in connection with share issue	—	—	(342)
	—	—	2,358

4.23 Analysis of changes in net debt

	Cash in hand and at bank £000	*Bank overdraft £000*	*Total £000*
At 1 January 1996	1	(245)	(244)
Cash flow	—	44	44
At 31 December 1996	1	(201)	(200)
Cash flow	—	25	25
At 31 December 1997	1	(176)	(175)
Cash flow	1,955	176	2,131
At 31 December 1998	1,956	—	1,956

4.24 Fixed asset investments

Metnor Group owns 100 per cent. of the ordinary share capital of the following:

Company	*County or registration*	*Principal activity*
Metnor Galvanizing Limited	England	Hot dip galvanizing
Moortime Limited	England	Property holding company

Metnor Galvanizing Limited was accounted for as a merger in accordance with Financial Reporting Standard 6. Consideration for the acquisition consisted of a 100 per cent. share for share exchange. The fair value of the shares issued is considered to be £10,000,002. Metnor Galvanizing made a loss of £1,712,993 from the beginning of the financial year ended 31 December 1998 to the date of acquisition, and a loss of £1,512,880 in the year in total. In its previous year Metnor Galvanizing's profit was £400,308.

Moortime Limited was accounted for as an acquisition and did not trade prior to acquisition. The cost of the acquisition was £1 which represented the nominal value of the share capital acquired.

4.25 Transactions with related parties

Metnor Group's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below.

	Amounts owing to/(owed by) at 31 December 1996 MGL £000	*Amounts owing to/(owed by) at 31 December 1997 MGL £000*	*Amounts owing to/(owed by) at 31 December 1998 Metnor £000*
Metnor Industrial Holdings Limited	3,019	3,181	1
Metnor Group Management Limited	(63)	60	(39)
Norstead Limited	12	3	—
Metnor Properties Limited	(83)	—	1
Kirksyde Metals	(53)	(117)	—
Metnor Fluid Power Limited	—	1	1
Metnor Tyne Tees Limited	—	—	(5)
Value of transactions with related parties in the year			
Purchases from companies on normal trading terms	1,298	3,711	1,483
Sales to companies on normal trading terms	9	19	264

Mr S Rankin and Mr A Rankin, directors of Metnor Group, hold common directorships in the other companies listed above.

Mr S Rankin, the Managing Director, is a partner in Kirksyde Metals. Total purchases from Kirksyde Metals during the period prior to Metnor's flotation £939,071.

A third party contract for the purchase of zinc was transferred from Kirksyde metals to Metnor Group during the year ended 31 December 1998 at nil consideration. Total purchases from Kirksyde Metals during the period prior to Metnor's flotation were £939,071.

Metnor Group has a service agreement with Surrey Management Services Limited, J Pither is a director of this company. During the year ended 31 December 1998 Metnor Group paid £4,167 to this company.

During the year ended 31 December 1998 interest receivable of £103,736 (1997: £160,000; 1996: £161,497) was due from Metnor Industrial Holdings Limited.

During 1997 Metnor Group sold a car to Mr JR Rankin for £19,000. The value is considered to be a reasonable approximation of the market value.

During 1997 Metnor Group paid Cleobury Consultancy £60,000 in respect of consultancy services rendered. Mr A Rankin, one of the directors, directly controls this consultancy.

During 1996 Cleobury Consultancy purchased a motor vehicle from Metnor Group for £9,000.

Mr D Pinkerton, a director of Metnor Group, occupies a company house and pays rent on a normal commercial basis.

4.26 Contingent liabilities

There were no contingent liabilities at 31 December 1998 (1997: £Nil; 1996: £Nil).

Yours faithfully

KPMG Audit Plc.
Chartered Accountants

(b) NorMet

KPMG

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

The Directors
Metnor Group PLC
Mylord Crescent
Killingworth
Tyne and Wear
NE12 0YD

And

The Directors
Bell Lawrie Wise Speke
A Division of Brewin Dolphin Securities Ltd.
Corporate Finance Division
34 Lisbon Street
Leeds LS1 4LX

7 May 1999

Dear Sirs

NorMet (UK) Limited ("NorMet")

We report on the financial information set out in paragraphs 1 to 2.3.

Basis of preparation

The financial information set out in paragraphs 1 to 2.3 is based on the financial statements of NorMet for the period from incorporation to 30 April 1999 prepared on the basis described in note 2.1 after making such adjustments as we consider necessary.

Responsibility

Such financial statements are the responsibility of the Directors of NorMet who approved their issue.

The Directors of Metnor Group PLC are responsible for the contents of the prospectus dated 7 May 1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of NorMet as at 30 April 1999.

We consent to the inclusion in the prospectus dated 7 May 1999 of this report and accept responsibility for that report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1 Balance sheet

	At 30 April 1999 £
Current assets	
Cash at bank and in hand	1
Net assets	1
Capital and reserves	
Called up share capital	1
Shareholders' funds: equity	1

2.1 Notes to the accounts

The company was incorporated on 2 March 1999 as Monthcloud Limited and changed its name to NorMet (UK) Limited on 4 May 1999. The company has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.2 Called up share capital

	At 30 April 1999 £
Authorised	
Equity: 100 Ordinary shares of £1 each	100
Allotted and fully paid	
Equity: 1 Ordinary share of £1 each	1

2.3 Post balance sheet events

On 4 May 1999 the authorised share capital was increased to £60,000 and 60,000 shares were allotted in consideration for the entire issue share capital of Metnor (Great Yarmouth) Limited.

Yours faithfully

KPMG Audit Plc
Chartered Accountants

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

The Directors
Metnor Group PLC
Mylord Crescent
Killingworth
Tyne and Wear
NE12 0YD

and

The Directors
Bell Lawrie Wise Speke
A Division of Brewin Dolphin Securities Ltd.
Corporate Finance Division
34 Lisbon Street
Leeds LS1 4LX

7 May 1999

Dear Sirs

Metnor Great Yarmouth Limited ("MGY")

We report on the financial information set out in paragraphs 1 to 4.

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited financial statements of MGY for the three years ended 31 December 1998 prepared on the basis described in note 4.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of MGY who approved their issue.

The Directors of Metnor Group PLC are responsible for the contents of the prospectus dated 7 May1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors, who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of MGY as at the dates stated and of its results for the three years then ended.

We consent to the inclusion in the prospectus dated 7 May 1999 of this report and accept responsibility for that report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1 Profit and loss accounts

	Note	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Turnover	4.2	1,293	1,161	1,639
Cost of sales		(711)	(634)	(654)
Gross profit		582	527	985
Administrative expenses		(283)	(256)	(559)
Operating profit	4.2-4.5	299	271	426
Profit on sale of fixed assets		—	—	5
Profit on ordinary activities before taxation	4.2-4.5	299	271	431
Tax on profit on ordinary activities	4.6	(101)	(87)	(143)
Profit on ordinary activities after taxation		198	184	288
Dividends on equity shares	4.7	—	—	(800)
Retained profit/(loss) for the year		198	184	(512)

All of the above were derived from continuing operations.

The company had no recognised gains or losses other than the results for each of the years shown above.

2 Balance sheets

	Note	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Fixed assets				
Tangible assets	4.8	18	11	45
Current assets				
Stocks	4.9	103	103	103
Debtors	4.10	574	728	1,078
Cash at bank and in hand		129	149	375
		806	980	1,556
Creditors: amounts falling due within one year	4.11	(290)	(273)	(1,395)
Net current assets		516	707	161
Net assets		534	718	206
Capital and reserves				
Called up share capital	4.12	50	50	50
Profit and loss account	4.13	484	668	156
Shareholders' funds: equity		534	718	206

3 Cash flow statements

		Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Net cash inflow from operating activities	4.17	85	123	357
Taxation		(46)	(101)	(87)
Capital expenditure	4.18	(6)	(2)	(44)
Increase in cash in the year		33	20	226

Reconciliation of net cash flow to movement in net funds

		Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Increase in cash in the year		33	20	226
Net funds at the start of the year		96	129	149
Net funds at the end of the year	4.19	129	149	375

4 Notes to the accounts

4.1 Accounting policies

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

Accounting convention and accounting standards

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

Auditors

Ryecroft Glenton & Co of 27 Portland Terrace, Newcastle upon Tyne, NE2 1QP were auditors of MGY for the whole period covered by the reports.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write down the cost of fixed assets to the estimated residual values by equal annual instalments over the period of their estimated useful lives which are considered to be:

Fixtures and fittings –	5 years
Motor cars –	4 years
Motor vans –	5 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision at current rates of taxation is made for the liability to corporation tax deferred by reason of the excess of capital allowances claimed for the fixed assets over the depreciation charged for accounting purposes. No account is taken for shortfalls in capital allowances.

Turnover

Turnover represents the amount derived from the provision of goods and services after deduction of trade discounts and value added tax.

4.2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation are attributable to the principal activities of MGY (manufacture, sale and hire of hydraulic and assorted equipment), which are carried out entirely in the United Kingdom.

4.3 Profit on ordinary activities before taxation

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration	2	2	2
Depreciation	9	9	16
Management charge	—	—	200

4.4 Remuneration of directors

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Directors' emoluments	35	38	42
Company contributions to money purchase pension scheme	12	12	42
	47	50	84

Retirement benefits are accruing to one director under the money purchase scheme across the three years ending 31 December 1998.

In addition to the above, £8,000 per annum has been paid to Metnor Industrial Holdings Limited in respect of services which include the finance director Mr RG Guy.

4.5 Employees

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

	Year ended 31 December 1996 Number	*Year ended 31 December 1997 Number*	*Year ended 31 December 1998 Number*
Administration	3	3	3
Other	6	6	6
	9	9	9

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Wages and salaries	192	171	205
Social security costs	15	11	22
Other pension costs	13	13	43
	220	195	270

4.6 Taxation

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
UK Corporation tax at 31% (1997: 31.5%; 1996: 33%)	101	87	143

4.7 Dividends

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Equity shares Final dividend proposed	—	—	800

4.8 Tangible fixed assets

	Motor vehicles £000	*Fixtures and fittings £000*	*Total £000*
Cost			
At 1 January 1996	28	31	59
Additions	2	4	6
At 31 December 1996	30	35	65
Additions	—	2	2
At 31 December 1997	30	37	67
Additions	25	24	49
Disposals	(11)	—	(11)
At 31 December 1998	44	61	105
Depreciation			
At 1 January 1996	12	26	38
Charge for the year	6	3	9
At 31 December 1996	18	29	47
Charge for the year	6	3	9
At 31 December 1997	24	32	56
Charge for the year	9	7	16
On disposals	(12)	—	(12)
At 31 December 1998	21	39	60
Net book values:			
At 31 December 1996	12	6	18
At 31 December 1997	6	5	11
At 31 December 1998	23	22	45

4.9 Stocks

	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Finished goods and goods for resale	103	103	103

4.10 Debtors

	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Trade debtors	256	295	351
Amounts owed by group headed by Metnor Industrial Holdings Limited	317	432	725
Other debtors	1	1	2
	574	728	1,078

4.11 Creditors: amounts falling due within one year

	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Trade creditors	57	107	68
Amounts owed to group headed by Metnor Industrial Holdings Limited	74	21	263
Other creditors including taxation and social security	22	22	45
Accruals and deferred income	33	33	73
Director's current account	3	3	3
Corporation tax payable	101	87	143
Proposed dividend	—	—	800
	290	273	1,395

4.12 Called up share capital

	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Authorised			
Equity: 100,000 Ordinary shares of £1 each	100	100	100
Allotted and fully paid			
Equity: 50,000 Ordinary shares of £1 each	50	50	50

4.13 Profit and loss account reserve

	Profit and loss account reserve £000
At 1 January 1996	286
Retained profit for the year	198
At 31 December 1996	484
Retained profit for the year	184
At 31 December 1997	668
Retained loss for the year	(512)
At 31 December 1998	156

4.14 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Opening shareholders' funds	336	534	718
Retained profit/(loss) for the year	198	184	(512)
Closing shareholders' funds	534	718	206

4.15 Commitments

There were no capital commitments at 31 December 1998 (1997: £nil; 1996: £nil).

4.16 Pension scheme

MGY currently contributes to private pension schemes in respect of each of Adrian Brooks and Irma Brooks. The pension charge for the year represents contributions paid by the company to those schemes which amounted to £43,200 (1997: £13,200; 1996: £13,200).
or 1998.

4.17 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Operating profit	299	271	426
Depreciation charge	9	9	16
Decrease in stocks	2	—	—
(Increase)/decrease in debtors	(253)	(154)	(351)
Increase/(decrease) in creditors	28	(3)	266
Net cash inflow from operating activities	85	123	357

4.18 Analysis of cash flows

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Capital expenditure			
Purchase of tangible fixed assets	(6)	(2)	(49)
Sale of tangible fixed assets	—	—	5
	(6)	(2)	(44)

4.19 Analysis of changes in net funds

	Cash at bank £000
At 1 January 1996	96
Cash flow	33
At 31 December 1996	129
Cash flow	20
At 31 December 1997	149
Cash flow	226
At 31 December 1998	375

4.20 Transactions with related parties

MGY's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below.

	Amounts owing to/(owed by) MGY at 31 December 1996 £000	*Amounts owing to/(owed by) MGY at 31 December 1997 £000*	*Amounts owing to/(owed by) MGY at 31 December 1998 £000*
Metnor Industrial Holdings Limited	317	431	519
Metnor Group Management Limited	(9)	(10)	(10)
Metnor Properties Limited	—	—	7
Metnor Fluid Power Limited	(64)	(11)	(53)
Value of transactions with related parties in the year			
Purchases from companies on normal trading terms	153	100	163
Sales to companies on normal trading terms	7	3	1

Mr R G Guy, the Finance Director of MGY, is also a director of all the companies listed above except Metnor Group Management Limited.

4.21 Ultimate holding company

The ultimate holding company is NorMet (UK) Limited, a company incorporated in Great Britain and registered in England and Wales.

4.22 Contingent liabilities

There were no contingent liabilities at 31 December 1998 (1997: £Nil; 1996: £Nil).

4.23 Post balance sheet events

On 4 May 1999 the whole share capital of MGY was acquired by NorMet (UK) Limited.

Yours faithfully

KPMG Audit Plc.
Chartered Accountants

(d) **Norstead**

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

The Directors
Metnor Group PLC
Mylord Crescent
Killingworth
Tyne and Wear
NE12 0YD

and

The Directors
Bell Lawrie Wise Speke
A Division of Brewin Dolphin Securities Ltd.
Corporate Finance Division
34 Lisbon Street
Leeds LS1 4LX

7 May 1999

Dear Sirs

Norstead Limited ("Norstead")

We report on the financial information set out in paragraphs 1 to 4.

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited financial statements of Norstead for the three years ended 31 December 1998 prepared on the basis described in note 4.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of Norstead who approved their issue.

The Directors of Metnor Group PLC are responsible for the contents of the prospectus dated 7 May 1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors, who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of Norstead as at the dates stated and of its results for the three years then ended.

We consent to the inclusion in the prospectus dated 7 May 1999 of this report and accept responsibility for that report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1 Profit and loss accounts

	Note	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Turnover	4.2	9,503	13,898	22,095
Cost of sales		(8,248)	(12,355)	(19,759)
Gross profit		1,255	1,543	2,336
Administrative expenses		(943)	(1,062)	(1,512)
Other operating income		—	—	1
Operating profit		312	481	825
Profit on sale of fixed assets		4	2	8
Profit on ordinary activities before taxation	4.2-4.5	316	483	833
Tax on profit on ordinary activities	4.6	(113)	(168)	(272)
Profit on ordinary activities after taxation		203	315	561
Dividends on equity shares	4.7	—	—	(1,200)
Retained profit/(loss) for the year		203	315	(639)

All of the above were derived from continuing operations.

The company had no recognised gains or losses in the years other than the profits/(loss) as shown.

2 Balance sheets

	Note	At 31 December 1996 £000	At 31 December 1997 £000	At 31 December 1998 £000
Fixed assets				
Intangible assets	4.8	47	39	31
Tangible assets	4.9	235	207	188
		282	246	219
Current assets				
Stocks	4.10	1,890	2,430	723
Debtors	4.11	1,425	1,977	2,071
Cash at bank and in hand		44	2	1,179
		3,359	4,409	3,973
Creditors: amounts falling due within one year	4.12	(2,990)	(3,689)	(3,865)
Net current assets		369	720	108
Net assets		651	966	327
Capital and reserves				
Called up share capital	4.13	95	95	95
Profit and loss account	4.14	556	871	232
Shareholders' funds: equity		651	966	327

3 Cash flow statements

	Note	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Net cash inflow/(outflow) from operating activities	4.18	254	(678)	2,244
Taxation		(126)	(147)	(137)
Capital expenditure	4.19	(114)	(68)	(79)
Increase/(decrease) in cash in the year		14	(893)	2,028

Reconciliation of net cash flow to movement in net funds/(debt)

	Note	*Year ended 31 December 1996 £000*	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Increase/(decrease) in cash in the year		14	(893)	2,028
Net funds/(debt) at the start of the year		30	44	(849)
Net funds/(debt) at the end of the year	4.20	44	(849)	1,179

4 Notes to the accounts

4.1 Accounting policies

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

Basis of preparation

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

Auditors

Ryecroft Glenton & Co of 27 Portland Terrace, Newcastle upon Tyne, NE2 1QP were auditors of Norstead for the whole period covered by the report.

Intangible fixed assets and amortisation

Goodwill arising on acquisition is capitalised and amortised over a period of ten years on a straight line basis being the directors' estimate of the useful life of the goodwill.

Tangible fixed assets and depreciation

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

Plant and machinery	—	5 years
Fixtures and fittings	—	5 years
Motor vans	—	5 years
Motor cars	—	4 years

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress is valued at cost including an appropriate proportion of attributable overheads. Full provision is made for losses on unprofitable contracts. The amount of work in progress is reduced by progress payments received.

Deferred taxation

Provision at current rates of taxation is made for the liability to corporation tax deferred by reason of the excess of capital allowances claimed for fixed assets over the depreciation charged for accounting purposes. No account is taken for shortfalls in capital allowances.

Turnover

Turnover is accounted for in the year in which each contract is completed and represents total sales invoiced (excluding value added tax) plus retentions not yet invoiced.

Profit

Profit is taken in the year in which each contract is completed. No credit is taken for claims until finally agreed.

4.2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the principal activities of Norstead Limited (mechanical and electrical contractors) which are carried out entirely in the United Kingdom.

4.3 Profit on ordinary activities before taxation

	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration	6	5	5
Amortisation of goodwill	8	8	8
Depreciation and other amounts written off tangible fixed assets	84	98	106
Hire of furniture and fittings	3	3	3
Rent payable	32	33	37

4.4 Remuneration of directors

The highest paid director's remuneration was as follows:

	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Directors' emoluments	77	96	237
Norstead contributions to money purchase pension scheme	2	2	2
	79	98	239

Retirement benefits are accruing to one director under the money purchase scheme across the three years ended 31 December 1998.

No other directors received remuneration from Norstead in any of the three years ended 31 December 1998.

In addition to the above, the following management charges have been paid to Metnor Industrial Holdings Limited in respect of the services of the following directors of Norstead Limited: Mr RG Guy, Mr A Rankin, Mr S Rankin and Mr J R Rankin.

	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Management charge	54	60	63

4.5 Employees

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

	Year ended 31 December 1996 Number	Year ended 31 December 1997 Number	Year ended 31 December 1998 Number
Administration	19	20	23
Production	68	73	74
	87	93	97

Wages and salaries	1,924	2,350	2,373
Social security costs	173	208	241
Other pension costs	8	11	14
	2,105	2,569	2,628

4.6 Taxation

	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
UK Corporation tax at 31% (1997: 31.5%; 1996: 33%)	113	133	269
Group relief (1997: 31.5%)	—	35	—
Under provision for previous year	—	—	3
	113	168	272

4.7 Dividends

	Year ended 31 December 1996 £000	Year ended 31 December 1997 £000	Year ended 31 December 1998 £000
Equity shares Final dividend proposed	—	—	1,200

4.8 Intangible assets - Goodwill

	Total £000
Cost	
As at 1 January 1996, 31 December 1996, 1997, 1998	82
Amortisation	
At 1 January 1996	(27)
Charge for the year	(8)
At 31 December 1996	(35)
Charge for the year	(8)
At 31 December 1997	(43)
Charge for the year	(8)
At 31 December 1998	(51)
Net book values	
At 31 December 1996	47
At 31 December 1997	39
At 31 December 1998	31

4.9 Tangible fixed assets

	Plant, machinery and motor vehicles £000	*Fixtures and fittings £000*	*Total £000*
Cost			
At 1 January 1996	249	46	295
Additions	110	16	126
Disposals	(25)	—	(25)
At 31 December 1996	334	62	396
Additions	70	17	87
Disposals	(44)	—	(44)
At 31 December 1997	360	79	439
Additions	89	6	95
Disposals	(53)	—	(53)
At 31 December 1998	396	85	481
Depreciation			
At 1 January 1996	79	14	93
Charge for the year	72	12	84
On disposals	(16)	—	(16)
At 31 December 1996	135	26	161
Charge for the year	82	16	98
On disposals	(27)	—	(27)
At 31 December 1997	190	42	232
Charge for the year	91	15	106
On disposals	(45)	—	(45)
At 31 December 1998	236	57	293
Net book values:			
At 31 December 1996	199	36	235
At 31 December 1997	170	37	207
At 31 December 1998	160	28	188

4.10 Stocks

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Work in progress	1,890	2,430	723

4.11 Debtors

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Trade debtors	1,337	1,822	1,369
Amounts due from related undertakings	1	13	5
Amounts due from group headed by Metnor Industrial Holdings Limited	19	14	676
Other debtors	58	116	2
Prepayments and accrued income	10	12	19
	1,425	1,977	2,071

4.12 Creditors: amounts falling due within one year

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£000	*£000*	*£000*
Bank overdraft	—	851	—
Payments received on account	166	5	20
Trade creditors	1,250	1,487	1,069
Amounts due to related undertakings	12	3	—
Amounts due to group headed by Metnor Industrial Holdings Limited	850	526	347
Corporation tax	112	133	270
Other taxes and social security	66	67	349
Accruals and deferred income	534	617	610
Proposed dividend	—	—	1,200
	2,990	3,689	3,865

The bank overdraft is secured by a group omnibus letter of set off.

4.13 Called up share capital

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£000	*£000*	*£000*
Authorised			
Equity: 100,000 Ordinary shares of £1 each	100	100	100
Allotted and fully paid			
Equity: 95,000 Ordinary shares of £1 each	95	95	95

4.14 Profit and loss account reserve

	Profit and loss account reserve
	£000
At 1 January 1996	353
Retained profit for the year	203
At 31 December 1996	556
Retained profit for the year	315
At 31 December 1997	871
Retained loss for the year	(639)
At 31 December 1998	232

4.15 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£000	*£000*	*£000*
Opening shareholders' funds	448	651	966
Retained profit/(loss) for the year	203	315	(639)
Closing shareholders' funds	651	966	327

4.16 Commitments

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

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£000	*£000*	*£000*
Contracted	—	—	10

4.17 Pension scheme

Norstead Limited operates a defined contribution pension scheme for the benefit of certain directors and employees of the company. The assets of the scheme are invested and managed independently of the finances of the company. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £14,233 (1997: £11,057; 1996: £8,278).

There were no outstanding or prepaid contributions at 31 December 1996, 1997 or 1998.

4.18 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Operating profit	312	481	825
Depreciation and amortisation	93	106	115
(Increase)/decrease in stocks	(532)	(540)	1,707
(Increase)/decrease in debtors	(365)	(552)	(93)
Increase/(decrease) in creditors	746	(173)	(310)
Net cash inflow/(outflow) from operating activities	254	(678)	2,244

4.19 Analysis of cash flows

	Year ended 31 December 1996 £000	*Year ended 31 December 1997 £000*	*Year ended 31 December 1998 £000*
Capital expenditure			
Purchase of tangible fixed assets	(126)	(87)	(95)
Sale of tangible fixed assets	12	19	16
	(114)	(68)	(79)

4.20 Analysis of changes in net funds/(debt)

	Cash at bank and in hand £000	*Bank overdraft £000*	*Total £000*
At 1 January 1996	30	—	30
Cash flow	14	—	14
At 31 December 1996	44	—	44
Cash flow	(42)	(851)	(893)
At 31 December 1997	2	(851)	(849)
Cash flow	1,177	851	2,028
At 31 December 1998	1,179	—	1,179

4.21 Transactions with related parties

Norstead's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Amounts owing to/(owed by) Norstead at 31 December 1996	*Amounts owing to/(owed by) Norstead at 31 December 1997*	*Amounts owing to/(owed by) Norstead at 31 December 1998*
	£000	*£000*	*£000*
Metnor Industrial Holdings Limited	(748)	(416)	652
Metnor Group Management Limited	(88)	(95)	(347)
Metnor Properties Limited	4	—	22
Metnor Business Park Limited	2	—	—
Metro Sports Distribution Limited	—	—	2
Metnor Tyne Tees Limited	—	2	—
BDK Engineering (1983) Limited	(1)	(2)	—
Metnor Galvanising Limited	(12)	(10)	5
Value of transactions with related parties in the year			
Purchases from companies on normal trading terms	78	86	93
Sales to companies on normal trading terms	16	72	72

Messrs A Rankin, S Rankin, J R Rankin (Junior), and R Guy hold common directorships in the companies listed above.

Metnor Galvanizing Limited is a related party because it is controlled by the same shareholders as Metnor Industrial Holdings Limited. There are a number of immaterial recharges of expenses resulting in a balance of £4,709 owed by Norstead at 31 December 1998. Ultimate Leisure is a related party because it is controlled by one of the shareholders at Metnor Industrial Holdings Limited. There are a number of immaterial recharges of expenses resulting in a small balance owing to Norstead at 31 December 1998.

In 1997 the company purchased a motor vehicle from Mr J R Rankin (Junior), a director for £18,000, that being the vehicle's market value.

During the three years the following amounts were purchased and recharged at cost.

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£	*£*	*£*
S Rankin	301	40	61,706
A Rankin	7,500	—	2,719
J R Rankin (Jnr)	6,693	1,323	584
J R Rankin (Snr)	—	—	268,660

The amounts owed by the directors and related parties at the year ends are shown below. These were the maximum amounts outstanding at any time during the years.

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£	*£*	*£*
S Rankin	—	—	61,829
A Rankin	—	—	3,177
J R Rankin (Jnr)	—	1,537	1,045
J R Rankin (Snr)	—	—	48,660

4.22 Ultimate holding company control

The ultimate holding company is Metnor Industrial Holdings Limited, a company incorporated in Great Britain and registered in England and Wales

4.23 Financial commitments

Financial commitments under non-cancellable operating leases for land and buildings are summarised below:

	Year ended 31 December 1996	*Year ended 31 December 1997*	*Year ended 31 December 1998*
	£000	*£000*	*£000*
Within one year	—	—	4
Within two to five years	9	9	9
After five years	—	9	—
	9	18	13

4.24 Contingent liabilities

Performance bonds amounting to £685,983 (1997: £1,058,087; 1996: £731,432) were in existence at the year end. The directors consider that no liability in respect of these bonds will arise.

4.25 Post balance sheet events

The Controlling Shareholders entered into an agreement with MIH for the purchase of Norstead's shares on 6 May 1999.

Yours faithfully

KPMG Audit Plc
Chartered Accountants

PART V

PROFORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following proforma statement of net assets has been produced to illustrate the impact of the Acquisitions. The proforma statement of net assets of the Enlarged Group is based on Metnor's, Norstead's and MGY's audited accounts for the period ended 31 December 1998 and has been prepared for illustrative purposes only. Because of its nature, the following proforma financial information may not give a true picture of the Enlarged Group's financial position:

	The Existing Group	*Norstead*	*MGY*	*Adjustments (Note 4)*	*Adjustments (Note 5)*	*Adjustments (Note 6)*	*Proforma*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Fixed assets	2,312	219	45	5,967	—	—	8,543
Current assets	4,553	3,973	1,556	(1,500)	(2,000)	(250)	6,332
Creditors: amounts falling due within one year	(1,082)	(3,865)	(1,395)	(2,300)	2,000	—	(6,642)
Net current assets	3,471	108	161	(3,800)	—	(250)	(310)
Net assets	5,783	327	206	2,167	—	(250)	8,233

Notes:

1. The financial information on the Existing Group is derived from Metnor Group PLC's audited accounts for the year ended 31 December 1998, which are included in the Accountants' Report in Part IV of this document.

2. The financial information on Norstead is derived from Norstead's audited accounts for the year ended 31 December 1998, which are included in the Accountants' Report in Part IV of this document.

3. The financial information on MGY is derived from MGY's audited accounts for the year ended 31 December 1998, which are included in the Accountants' Report in Part IV of this document.

4. The consideration for the Acquisitions of £6.5 million has been reflected as a reduction in current assets to reflect the initial cash payment of £1.5 million (£1.8 million net of approximately £0.3 million raised by share issue) and provision for deferred cash consideration of £2.3 million within creditors: amounts falling due within one year. Proforma goodwill arising on acquisition has been included in the fixed assets and is calculated as the difference between the total consideration of £6.5 million and the aggregate net assets acquired of £533,000 (Norstead £327,000 and MGY £206,000)

5. An additional adjustment has been made to set off dividends payable to Metnor Industrial Holdings Limited of £2 million (Norstead £1.2 million and MGY £0.8 million), included within creditors: amounts falling due within one year, against amounts due to Norstead and MGY from Metnor Industrial Holdings Limited, which are included in current assets.

6. To take account of £250,000 of expenses in relation to the Acquisitions and the Placing and Open Offer.

7. No adjustment has been made to reflect trading results of the Enlarged Group since 31 December 1998.

PART VI

GENERAL INFORMATION

1. The Company and its Subsidiaries

(a) The Company was incorporated in England and Wales on 6 July 1998 under the Act as Metnor Group PLC, a public company limited by shares, with registered number 3596379. The Company operates under the Act.

(b) The registered office of the Company is at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Newcastle upon Tyne, NE12 OYD.

(c) The liability of the members of the Company is limited.

(d) The Company is the ultimate holding company of the Existing Group and has the following subsidiary undertakings both of which have their registered offices at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Newcastle upon Tyne, NE12 OYD and both of which are wholly owned:

Name	*Date and place of Incorporation*	*Trading Activity*	*Issued and fully paid share capital*
Metnor Galvanizing Limited	8.10.75 England	Hot dip galvanizing	£300
Moortime Limited	30.6.98 England	Property Holding Company	£100

(a) Following completion of the Acquisitions the following undertakings will become wholly owned subsidiaries of the Company:

Name	*Date and place of Incorporation*	*Trading Activity*	*Issued and fully paid share capital*
NorMet (UK) Limited	2.3.99 England	Holding Company	£60,000
Norstead Limited	6.5.92 England	Electrical and mechanical contractor	£95,000
Metnor (Great Yarmouth) Limited	20.11.89 England	Hire/supply of hydraulic equipment	£50,000

2. Share capital

(a) The authorised share capital of the Company on incorporation on 6 July 1998 was £5,000,000 divided into 5,000,000 ordinary shares of £1.00. By ordinary and special resolutions passed on 6 July 1998 each issued and unissued ordinary share of £1 was sub-divided into 100 ordinary shares of 1p each and the Memorandum and Articles of Association described in paragraph 3 of this Part VI were adopted in place of the Memorandum and Articles of Association with which the Company was incorporated. Two subscriber shares of £1.00 each were allotted fully paid to J. L. Nominees One Limited and J. L. Nominees Two Limited respectively on 6 July 1998 and were subsequently transferred (as sub-divided) to S. Rankin and A. Rankin on 30 July 1998.

(b) On 30 July 1998 pursuant to a Share Purchase Agreement between (1) the Controlling Shareholders and (2) the Company, the Company allotted and issued Ordinary shares to the persons stated below in consideration of the transfer to the Company of the entire issued share capital of MGL.

Number of Ordinary shares	*Allottee*
3,333,234	S. Rankin
3,333,334	J. R. Rankin
3,333,234	A. Rankin

(c) On 4 August 1998 the Controlling Shareholders granted options to Surrey Management Services Limited (a company owned and controlled by J. P. Pither) and G. S. L. Forrest respectively, for each of them to purchase from the Controlling Shareholders up to 350,000 Ordinary shares at a price of 60 pence per Ordinary share, conditional only upon Admission. On 4 August 1998, Surrey Management Services Limited and G.S.L Forrest exercised their respective options and each acquired 250,002 Ordinary shares from the Controlling Shareholders whereupon the options lapsed as to the 99,998 Ordinary shares not taken up in each option.

(d) By a special resolution dated 4 August 1998,:

(i) the Directors were authorised (pursuant to Section 95 of the Act) to allot equity securities (as defined in Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply in respect of the 2,700,000 Ordinary shares the subject of The Placing Agreement described in paragraph 5A(k) of this Part VI and any other issue of equity securities up to aggregate nominal amount of £2,500, such authority to expire one year after the date of the passing of the resolution;

(ii) the Directors were authorised to vote and be counted in the quorum in relation to any matter connected with the placing of the Ordinary shares referred to in (i) above notwithstanding their interests in the same.

(e) The Annual General Meeting of the Company is to be held on 28 May 1999 at which will be proposed, *inter alia,* the following resolutions:

(i) that the Directors be unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £12,350, such authority to expire on the date of the next annual general meeting; and

(ii) that the Directors be unconditionally authorised (pursuant to section 95 of the Act) to allot equity securities (as defined in section 94(e) of the Act) for each pursuant to resolution (i) as if section 89(1) of the Act did not apply in respect of the issue of equity securities up to an aggregate nominal value of £6,350, such authority to expire on the date of the next annual general meeting;

(where resolution (i) is to be proposed as an ordinary resolution and resolution (ii) as a special resolution).

(f) Save as disclosed in this Part VI, and apart from the Placing and Open Offer, the Acquisitions and the issue of the 2,700,000 Ordinary shares pursuant to the placing in August 1998, and the commission payable to Wise Speke under the placing agreement referred to in paragraph 5A(k) of this Part VI:

(i) no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

(ii) no commission, discount, brokerage or other special term has been granted by the Company or is now proposed, in connection with the issue or sale of any of its share or loan capital;

(iii) no founder, management or deferred shares have been issued by the Company;

(iv) no amount or benefit has been paid or given or is intended to be paid or given to any promoter of the Company.

(g) The authorised and issued and fully paid share capital of the Company immediately following the Placing and Open Offer and Acquisitions will be as follows:

Class of shares	*Authorised Number*	*Issued Number*
Ordinary shares	500,000,000	13,556,824

(h) On the assumption that all of the Deferred shares are allotted and issued pursuant to the Acquisition Agreement the authorised and issued and fully paid share capital of the Company will be as follows:

Class of shares	*Authorised Number*	*Issued Number*
Ordinary shares	500,000,000	15,271,110

(i) Following the Placing and Open Offer and Acquisitions, 486,443,176 Ordinary shares will remain authorised but unissued (representing approximately 97.29 per cent of the authorised share capital of the Company).

(j) On the assumption that all of the Deferred shares are allotted and issued pursuant to the Acquisition Agreement, 484,728,890 Ordinary shares will remain authorised but unissued (representing approximately 96.95 per cent of the authorised share capital of the Company).

(k) Except to the extent disapplied pursuant to Section 95 of the Act (presently as set out in paragraph (d)(i) above but proposed to be increased as set out in paragraph (e)) the provisions of Section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94(2) of the Act)) which are, or are to be, paid up in cash will apply to the authorised but unissued share capital of the Company.

(l) Save as disclosed above, no share or loan capital of the Company or its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company adopted by special resolution dated 6 July 1998 provides that the Company's principal object is to act as holding company and a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, a copy of which is available for inspection as specified in paragraph 14 below.

The Articles of Association (the "Articles") adopted by special resolution dated 6 July 1998 contain, *inter alia,* provisions to the following effect.

(a) Voting rights

Subject to the rights or restrictions attached to any shares, on a show of hands every member who is, or who is deemed to be, present in person shall have one vote and on a poll every member who is, or who is deemed to be, present in person or by proxy shall have one vote for every share of which he is the holder. A corporate member may, by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at a general meeting or at a separate meeting of the holders of a class of shares and such person may exercise the same powers as the corporate member could exercise if it were an individual member of the Company. If a member or person appearing to be interested in shares has been given a notice under Section 212 of the Act and is in default for 14 days in supplying the required information, the directors may direct on notice to the member that the member is not entitled to vote in relation to such shares.

(b) Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. Subject to the rights of the persons entitled to shares with preferred or other special rights as to dividends, dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If a member or person appearing to be interested in shares fails to comply with any notice given by the Company under Section 212 of the Act, then provided the shares represent at least 0.25% of the issued shares of the relevant class, the Company may withhold payment of dividends and other sums that would otherwise be payable in respect of such shares.

A dividend or other sum which remains unclaimed for a period of twelve years from the date when it became payable shall, if the directors so determine, be forfeited and cease to remain owing by the Company.

(c) Return of Capital

Subject to the rights attached to any shares issued on special conditions, on a winding up of the Company the assets available for distribution shall be divided amongst the holders of shares in proportion to the amount of capital paid up or credited as paid up on each share. If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or part of the assets of the Company and may for that purpose value the assets and determine how the divisions shall be carried out as between the members or different classes of members. The liquidator may, with the same sanction, vest the assets in trustees on such trusts for the benefit of members as the liquidator with the same sanction, thinks fit, but a member shall not be compelled to accept assets in respect of which there is a liability.

(d) Variation of Rights

If the share capital is divided into different classes of shares, the rights attached to a class of share may, subject to the provisions of the Act and to the terms of their issue be varied (whether the Company has been wound up or not). The variation requires the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall apply to every separate general meeting of the holders of the class of shares save that the quorum is two holders in person or by proxy representing not less than one third in nominal value of the issued shares of the relevant class.

(e) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, subdivide shares into shares of smaller amount and cancel any shares which have not been taken or agreed to be taken by any person.

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, capital redemption reserve or share premium account.

Subject to the provisions of the Act, the Company may purchase its own shares (including redeemable shares) but if there are in issue listed shares convertible into or carrying a right to subscribe for shares of a class proposed to be purchased, a purchase may not be made without the prior sanction of an extraordinary resolution passed at a separate meeting of the holders of the convertible shares.

(f) Transfer of shares

A transfer of shares may be effected by a transfer in writing in the usual common form or any other form approved by the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The directors may, without giving a reason, refuse to register a transfer of shares which are not fully paid (provided that the refusal does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also refuse to register a transfer unless it is duly stamped (if stampable), is deposited at the office of the Company or such other place as the directors appoint, is accompanied by the certificates for the shares to which it relates (except in the case of a transfer by a recognised person, unless certificates have been issued in respect of the shares) or such other evidence as the directors reasonably require to show the right of the transferor to make the transfer, it is in respect of one class of shares only and it is in favour of not more than four transferees.

(g) Directors

(i) Number of directors

Unless otherwise determined by ordinary resolution, the number of directors (excluding alternate directors) shall not be less than two nor more than ten.

(ii) Retirement of directors by rotation

At each annual general meeting, one-third of the directors (other than directors who hold an executive office) or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire from office by rotation. Directors to retire shall be those of the directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed on the same day, those to retire shall (unless they agree otherwise amongst themselves) be determined by lot.

(iii) Remuneration of directors

The directors (other than directors holding executive office or alternate directors) shall be paid such fees for their services in their offices as directors as are determined by the directors. The aggregate of the fees (excluding amounts payable under any other provision of these Articles) shall not exceed, £50,000 per annum (which figure shall be subject to upward only adjustment in line with any percentage increase in the retail price index after the date of the adoption of these Articles) or such higher amount as decided by ordinary resolution of the Company. The directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the directors or general meetings of the Company or otherwise in connection with the discharge of their duties.

(iv) Executive directors

Subject to the provisions of the Act, the directors, may appoint a director to an executive office in the Company and may enter into an agreement or arrangement with the director for his employment by the Company or for the provision by him of services outside the scope of the ordinary duties of a director. The appointment agreement or arrangement may be made on such terms as the directors determine and they may remunerate the director for his services as they think fit. The appointment of a director to an executive office terminates if he ceases to be a director but without prejudice to any claim he has for breach of his contract of employment.

(v) Directors' interests

Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of his interest in accordance with these Articles, a director:

- may enter into or otherwise be interested in a contract with the Company or in which the Company is otherwise interested;
- may hold any other office in the Company (other than the office of the auditor) in conjunction with his office of director and may act in a professional capacity for the Company on such terms as the directors determine;
- may continue to be or become a director or other officer employee or member of or otherwise interested in, or be a party to. a contract with a company promoted by the Company or in which the Company is interested, as a member or otherwise;
- shall not be liable to account to the Company for any profit remuneration or other benefit he derives from the contract, office or employment.

(vi) Restrictions on voting by directors

Except as otherwise provided by these Articles, a director may not vote at a meeting of the directors or of the committee of the directors on a resolution concerning a contract or arrangement or other proposal in which he has a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through, the Company) unless the resolution:

- relates to the giving of a security, guarantee or indemnity in respect of:
  - (a) money lent or obligations incurred by him or by another person at the request or for the benefit of the Company or a subsidiary undertaking; or
  - (b) a debt or obligation of the Company or a subsidiary undertaking for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- relates to an offering of securities by the Company or a subsidiary undertaking in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- relates to another company in which he and the persons connected with him do not, to his knowledge, hold an interest in shares representing one per cent or more either of its equity share capital or of its voting rights;
- relates to a contract. arrangement or proposal for the benefit of the employees of the Company or a subsidiary undertaking which does not award him a privilege or benefit not generally awarded to the employees to whom the contract arrangement or proposal relates; or
- base for the benefit of the concerns insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

(vii) Directors' gratuities and pensions

The directors may provide benefits, whether by payment of gratuities or pensions or by insurance or otherwise, for a director (or for any member of this family or any person who is dependent on him) who holds or has held but no longer holds an executive office or employment with the Company or with a body corporate which is or has been a subsidiary undertaking of the Company or a predecessor in business of the Company or of any subsidiary undertaking.

(viii) Borrowing powers

The directors may exercise all powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or a third party. The directors shall restrict the borrowings of the Company and exercise all other rights and powers of control which the Company has in relation to its subsidiaries, so as to secure that the aggregate outstanding principal amount of all borrowings of the Group does not, without the sanction of an ordinary resolution, exceed the greater of an amount equal to three times the share capital and consolidated reserves.

For this purpose the share capital and consolidated reserves shall be an amount equal to the aggregate of the amount of the share capital of the Company paid up or credited as paid up and the amount standing to the credit of the reserves (including share premium account, capital redemption reserve and profit and loss account) less any debit balance on consolidated profit and loss account all as shown in the then latest consolidated audited balance sheet of the Company after making adjustments to reflect variations in the paid up share capital or the reserves since the date of that balance sheet, making adjustments in respect of variations in the interest of the Company in its subsidiaries since the date of that balance sheet, making adjustments in respect of distributions made by the Company from such reserves or profit or loss account excluding amounts set aside for taxation, any share capital or reserves resulting from writing up the book values of the Company or any subsidiary and any intangible assets. For those purposes any sums owing on debentures issued for a consideration other than cash are deemed to be borrowed and any guarantees are deemed the borrowing of an amount equal to the maximum liability under the guarantee.

4. **Directors' and other interests**

(a) The interests (all of which are beneficial) of the Directors and persons connected with them (which expression shall be construed in accordance with Section 346 of the Act) in the issued share capital of the Company as notified to the Company pursuant to Section 324 or Section 328 of the Act or which are required to be entered in the Register maintained under Section 325 of the Act, both at the date of this document and following the Placing and Open Offer and the Acquisitions, are and will be as follows:

	At the date of this document		*Following the Placing and Open Offer and the Acquisitions[1][2][4]*	
	No. of Ordinary shares	*% of issued ordinary share capital*	*No. of Ordinary shares*	*% of issued ordinary share capital*
J.P. Pither[3]	326,002	2.57	326,002	2.13
S. Rankin	3,166,666	24.93	4,023,809	26.35
D. Pinkerton	5,000	0.93	5,000	0.03
R. G. Guy	—	—	—	—
A. Rankin	3,166,666	24.93	4,023,809	26.35
G. S. L. Forrest	250,002	1.97	250,002	1.64

Notes.

(1) Assuming no transactions in Ordinary shares are effected in the period from the date of this document to the date of allotment and issue of the Deferred shares.

(2) Assuming that 2,285,715 new Ordinary shares are issued under the Acquisition Agreement. Only 571,429 of these shares will be in issue immediately following the passing of the EGM Resolutions.

(3) J. P. Pither's shares are held through Surrey Management Services Limited.

(4) Assuming no Director takes up his entitlement in the Open Offer.

Save as disclosed above, none of the Directors or any persons connected with them (within the meaning of Section 346 of the Act) has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

(b) The Company has been notified of the following persons (other than those referred to in paragraph 4(a) above), who hold interests (as defined in Part V of the Act) in three per cent or more of the issued share capital of the Company at the date of this document and following the Placing and Open Offer and the Acquisitions:

	At the date of this document		*Following the Placing and Open Offer and the Acquisitions[1][2][3]*	
	No. of Ordinary shares	*% of issued ordinary share capital*	*No. of Ordinary shares*	*% of issued ordinary share capital*
J. R. Rankin	3,166,666	24.93	3,738,095	24.48
Trent Limited	580,000	4.57	580,000	3.80
AIM Trust PLC	500,000	3.94	500,000	3.27

Notes

(1) Assuming no transactions in Ordinary shares are effected in the period from the date of this document to the date of allotment and issue of the Deferred shares.

(2) Assuming that 2,285,715 new Ordinary shares are issued under the Acquisition Agreement.

(3) Assuming that none of these shareholders takes up their entitlement in the Open Offer.

(c) Save as disclosed in sub-paragraphs 4(a) and (b) above, the Directors are not aware of any other interests (within the meaning of Part VI of the Act) which represent three per cent or more of the issued ordinary share capital of the Company or of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

(d) Other than directorships of Group companies, the Directors' current directorships and partnerships and directorships/partnerships held during the previous five years are set out below:

Name	*Current Directorships/Partnerships*	*Past Directorships/Partnerships*
J. P. Pither	The Alumasc Group plc Lady In Leisure Group plc Eurokit (UK) Limited Healthsource Limited Prestige Travel Limited City Technology Holdings plc World Telecom plc Avon Group Holdings Limited Avon Holdings Limited The Aim Trust plc Kemira Coatings Investments Limited Sedgwick Oakwood Lloyd's Underwriting Agents Limited Sedgwick Oakwood Capital plc Jourdan plc Premier Direct Group plc Premier Books (UK) Limited Polymetal Limited The AIM VCT plc Ultimate Leisure Limited Surrey Management Services Limited Emerald Energy PLC	Equinox International Limited Dolomore Limited Maison Caurette Holdings Group Limited Maison Caurette Group Limited Maddox plc Hartons Group plc Primary Industries (US) Limited Primary Industries Trading Limited Primary Holdings Limited Primary Industries (UK) Limited Primary International Holdings Limited Primary Industries (Japan) Limited Primary ESOP Limited Wolff Alloy (PTY) Limited Centric Pubs Company The Wisley Golf Club plc H.H. Wardle (Metals) Limited Wedderburn Securities plc Wedderburn Developments Limited Kaye Holdings Limited Kaye Aluminium PLC Edgemond Group Limited Suter plc Suter Limited Hugodrax (12) Suter Trustees Limited ShelfCo (No. 839) Limited Comstack Limited Belco 10 Limited Paribema Limited Atlantic Caspian Resources plc Ascot Trustees Limited Wessex Traincare Holdings Limited Suter Employee Share Schemes (Jersey) Limited
G. S. L. Forrest	Lady In Leisure Group plc Simpleunit Limited Trendtest Trading Limited Audioband Services Limited Foodback Services Limited Nextmotor Limited Lasertop Limited Geartop Limited Inventboard Limited Happyteam Limited Reviseright Limited North East Management Services Limited Ultimate Leisure Limited Ultimate Leisure (Coast) Limited	None

S. Rankin	Metnor Industrial (Holdings) Limited Metnor Group Management Limited Norstead Limited Metnor Business Park Limited BDK Engineering (UK) Limited Metnor Scaffolding Limited Metnor Properties Limited Ultimate Leisure (Coast) Limited Ultimate Leisure Limited Metnor Tyne Tees (Belfast) Limited Galvanizers Association (a company limited by guarantee) Kirksyde Metals (a partnership)	Premier Books (UK) Limited Pacsloof Limited J.A.S. Metals Limited Metnor Tyne Tees Limited
A. Rankin	Metnor Industrial (Holdings) Limited Metnor Business Park Limited Norstead Limited Metnor Tyne Tees (Belfast) Limited Ultimate Leisure Limited Ultimate Leisure (Coast) Limited Metnor Scaffolding Limited	Premier Books (UK) Limited Stresstest Limited Landoffer Limited Bladeville Limited Inter-Lottery Limited Lord Armstrong Hotel Company Limited Rapidwhirl Limited Concept base (Scaffolding) Limited Metro Sports Distribution Limited Clindelt (Scaffolding) Limited
D. Pinkerton	None	None
R. G. Guy	Metnor Industrial (Holdings) Limited Metnor Fluid Power Limited Metnor (Great Yarmouth) Limited Metnor Tyne Tees Limited Metnor Tyne Tees (Belfast) Limited Norstead Limited Metnor Properties Limited	Pacsloof Limited Drawroof Limited Stresstest Limited Darlington (NDT) Limited

(e) In 1988, at the age of 25, G. S. L. Forrest, as a newly qualified accountant, was coerced into altering stock valuation figures in respect of the company with whom he was then employed, under threats from his superiors of loss of his employment. This resulted in his being censured and fined £500 plus costs by the Institute of Chartered Accountants in England and Wales.

Save as disclosed above, none of the Directors have any unspent convictions in relation to indictable offences, nor have any had a bankruptcy order made against him/her, nor have any of the Directors been the subject of any public criticisms by statutory or regulatory authorities.

(f) (i) J. P. Pither, the Chairman of the Company, became non executive chairman of Dolomore Limited ("Dolomore") in September 1995 at the instigation of the majority shareholders in Dolomore. Dolomore was an unquoted holding company with subsidiaries operating in the food and beverage sector. On 25 March 1996 Dolomore was put into administrative receivership. The directors' sworn statement of affairs for Dolomore showed an estimated deficiency as regards holders of unsecured loan notes and sundry creditors of £5,062,470.

(ii) J. P. Pither was a director of Maison Caurette Holdings Limited ("Maison Caurette") which was a non-trading subsidiary of Dolomore. Maison Caurette went into administrative receivership on 25 March 1996.

(iii) Until 6 November 1992, G. S. L. Forrest was a director of each of Shootplan Limited, Beehive (Newcastle) Limited, Jimmy'z Bar (Shaftesbury Avenue) Limited, Lessonarrive Limited, Bliss (Nightclubs) Limited, City Leisure (Earls Court Road) Limited, Yel Limited, Buzz (Leeds) Limited and Hazeage Limited. The said companies operated public houses and/or nightclubs and were under the common control of a sole shareholder. G. S. L. Forrest had no beneficial interest in the shares of any of these companies. In the period 29 September 1992 to the 5 May 1993 each of these companies was the subject of administrative receivership and/or winding-up proceedings. All of the above companies (apart from Hazeage Limited) have now been dissolved and (save in respect of Hazeage Limited and Shootplan Limited) no financial information regarding the outcome of the receivership/liquidation of any such company is currently available. The joint administrative receivers for Hazeage Limited and Shootplan Limited have indicated that in respect of these companies there were no realisations in either receivership and nor was a statement of affairs prepared by the directors of either company. The shortfall to creditors was estimated to be in excess of £1,500,000.

Save as disclosed above, none of the Directors has been a director of a company at the time of or within the twelve months preceding the date of a receivership or liquidation of such company.

(g) The following Service Contracts and Agreements for Services have been entered into between the Directors and the Company:

(i) A Service Agreement dated 4 August 1998 between (1) the Company and (2) S. Rankin under which S.Rankin is employed as Group Managing Director. The contract is for an initial period of 12 months from 1 August 1998 subject to six months' notice of termination by either party to expire at any time on or after the initial 12 month period at a salary (subject to annual review) of £80,000 per annum (adjusted annually in line with the retail prices index).

(ii) A Service Agreement dated 4 August 1998 between (1) the Company and (2) D. Pinkerton under which D.Pinkerton is employed as Production Director. The contract is for an initial period of 12 months from 1 August 1998 subject to six months' notice of termination by either party to expire at any time on or after the initial 12 month period at a salary (subject to annual review) of £50,000 per annum (adjusted annually in line with the retail price index) plus other benefits and a discretionary bonus.

(iii) An Agreement for Services dated 4 August 1998 between (1) the Company and (2) Surrey Management Services Limited under which Surrey Management Services Limited agrees to provide the services of J.P.Pither to the Company as Chairman and Director of the Company. The agreement is subject to 3 months' notice of termination by either party which can be given at any time and is at an annual fee of £10,000 plus VAT (if applicable) payable monthly in arrears.

(iv) Agreements for Service dated 4 August 1998 with each of G.S.L. Forrest and A. Rankin respectively under which the Company has agreed with each of the said Directors to pay to them the sum of £10,000 plus VAT (if applicable) per annum payable monthly in arrears in respect of their services to the Company as non executive Directors. The said agreements are subject to three months' notice of termination by either party which can be given at any time.

(v) A Service Agreement dated 4 August 1998 between (1) the Company and (2) R. G. Guy under which R.G. Guy is employed as Group Finance Director. The agreement commences with effect from 1 August 1998 and is subject to 6 months' notice of termination by either party to expire at any time at a salary (subject to annual review) of £10,000 per annum (adjusted annually in line with the retail price index). Pursuant to this contact Mr. Guy is required to devote such time and attention to his services as is reasonably required for those services to be properly performed.

Except as stated above, no Director has any service contract or consultancy agreement with the Company or any other member of the Group nor is any such contract proposed.

(h) The aggregate remuneration and benefits in kind of the Directors paid by Metnor during the financial year ended 31 December 1998 amounted to £101,000. It is estimated that the aggregate remuneration and benefits in kind of the Directors, excluding any bonuses, for the current financial year ending 31 December 1999 under the arrangements in force at the date of this document will amount to approximately £180,000.

(i) (i) During the period April 1996 to May 1998 MGL purchased its entire requirements for zinc from Kirksyde Metals, a partnership comprising S. Rankin and his wife. Further details of this arrangement are contained in paragraph 5A(a) of this Part VI.

(ii) During the financial year ended 31 December 1997, Cleobury Consultancy provided ongoing consultancy services to MGL. Cleobury Consultancy is owned and controlled by A. Rankin. The consultancy services provided to MGL were performed by A. Rankin personally and were considered to be outside the scope of the normal duties of A. Rankin as a non executive director of MGL. Cleobury Consultancy was paid the sum of £60,000 in aggregate in respect of the provision of such services.

(iii) On 27 May 1997 MGL granted an option to D. Pinkerton to purchase a residential property from MGL which D. Pinkerton presently occupies at a price of £58,000 at any time within 40 days of the seventeenth anniversary of the date of the said option or D. Pinkerton leaving the employment of the Metnor group of companies (whichever shall first occur).

(iv) On 24 July 1998, MGL transferred to Metnor Properties Limited two residential properties for the total sum of £97,394.50 plus VAT (if applicable). Metnor Properties Limited is ultimately owned and controlled by the Controlling Shareholders. The said properties were transferred subject to but with the benefit of options to purchase the said properties at cost granted in favour of D.Pinkerton and Mr K. Fraser (an employee of MGL).

(v) On 4 August 1998, Moortime Limited purchased the premises firstly and secondly described in paragraph 10 of this Part VI from Metnor Industrial Holdings Limited for the sum of £ 1,500,000 plus VAT. Metnor Industrial Holdings Limited is owned and controlled by the Controlling Shareholders.

(vi) The Share Purchase Agreement referred to in paragraph 2(b) of this Part VI.

(vii) The placing agreement referred to in paragraph 5A(k) of this Part VI.

(viii) the Relationship Agreement referred to in paragraph 5A(f) of this Part VI.

(ix) the Facility Sharing Agreement referred to in paragraph 5A(e) of this Part VI.

(x) the Nominated Adviser Agreement referred to in paragraph 5A(j) of this Part VI.

(xi) the placing agreement referred to in paragraph 5A(l) of this Part VI.

(xii) the Acquisition Agreement and other ancillary arrangements described in paragraph 6 of this Part VI.

Save as disclosed above, no Director has or has had any interest in any transaction effected by the Company or any of its subsidiaries which is or was unusual in its nature or conditions or is or was significant to the business of the Company and its subsidiaries and which has been effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during an earlier financial year and remains in any respect outstanding or unperformed

The Directors and the Controlling Shareholders have undertaken to Bell Lawrie Wise Speke, subject to certain exceptions, not to dispose or agree to dispose of any shares in the Company held by them (or any interest therein) at any time before 8 August 1999 without the prior consent of Bell Lawrie Wise Speke.

5. MATERIAL CONTRACTS

(A) The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the period of two years preceding the date of this document and are or may be material:

(a) During the period April 1995 to May 1998 MGL was party to an unwritten arrangement with Kirksyde Metals (a partnership), pursuant to which MGL purchased its entire requirements for zinc from Kirksyde Metals at a cost to MGL of ten per cent more than the cost to Kirksyde Metals.

(b) By a written agreement concluded on 27 January 1998 between F. Peart & Company Limited ("Peart") (1) and MGL (2) Peart agreed to place all of its galvanizing orders in the period 1 February 1998 to 31 January 1999 with MGL, in consideration of certain discounts given by MGL.

(c) By an agreement concluded orally in January 1998 between McArthur Group Limited (1) and MGL (2), McArthur Group Limited agreed to place all of its galvanizing orders in the period 1 January 1998 to 31 December 1998 with MGL, in consideration of MGL pricing for such orders based on a fixed cost of zinc.

(d) By an agreement in writing dated 22 June 1998 between Britannia Zinc Limited (1) and MGL (2), MGL contracted to purchase from Britannia Zinc 1800 tonnes of zinc at certain fixed prices, such prices being fixed until 1 January 1999.

(e) By a written agreement dated 4 August 1998 between Metnor Properties Limited (1) Metnor Group Management Limited (2) and the Company (3) (the 'Facility Sharing Agreement'), the Company was granted a licence by Metnor Properties Limited to share occupation of first floor premises situate at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Newcastle upon Tyne at an annualised cost of £3,000 plus VAT, such licence being capable of being terminated by either party on giving not less than six months notice at any time. The Facility Sharing Agreement also entitles the Company to use certain on site facilities in common with others. Additionally, Metnor Group Management Limited has agreed to provide certain services to the Company in common with others, subject to the Company contributing a fair proportion of the total costs of providing those services subject to a maximum contribution of £75,000 in any period of twelve months. On completion of the Acquisitions the Facility Sharing Agreement is to be terminated by mutual consent of the parties and replaced with a new facility sharing agreement in favour of the Company, details of which are set out in paragraph 6 of this Part VI.

(f) By a Relationship Agreement dated 4 August 1998, the Controlling Shareholders undertook to the Company that whilst they or their associates (as defined therein) are the owners of 30 per cent or more of the issued Ordinary shares they will use all reasonable endeavours to ensure that:

(i) the composition of the Board will at all times comprise a majority of directors independent of the Controlling Shareholders and any person connected with them;

(ii) the Company or any of its subsidiaries will be capable at all times of carrying on its business independently of them and any person connected with them;

(iii) all transactions and relationships between the Company or any of its subsidiaries and them, or their associates, will be at arms' length and on a normal commercial basis;

(iv) save as permitted by the Board, neither they nor any person connected with them will have any interests or other duties or responsibilities which could give rise to a potential conflict of interest between them or any person connected with them and the interests of the Company or any of its subsidiaries or the general body of shareholders of the Company; and

(v) in the event that a potential conflict of interest as mentioned in paragraph 5A(f)(iv) arises, any decision by the Board in relation thereto will be taken by independent directors and neither they nor any person connected with them shall participate in any discussions or voting.

(g) The transaction described in paragraph 4(i)(v) of this Part VI.

(h) The Share Purchase Agreement referred to in paragraph 2(b) of this Part VI.

(i) By an agreement in writing dated 19 May 1997 between MGL (1) and the General Municipal Boilermakers Union (G.M.B.) (in its capacity as the representative union of MGL production staff who are union members) (2), MGL agreed:

(i) to pay an increased basic wage rate;

(ii) to make a one-off contribution to a personal pension scheme; and

(iii) to pay an increased rate of pay for overtime working by inflation linked annual increases

to or in respect of its production staff. The agreement is effective to the year ending 2001. Pursuant to this agreement MGL also agreed to implement a cover shift payment system whereby any employee who covered for another's shift would receive an additional payment of £5.00 per shift covered, increasing annually to the year ending 2001.

(j) An agreement dated 4 August 1998 between the Company and Wise Speke Limited whereby Wise Speke Limited agreed to act as nominated adviser and nominated broker to the Company (the "Nominated Adviser Agreement"). The appointment is for an initial period of 12 months and is terminable following 8 August 1999 on 3 months' written notice by either party. Bell Lawrie Wise Speke (as Wise Speke Limited is now named) currently receive a fee of £15,000 per annum (excluding VAT) quarterly in advance which will increase to £20,000 per annum upon completion of the Acquisitions. In this agreement the Company gives Bell Lawrie Wise Speke indemnities and warranties in respect of certain matters.

(k) A placing agreement dated 4 August 1998 between the Company (1), the Directors (2) and Wise Speke Limited (3), Wise Speke Limited agreed, on and subject to the terms and conditions of such agreement, as agent for the Company, to use its reasonable endeavours procure subscribers for the 2,700,000 Ordinary shares, in each case at 100p. The Company agreed to pay to Wise Speke Limited a commission of 3 per cent on the aggregate subscription price of the Ordinary shares in respect of which subscribers were procured by Wise Speke Limited and 1 per cent of the aggregate of the subscription price of the 2,700,000 Ordinary shares in respect of which subscribers were not procured by Wise Speke Limited. In addition the Company agreed to pay a corporate finance fee to Wise Speke Limited. The agreement contained representations and warranties given to Wise Speke Limited by the Company and the Directors. The Directors holding Ordinary shares gave undertakings not to dispose of any Ordinary shares in the Company, other than in certain limited circumstances, at any time before 8 August 1999 without the prior consent of Wise Speke Limited.

(l) An agreement ("the Placing Agreement") dated 7 May 1999 between the Company (1) and Bell Lawrie Wise Speke (2), pursuant to which Bell Lawrie Wise Speke has agreed, on and subject to the terms and conditions of such agreement, as agent for the Company, to make the Open Offer on behalf of the Company and to use reasonable endeavours to place Offer shares not taken up by Qualifying Shareholders in the Open Offer with certain institutional investors at the Issue Price. The Company has agreed to pay to Bell Lawrie Wise Speke a corporate finance fee in respect of its services. The Placing Agreement contains certain indemnities in favour of Bell Lawrie Wise Speke given by the Company. The obligations of Bell Lawrie Wise Speke under the Placing Agreement are conditional, *inter alia*, upon admission of the Offer shares taking place on 1 June 1999 (or such later date as Bell Lawrie Wise Speke and the Company may agree, but in any event not late than 4 June 1999). The obligations of Bell Lawrie Wise Speke under the Placing Agreement may be terminated in certain circumstances, if prior to Admission there occurs a breach by the Company of the Placing Agreement or a change in the national or international financial economic market or political conditions and/or in the financial position or prospects of the Company.

(m) The Acquisition Agreement and other ancillary arrangements described in paragraph 6 of this Part VI.

(B) The following contract (not being a contract entered into in the ordinary course of business) has been entered into by Norstead within the period of two years preceding the date of this document and is or may be material:

An unwritten agreement for services between Norstead (1) and Gordon Stead (2) whereby the services of Mr. Stead as a chartered claims surveyor are retained. Mr. Stead receives fees from Norstead in respect of such services of £63,000 per annum plus VAT, payable monthly in arrears. The said agreement is subject to 6 months notice of termination by either party which may be given at any time.

(C) No contracts (not being contracts entered into in the ordinary course of business) have been entered into by NorMet or its subsidiaries within the period of two years preceding the date of this document which are or may be material.

6. The Acquisition Agreement

(a) By an agreement ("the Acquisition Agreement") dated 7 May 1999 between the Controlling Shareholders (1) and the Company (2), the Company agreed to purchase the entire issued share capitals of NorMet and Norstead.

(b) The purchase consideration to be satisfied on completion of the Acquisition comprises £1,800,000 payable in cash and the allotment and issue to the Controlling Shareholders of the Consideration shares.

(c) The Acquisition Agreement provides for the Controlling Shareholders to receive additional purchase consideration of up to £4,100,000 comprising £2,300,000 in cash and allotment and issue to the Controlling Shareholders of up to 1,714,286 Deferred shares. The amount of any additional purchase consideration payable is to be calculated by reference to the combined profitability of the respective business of NorMet, Norstead and MGY for the financial year ending 31 December 1999 in accordance with a ratchet formula more particularly described in the Acquisition Agreement. Any additional purchase consideration which is payable is to be satisfied within 10 working days of the combined profitability of NorMet, Norstead and MGY being ascertained but the Company has the right to defer payment of any cash element of the additional consideration considerations for up to 12 months if this is necessitated by the working capital requirements of the Enlarged Group. The Company will not be obliged to pay more than £6,500,000 total purchase consideration.

(d) Specifically, the Acquisition Agreement contains:

(i) certain warranties and indemnities given by the Controlling Shareholders in favour of the Company relating to NorMet, Norstead and MGY and (inter alia) their respective accounts, businesses, assets, taxation and financial affairs;

(ii) certain non-competition covenants by the Controlling Shareholders in favour of the Company;

(iii) convenants relating to the conduct of the business and safeguarding of the assets of NorMet, Norstead and MGY in the period between exchange and completion of the Acquisition Agreement;

(iv) obligations on the Controlling Shareholders to enter into a deed of indemnity on completion relating to certain tax liabilities of NorMet, Norstead and MGY in an agreed form;

(v) obligations on the Controlling Shareholders to procure that Metnor Group Management Limited and Metnor Properties Limited (being Rankin family companies) enter into a facility sharing agreement with the Enlarged Group in an agreed form in relation to the occupation of certain parts of Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Newcastle upon Tyne NE12 OYD and the provision of certain administrative services in substitution for the Facility Sharing Agreement described in paragraph 5A(e) of this Part VI.

(vi) an undertaking given by the Controlling Shareholders in favour of the Company (subject to certain exceptions) not to dispose or agree to dispose of any of the Ordinary shares held by them at any time prior to 31 May 2000.

(e) The Acquisition Agreement is conditional upon, inter alia, the following:

  (i) the passing of the EGM Resolutions at the EGM (or at any adjournment thereof); and

  (ii) re-admission of the Existing Ordinary shares and the Consideration shares occurring on or before 8 June 1999 or such later date as the Controlling Shareholders and the Company may agree but in any event not later than 30 June 1999;

7. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group will, from the time the securities to which the Prospectus relates are admitted to AIM, be sufficient for their present requirements, that is for at least the next twelve months.

8. Material Change

(a) Save as disclosed in Parts I and IV of this document, there has been no material change in the financial or trading position of the Existing Group since 31 December 1998, the date to which the Accountants' Report on Metnor set out in Part IV was drawn up.

(b) Save as disclosed in Parts I and IV of this document, there has been no material change in the financial or trading position of NorMet since 31 December 1998, the date to which the Accountants' Report on NorMet set out in Part IV was drawn up.

(c) Save as disclosed in Parts I and IV of this document, there has been no material change in the financial or trading position of Norstead since 31 December 1998, the date to which the Accountants' Report on Norstead set out in Part IV was drawn up.

(d) Save as disclosed in Parts I and IV of this document, there has been no material change in the financial or trading position of MGY since 31 December 1998, the date to which the Accountants' Report on MGY set out in Part IV was drawn up.

9. Litigation

(a) Neither Metnor nor any of its subsidiaries is engaged in any litigation or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Company and its subsidiaries and no such litigation or arbitration proceedings are known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

(b) Norstead is engaged in the litigation or arbitration proceedings details of which are set out below and which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of Norstead but save as set out below no such litigation or arbitration proceedings are known to the Directors to be pending or threatened against Norstead.

  (i) Dispute with McConnell Properties Limited in relation to the mechanical and electrical engineering works carried out by Norstead at a distribution centre in Bristol, (known as "Project Morgan"). Norstead is claiming £717,000 in respect of:

    (1) loss and expense pursuant to the terms of its contract with McConnell Properties Limited; or in the alternative

    (2) damages for breach of contract

  Norstead is currently in negotiation with McConnell Properties Limited in relation to such claim. If settlement is not reached Norstead will commence arbitration proceedings.

  (ii) Dispute with McConnell Properties Limited in relation to mechanical and electrical engineering works carried out by it at a distribution centre in Northampton (known as "Project Bentley"). Norstead is claiming £210,000 in respect of a breach of contract arising from extensive and severe impedance of Norstead, its servants and agents in carrying out the obligation under the contract and resulting in further expense to Norstead. Norstead is currently involved in negotiation with McConnell Properties Limited but if no settlement is reached arbitration proceedings will be commenced.

  (iii) Dispute with Kvaerner Trollope and Colls ("Kvaerner) in respect of work carried out by Norstead at the request of Kvaerner but in respect of which no written agreement was put in place and in particular no contract price was agreed. Norstead claims approximately £100,000, a fair and a reasonable sum for work carried out. Norstead is currently involved in negotiation with Kvaerner but if no settlement is reached proceedings are to be commenced.

(c) Neither NorMet nor MGY is engaged in any litigation or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of either company and no such litigation or arbitration proceedings are known to the Directors to be pending or threatened against NorMet or MGY.

10. Premises

The Existing Group's principal establishments are as follows:

Premises	*Use*	*Approximate square feet*
Freehold land and buildings on the south side of Ormesby Beck, North Ormesby, Middlesbrough, Cleveland	Galvanizing plant and ancillary offices	35,161
Freehold land and buildings on the south side of Hardwick Road, Holmewood Industrial Estate, Chesterfield, Derbyshire	Galvanizing plant and ancillary offices	69,372
First floor premises at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Tyne and Wear, occupied pursuant to the Facility Sharing Agreement described in paragraph 5A(e) of this Part VI	Head office	In Facility Sharing Agreement

The prinicipal establishments of NorMet, Norstead and MGY are as follows:

Premises	*Use*	*Approximate square feet*
Norstead Leasehold land and buildings known as Ground Floor, Blenheim Court, Newbold Road, Chesterfield, Derbyshire	Norstead regional office	1,000
Leasehold land and buildings known as Ground Floor, Unit B, Tectonic Place, Holyport Road, Maidenhead	Norstead regional office	1,090
Leasehold land and buildings known as Ground Floor, 62 & 63 St. Judes Road, Englefield Green, Surrey	None. Term of lease is to expire on 24 May 1999	—
MGY Leasehold land and buildings known as Unit 5+6, Gapton Hall Industrial Estate, Great Yarmouth, Norfolk	MGY trading premises	9,000
Norstead/NorMet/MGY Part of premises at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Tyne & Wear occupied under oral licence from a Rankin family company	Norstead/ MGY/ NorMet Head office	Shared facility

11. United Kingdom Taxation

The comments below are intended as a guide to the general position under current United Kingdom law and current United Kingdom Inland Revenue practice for certain categories of shareholders. You should consult your own professional advisers to establish your specific tax position, in particular, if you are subject to tax in a jurisdiction other than the United Kingdom.

(a) Dividends

Under the current United Kingdom taxation legislation, no tax will be withheld from dividend payments by the Company.

With effect from 6 April 1999, a United Kingdom resident individual shareholder is entitled to a tax credit equal to 10 per cent. of the gross dividend (i.e. the tax credit is 1/9th of the amount of the dividend). This tax credit will be treated as fully satisfying the income tax liability of a United Kingdom resident individual shareholder liable to pay income tax at the lower or basic rate. Also from 6 April 1999, the rate of income tax applied to United Kingdom company dividends received by United Kingdom resident individuals liable to income tax at the higher rate has fallen from 40 per cent. to 32.5 per cent. The effect of this reduction is that, after taking into account the 10 per cent. tax credit, a higher rate taxpayer is still liable to additional income tax equal to 25 per cent. of the net dividend. A company resident for tax purposes in the United Kingdom and holding Ordinary shares as an investment will not normally be liable to corporation tax on the receipt of a dividend.

Tax credits are generally no longer payable to shareholders, subject to transitional relief for charities. However, individual shareholders who hold their shares in an individual savings account or a personal equity plan will be entitled to recover the tax credit.

Tax exempt pension funds can no longer reclaim tax credits from the Inland Revenue.

Shareholders who are resident for tax purposes in countries other than the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received.

(b) Stamp duty and SDRT

No liability to stamp duty or SDRT arises in relation to the allotment and issue of Ordinary shares by the Company.

A liability to stamp duty or SDRT arises in relation to the sale of Ordinary shares after the Placing and Open Offer. Any subsequent conveyance or transfer on sales of Ordinary shares will generally be subject to *ad valorem* stamp duty at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration or to SDRT (if an unconditional agreement to transfer such shares is not completed within a specified time limit by a duly stamped transfer to the transferee under that agreement), at the rate of 0.5 per cent. A transfer of shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person who is in doubt as to his taxation in the United Kingdom and in any other jurisdiction in which he is subject to taxation should consult his professional adviser.

12. Intellectual Property

No intellectual property rights are registered in the name of the Company or its subsidiaries but no objection has been received to the use of the name "Metnor" by the Group.

13. General

(a) KPMG Audit Plc, Chartered Accountants and Registered Auditors, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their Accountants' Reports contained in Part IV and the references to their name in the form and context in which it appears.

(b) Bell Lawrie Wise Speke has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the references to its name in the form and context in which it appears.

(c) The total costs and expenses of and incidental to the Placing and Open Offer and the Acquisitions payable by the Company are estimated to amount to approximately £250,000 (excluding VAT).

(d) The total proceeds of the Placing and Open Offer will amount to £299,663 and, after deduction of expenses of the Placing and Open Offer, the net proceeds will be approximately £49,663.

(e) The promoters of the Company are its Directors, all of whom other than R G Guy, following the Acquisitions and Admission, will be shareholders of the Company and whose names and addresses are set out on page 3 of this Prospectus. Save for remuneration received in respect of services rendered to the Company or any of its subsidiaries, no payment or other benefits have, within the period immediately preceding the date hereof, been paid or given or are now proposed to be paid or given to any promoter.

(f) The Company has the benefit of keyman insurance in respect of S. Rankin in the sum of £1,000,000, and D. Pinkerton in the sum of £200,000. Conditional upon completion of the Acquisitions the Company will effect keyman insurance in respect of Mr R Pratt in the sum of £1,000,000 and Mr A Brooks in the sum of £750,000.

(g) Copies of this Prospectus will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) from the Company's registered office at Metnor House, Mylord Crescent, Camperdown Industrial Estate, Killingworth, Newcastle upon Tyne, NE12 OYD, and from the offices of Brewin Dolphin Holdings PLC, 5 Giltspur Street, London, EC1A 9BD from the date of this Prospectus up to and including 7 June 1999.

The financial information contained in Part IV of this Prospectus does not constitute statutory accounts within the meaning of Section 240 of the Act. Copies of audited accounts of MGL for each of the three financial years ended 31 December 1997 have been delivered to the Registrar of Companies in England and Wales. Ryecroft Glenton, Chartered Accountants and Registered Auditors, were the auditors of MGL for each of the financial years ended 31 December 1996 and 31 December 1997, and the auditors of MGY and Norstead for each of the financial years ended 31 December 1996, 31 December 1997 and 31 December 1998. The auditors' reports on each of these accounts were unqualified and did not contain a statement under Section 237 of the Act.

14. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Brewin Dolphin Holdings PLC, 5 Giltspur Street, London, EC1A 9BD during normal business hours on any weekday (except Saturdays and public holidays) from the date of this document until 7 June 1999:

(a) The Memorandum and Articles of Association of the Company;

(b) The Accountants' Reports reproduced in Part IV of this Prospectus;

(c) The audited accounts of the Company for the year ended 31 December 1998 and the audited accounts of MGL for each of the three financial years ended 31 December 1998;

(d) The audited accounts of Norstead and MGY for the three financial years ended 31 December 1998;

(e) The Service Contracts and Agreements for Services referred to in sub-paragraph 4 (g) above;

(f) The material contracts referred to in paragraph 5 above; and

(g) The written consents referred to in paragraph 13 above.

7 May 1999

METNOR GROUP PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Metnor Group PLC will be held at the offices of Wise Speke, Commercial Union House, 39 Pilgrim Street, Newcastle upon Tyne, NE1 6RQ at 10.00 a.m. on 7 June 1999 for the purpose of considering and (if thought fit) passing the following ordinary resolution.

RESOLUTION

That conditional upon admission of the existing allotted and issued ordinary shares in the capital of the Company and the initial 571,429 ordinary shares to be allotted and issued pursuant to the terms of the agreement to which the resolution below relates to trading on the Alternative Investment Market of the London Stock Exchange Limited on or before 30 June 1999 then:

1. Subject to the passing of resolution 2 below the purchase by the Company of the entire issued share capitals of NorMet (UK) Limited and Norstead Limited on the terms of the agreement dated 7 May 1999 and made between Mr A Rankin, Mr S Rankin (being directors of the Company) and Mr J Rankin (a person connected with Mr A Rankin and Mr S Rankin) (1) and the Company (2) (a true copy of which is produced to the meeting marked "A" for identification purposes) be and is hereby approved for the purposes of section 320 of the Companies Act 1985 and for all other purposes.

2. Subject to the passing of resolution 1 above, the Directors be authorised for the purposes of section 80 of the Companies Act 1985 to allot up to 2,285,715 ordinary shares in the Company pursuant to and in accordance with the terms of the agreement referred to in resolution 1 above, such authority to expire 2 years after the date of the passing of this resolution.

By Order of the Board

Robert Guy
Secretary

Registered Office
Metnor House
Mylord Crescent
Camperdown Industrial Estate
Killingworth
Tyne and Wear NE12 0YD

Dated: 7 May 1999

Note:

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy/one or more proxies to attend and vote instead of him. The proxy need not also be a member of the Company. A form of proxy is enclosed for use at the Meeting.