

NORSON GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

RUTHERFORD MANSON DOWDS
Chartered Accountants
17 Blythswood Square
Glasgow
G2 4AD



NORSON GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

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NORSON GROUP LIMITED

COMPANY INFORMATION

31 MARCH 1998

DIRECTORS	R McColl W M Bell R McKeown J McMillan
SECRETARY	Paul & Williamsons
REGISTERED OFFICE	Investment House 6 Union Row Aberdeen AB10 1DQ
BANKERS	Clydesdale Bank PLC 89 St Vincent Street Glasgow G2 5TF
SOLICITORS	Paul & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ
AUDITORS	Rutherford Manson Dowds Chartered Accountants 17 Blythswood Square Glasgow G2 4AD
REGISTERED NUMBER	SC166753

NORSON GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 1998

The directors present their report and the audited financial statements for the period ended 31 March 1998.

Principal activity

The principal activities of the group are the design, manufacture, installation and servicing of products for the oil and gas, marine and petrochemical markets, the stocking and distribution of hydraulic components, the service and repair of hydraulic equipment, and the provision of pipework and industrial services. The company operates as a holding and management company.

Business review

The group balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £3,107,609.

Profits, dividends and appropriations

The results for the year are shown in the profit and loss account on page 5.

The directors paid and proposed dividends on all shares amounting to £333,480 in the year and made appropriations in respect of non-equity shareholders' funds of £19,611. The balance of profit for the period of £587,080 is to be transferred to reserves.

The directors are confident of continued growth in the coming year.

Directors

The directors of the company during the period and their interests in the shares of the company were as follows:

	31 March 1998	31 March 1997
	Ordinary Shares	Ordinary Shares
	No	No
R McColl	50,000	50,000
W M Bell	50,000	50,000
R McKeown	50,000	50,000
J McMillan	-	-

NORSON GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 1998

Post balance sheet events

On 1 April 1998 Norson Services Limited acquired ownership of Norson Hydraulic Services Limited, a fellow subsidiary of Norson Group Limited. On the same day the business of Norson Hydraulic Services Limited was hived up to Norson Services Limited.

At the same time the trade and assets of the engineering division of Norson Services Limited was transferred to Norson Engineering Limited.

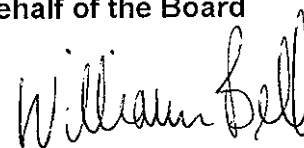
Year 2000 compliance

The directors have taken the appropriate steps to ensure that the company's hardware and software is Year 2000 compliant. No problems are foreseen in this area.

Auditors

A resolution to re-appoint Rutherford Manson Dowds as auditors will be proposed at the Annual General Meeting.

On behalf of the Board



Director

7 July 1998
Investment House
6 Union Row
Aberdeen
AB10 1DQ

NORSON GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**AUDITORS' REPORT TO THE SHAREHOLDERS OF
NORSON GROUP LIMITED**

We have audited the financial statements on pages 5 to 25 which have been prepared under the accounting policies set out on pages 12 to 14.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company as at 31 March 1998 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**Chartered Accountants
Registered Auditors**

7 July 1998

Partners: C Rutherford AG Manson CM Dowds CI Welsh SM Cowie JD Dryburgh I Steele I Durie DMS Beveridge DJ Crawford
MC Pacitti A Allan GJ Neilly EJ Leigh GA Sheils RG Murray R Archibald

2 Queens Terrace, Aberdeen AB10 1XL, Telephone 01224 625888, Facsimile 01224 625025
25 Melville Street, Edinburgh EH3 7PE, Telephone 0131 225 4727, Facsimile 0131 220 1663
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Registered to carry on audit work and authorised to carry on Investment Business by the Institute of Chartered Accountants of Scotland.

Rutherford Manson Dowds
Represented throughout Europe, North
and South America, Asia, Pacific and all
major commercial centres worldwide
through I A International.

NORSON GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1998

	Note	1998 £	9 months to 31 March 1997 £
Turnover			
Continuing operations		16,134,004	8,320,003
Acquisitions		3,898,721	-
	2	20,032,725	8,320,003
Cost of sales			
Continuing operations		13,943,047	7,000,033
Acquisitions		2,898,635	-
		16,841,682	7,000,033
Gross profit			
Continuing operations		2,190,957	1,319,970
Acquisitions		1,000,086	-
		3,191,043	1,319,970
Operating expenses			
Continuing operations		1,563,873	859,475
Acquisitions		172,998	-
		1,736,871	859,475
Operating profit			
Continuing operations		627,084	460,495
Acquisitions		827,088	-
	4	1,454,172	460,495
Interest receivable	5	29,489	2,687
Interest payable	6	(73,793)	(26,933)
Profit on ordinary activities before taxation		1,409,868	436,249
Taxation	7	(469,697)	(173,495)
Profit on ordinary activities after taxation		940,171	262,754
Dividends	8	(333,480)	(68,481)
Other appropriations: non-equity shares		(19,611)	(34,949)
Retained profit for the period	18	587,080	159,324


Movements in reserves are shown in the notes to the financial statements.

There are no recognised gains and losses in 1998 and 1997 other than the profit for those periods.

NORSON GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Intangible assets	10		2,001,893		1,571,400
Tangible assets	11		437,104		365,717
			<u>2,438,997</u>		<u>1,937,117</u>
Current assets					
Stock	13	515,488		257,834	
Debtors	14	5,834,636		3,892,570	
Cash at bank and in hand		3,411,206		764,298	
			<u>9,761,330</u>	<u>4,914,702</u>	
Creditors: amounts falling due within one year	15	(8,754,495)		(4,212,239)	
Net current assets			<u>1,006,835</u>		<u>702,463</u>
Total assets less current liabilities			3,445,832		2,639,580
Creditors: amounts falling due after more than one year	16		(338,223)		(495,307)
			<u>3,107,609</u>		<u>2,144,273</u>
Capital and reserves					
Called up share capital	17		2,235,000		1,950,000
Profit and loss account	18		800,964		194,273
Share premium account	19		71,645		-
Total shareholders' funds	20		<u>3,107,609</u>		<u>2,144,273</u>
Analysed as:					
Equity shareholders' funds			1,253,049		559,324
Non-equity shareholders' funds			1,854,560		1,584,949
			<u>3,107,609</u>		<u>2,144,273</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 7 July 1998.


 Director

NORSON GROUP LIMITED
COMPANY BALANCE SHEET
AT 31 MARCH 1998

	Note	1998 £	1997 £
Fixed assets			
Investments	12	3,458,098	2,633,098
Current assets			
Debtors	14	262,529	225,158
Cash at bank and in hand		3,068,114	20
		<u>3,330,643</u>	<u>225,178</u>
Creditors: amounts falling due within one year	15	<u>(4,287,435)</u>	<u>(596,688)</u>
Net current liabilities		<u>(956,792)</u>	<u>(371,510)</u>
Total assets less current liabilities		2,501,306	2,261,588
Creditors: amounts falling due after more than one year	16	<u>(187,500)</u>	<u>(300,000)</u>
		<u>2,313,806</u>	<u>1,961,588</u>
Capital and reserves			
Called up share capital	17	2,235,000	1,950,000
Profit and loss account	18	7,161	11,588
Share premium account	19	71,645	-
Total shareholders' funds	20	<u>2,313,806</u>	<u>1,961,588</u>
Analysed as:			
Equity shareholders' funds		459,246	376,639
Non-equity shareholders' funds		<u>1,854,560</u>	<u>1,584,949</u>
		<u>2,313,806</u>	<u>1,961,588</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 7 July 1998.


Director

NORSON GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	i	3,461,777	518,998
Returns on investments and servicing of finance			
Interest received		29,489	2,687
Interest paid		(73,793)	(26,933)
Dividends paid		(131,255)	(68,476)
		-----	-----
Net cash outflow from returns on investments and servicing of finance		(175,559)	(92,722)
Taxation		(281,445)	(59,585)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(140,078)	(25,356)
Receipts from sale of tangible fixed assets		94,775	-
		-----	-----
		(45,303)	(25,356)
Acquisitions and disposals			
Acquisition of subsidiary		(825,000)	(2,633,098)
Net overdrafts/(cash) acquired with subsidiary		(665,301)	189,889
		-----	-----
		(1,490,301)	(2,443,209)
Equity dividends paid		(130,500)	-
		-----	-----
Cash outflow before financing		1,338,669	(2,101,874)
Financing			
Net proceeds of issue of share capital		356,645	1,950,000
Capital element of finance lease rentals		(79,354)	(35,807)
Bank loan advances		-	400,000
Bank loan repayments		(100,000)	-
		-----	-----
Net cash inflow from financing		177,291	2,314,193
Increase in cash		1,515,960	212,319
		=====	=====

NORSON GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued)

YEAR ENDED 31 MARCH 1998

	Note	1998 £	1997 £
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period	i	1,515,960	212,319
Cash inflow /(outflow) from increase in debt and lease financing		179,354	(364,193)
		-----	-----
Change in net debt resulting from cash flow		1,695,314	(151,874)
New finance leases		(69,044)	(100,239)
		-----	-----
Movement in net debt		1,626,270	(252,113)
Net debt at 31 March 1997	ii	(317,480)	(65,367)
		-----	-----
Net funds at 31 March 1998	ii	1,308,790	(317,480)
		=====	=====

NORSON GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1998

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

	1998	1997
	£	£
Operating profit	1,454,172	460,495
Depreciation charge/amortisation charge	353,212	109,317
Profit on sale of fixed assets	(6,518)	-
Decrease in stock	109,074	225,234
Increase in debtors	(689,833)	(1,960,336)
Increase in creditors	2,241,670	1,684,288
	<u>3,461,777</u>	<u>518,998</u>

ii Analysis of changes in net debt

	At 1.4.97	Cash flow	Other non cash changes	At 31.3.98
	£	£	£	£
Cash in hand, at bank	764,298	2,646,908	-	3,411,206
Overdrafts	(551,979)	(1,130,948)	-	(1,682,927)
	<u>212,319</u>	<u>1,515,960</u>	<u>-</u>	<u>1,728,279</u>
Debt due after one year	(300,000)	-	112,500	(187,500)
Debt due within one year	(100,000)	100,000	(112,500)	(112,500)
Finance leases and hire purchase contracts	(129,799)	79,354	(69,044)	(119,489)
	<u>(529,799)</u>	<u>179,354</u>	<u>(69,044)</u>	<u>(419,489)</u>
Total	<u>(317,480)</u>	<u>1,695,314</u>	<u>(69,044)</u>	<u>1,308,790</u>

NORSON GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

YEAR ENDED 31 MARCH 1998

iii Acquisition of subsidiary

1998
£

Fair value of net assets acquired:

Tangible fixed assets	202,878
Stocks	366,728
Debtors	1,252,233
Overdrafts	(665,301)
Creditors	(842,187)
Taxation	(20,700)

	293,651

Goodwill	531,349

825,000

=====

Satisfied by:

Cash	825,000
	=====

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

1 Accounting policies

Basis of accounting

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

Basis of consolidation

The consolidated financial statements incorporate the accounts of the company and its subsidiaries for the period ended 31 March 1998. No profit and loss account is presented for Norson Group Limited as provided by s230 of the Companies Act 1985.

Goodwill arising on consolidation is amortised over a period of twenty years being the directors' estimate of its useful life.

Tangible fixed assets

Tangible fixed assets are shown at cost to the group on consolidation. Any related government grants are reported as deferred income and amortised over the expected useful life of the assets concerned. The balance of unamortised grants is included within deferred income.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line or reducing balance basis over its estimated useful life as follows:

Freehold buildings	- 4% per annum straight-line
Leasehold buildings	- 20% per annum straight-line
Plant and machinery depending on type	- 15% per annum reducing balance, 25% per annum straight-line, 33 1/3% per annum straight-line, or 50% per annum straight-line.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred. Further information on charges in the year and future commitments is given in note 20.

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

1 Accounting policies - continued

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is based on:

Raw materials and consumables	- Purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	- Cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity, net of progress payments received

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

In the case of long-term contracts, turnover represents the proportion of contract value applicable to the activity in the year, ascertained by reference to the level of costs incurred to date. The related costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as activity progresses using a zero estimate of profit.

Estimates of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred in excess of amounts transferred to cost of sales are classified as long-term contract balances. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contract balances, with any residual balances being classified as payments on account and included in creditors. Long-term contract balances are stated at contract costs incurred less amounts transferred to cost of sales, foreseeable losses and payments on account.

Pension costs

The company provides pensions for its employees through the Norson Power Limited Retirement Benefits Scheme. The scheme is a defined benefits scheme, providing benefits based on final pensionable salary. The assets of the scheme are administered by Sun Life Pensions Management Limited.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

1 Accounting policies - continued

Pension costs - continued

It is the policy of the company to provide for and fund pension liabilities on a going concern basis, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the fund and charged in the financial statements comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every three years.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members. The difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is shown within creditors falling due after more than one year.

Further information on pension costs is provided in note 23.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

An analysis of turnover by geographical market has been omitted as the directors believe that such disclosure would be prejudicial to the interests of the company.

3 Directors and employees

	1998 £	1997 £
Staff costs including directors emoluments		
Wages and salaries	4,122,409	1,810,380
Social security costs	392,280	116,935
Other pension costs	144,653	59,160
	<u>4,659,342</u>	<u>1,986,475</u>
	=====	=====
Average number employed including executive directors	Number	Number
Production	131	82
Sales and distribution	18	18
Administration	23	11
	<u>172</u>	<u>111</u>
	=====	=====
	£	£
Directors		
Directors' emoluments	329,162	151,876
Pension contributions	25,456	24,725
	<u>354,618</u>	<u>176,601</u>
	=====	=====
	£	£
Emoluments excluding pension scheme contributions		
Highest paid director	104,672	47,890
Pension contributions	7,440	11,889
	<u>112,112</u>	<u>59,779</u>
	=====	=====

The number of directors accruing benefits under the pension scheme during the year was 4 (1997 - 4).

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

4	Operating profit	1998	1997
		£	£
	Operating profit is stated after (crediting)/charging:		
	Government grants amortised	(945)	(945)
	Depreciation of tangible fixed assets		
	- owned assets	213,735	34,785
	- held under finance leases and hire purchase contracts	38,621	27,323
	Amortisation of goodwill	100,856	47,209
	Auditors' remuneration	15,000	5,396
	Hire of plant and machinery	13,572	43,501
	Operating lease rentals	107,022	60,521
		=====	=====
5	Interest receivable	1998	1997
		£	£
	Bank interest	29,489	2,687
		=====	=====
6	Interest payable	1998	1997
		£	£
	Bank overdraft interest	36,801	7,080
	Bank loan interest	30,587	-
	Other interest	6,405	19,853
		-----	-----
		73,793	26,933
		=====	=====
7	Taxation	1998	1997
		£	£
	Corporation tax on profit on ordinary activities at 31% (1997 - 33%)	494,028	173,495
	Deferred tax	(19,278)	-
	Overprovision in prior years	(5,053)	-
		-----	-----
		469,697	173,495
		=====	=====

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

8 Dividends

	1998 £	1997 £
Paid : Ordinary shares	45,000	-
'A' ordinary shares	85,500	-
Preference shares	131,250	68,476
	-----	-----
	261,750	68,476
 Proposed : Ordinary shares	 25,399	 -
'A' ordinary shares	46,331	-
Preference shares	-	5
	-----	-----
	71,730	5
	-----	-----
Total	333,480	68,481
	=====	=====

9 Parent company profit and loss account

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The consolidated profit for the period includes a profit of £329,053 which is dealt with in the accounts of the parent company.

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 1997	1,618,609
Additions during the year	531,349

At 31 March 1998	2,149,958

Amortisation	
At 1 April 1997	47,209
Provided during the year	100,856

At 31 March 1998	148,065

Net book value	
At 31 March 1998	2,001,893
	=====
At 31 March 1997	1,571,400
	=====

The goodwill on consolidation arose on the acquisition of Norson Services Limited and Norson Hydraulic Services Limited and is being amortised over its estimated useful economic life of 20 years.

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

11 Tangible fixed assets

Group	Freehold Buildings £	Leasehold Buildings £	Plant & Machinery £	Total £
Cost				
At 1 April 1997	76,000	177,821	1,462,711	1,716,532
Additions	-	36,732	1,158,945	1,195,677
Disposals	(76,000)	-	(123,786)	(199,786)
	-----	-----	-----	-----
At 31 March 1998	-	214,553	2,497,870	2,712,423
	-----	-----	-----	-----
Depreciation				
At 1 April 1997	15,192	149,693	1,185,930	1,350,815
Additions	-	-	783,677	783,677
Charge for year	-	10,880	241,476	252,356
On disposals	(15,192)	-	(96,337)	(111,529)
	-----	-----	-----	-----
At 31 March 1998	-	160,573	2,114,746	2,275,319
	-----	-----	-----	-----
Net book value				
At 31 March 1998	-	53,980	383,124	437,104
	=====	=====	=====	=====
At 31 March 1997	60,808	28,128	276,781	365,717
	=====	=====	=====	=====

The net book value of fixed assets includes £120,240 (1997 - £120,441) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 4.

12 Investments

Company	Subsidiary undertakings £
Cost	
At 1 April 1997	2,633,098
Additions	825,000

At 31 March 1998	3,458,098
	=====

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

12 Investments - continued

On 12 June 1997, the company acquired 100% of the share capital of Norson Hydraulic Services Limited. The pre-acquisition results of the company for the period from 1 January 1997 to 12 June 1997 were as follows:

	£
Turnover	1,815,101
Operating profit	65,545
Profit before taxation	53,742

The loss of the company after taxation for the year to 31 December 1996 was £43,923. Details of investments are as follows:

Name	Investment	Trade	Country of Incorporation
Norson Services 100% Limited		Manufacture, installation and servicing of products for the Oil and Gas, Marine and Petrochemical markets. Fluid and pipework services including workshop repair and distribution components	Scotland
Norson Hydraulic Services Limited	100%	Fluid and pipework services including workshop repair and distribution components	Scotland
Norson Engineering Limited	100%	Dormant	Scotland

Norson Engineering Limited commenced trading on 1 April 1998.

13 Stocks

Group	1998 £	1997 £
Work in progress	303,034	87,684
Finished goods and goods for resale	181,051	139,271
	484,085	226,955
Long term contract balances consist of:		
Costs due to date less provision for losses	68,250	48,793
Less: applicable payments on account	(36,847)	(17,914)
	31,403	30,879
	515,488	257,834

The replacement cost of the above stocks would not be significantly different from the values stated.

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

14 Debtors

	1998		1997	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	4,192,896	-	1,676,553	-
Amounts recoverable on contracts	1,319,736	-	1,929,144	-
Other debtors	221,269	262,529	191,292	225,158
Prepayments and accrued income	100,735	-	95,581	-
	-----	-----	-----	-----
	5,834,636	262,529	3,892,570	225,158
	=====	=====	=====	=====

Included in prepayments and accrued income is an amount of £18,050 (1996 - £18,050) which is due after more than one year.

15 Creditors: amounts falling due within one year

	1998		1997	
	Group	Company	Group	Company
	£	£	£	£
Bank loans and overdraft	1,795,427	112,500	651,979	218,390
Trade creditors	1,757,976	-	2,264,419	-
Payments received on account in respect of contracts	2,944,953	-	231,361	-
Corporation tax	514,860	1,000	305,908	-
Social security and other taxes	328,565	-	82,068	-
Other creditors	250,906	250,906	17,119	17,119
Accruals and deferred income	1,030,959	90,000	601,015	-
Obligations under finance leases and hire purchase contracts	59,119	-	58,365	-
Amounts owed to group undertaking	-	3,761,299	-	361,179
Proposed dividends	71,730	71,730	5	-
	-----	-----	-----	-----
	8,754,495	4,287,435	4,212,239	596,688
	=====	=====	=====	=====

The bank loan and overdraft are secured by a floating charge over the assets of the company.

Cross guarantees exist between the company and all of its subsidiaries for all sums due. At 31 March 1998 the net bank position was positive.

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1998

16 Creditors: amounts falling due after more than one year

	1998		1997	
	Group	Company	Group	Company
	£	£	£	£
Bank loan	187,500	187,500	300,000	300,000
Deferred income	3,387	-	4,044	-
Pension scheme	86,966	-	119,829	-
Obligations under finance leases and hire purchase contracts	60,370	-	71,434	-
	<u>338,223</u>	<u>187,500</u>	<u>495,307</u>	<u>300,000</u>
	=====	=====	=====	=====

Maturity of debt

	1998		1997	
	Group	Company	Group	Company
	£	£	£	£
Bank loans are repayable as follows:				
In one year or less, or on demand - see note 15	112,500	112,500	100,000	100,000
Between one and two years	125,000	125,000	112,500	112,500
Between two and five years	62,500	62,500	187,500	187,500
	<u>300,000</u>	<u>300,000</u>	<u>400,000</u>	<u>400,000</u>
	=====	=====	=====	=====

Obligations under finance leases and hire purchase contracts

	Group	Company	Group	Company
	£	£	£	£
These are repayable over varying periods by monthly instalments as follows:				
In the next year - see note 15	59,119	-	58,365	-
In second to fifth year	60,370	-	71,434	-
	<u>119,489</u>	<u>-</u>	<u>129,799</u>	<u>-</u>
	=====	=====	=====	=====

Obligations under finance leases and hire purchase contracts are secured by the related assets.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

17 Called up share capital

Group and Company	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
'A' ordinary shares of £1 each	285,000	285,000	250,000	250,000
Cumulative preference shares of £1 each	1,800,000	1,800,000	1,550,000	1,550,000
	<u>2,235,000</u>	<u>2,235,000</u>	<u>1,950,000</u>	<u>1,950,000</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
'A' ordinary shares of £1 each	285,000	285,000	250,000	250,000
Cumulative preference shares of £1 each	1,800,000	1,800,000	1,550,000	1,550,000
	<u>2,235,000</u>	<u>2,235,000</u>	<u>1,950,000</u>	<u>1,950,000</u>

On 12 June 1997 the authorised share capital of the company was increased by the creation of 35,000 'A' ordinary shares of £1 each and 250,000 cumulative preference shares of £1 each. On the same day these 'A' ordinary shares were issued at £4.29 per share and the cumulative preference shares were issued at par.

Preference shares

Dividend rights:

Fixed cumulative preferential net cash dividend at the rate of £0.075 per annum payable half yearly on 31 March and 30 September. These are payable in priority to any other class of shareholding.

Redemption of shares:

Redeemable in 5 annual instalments of 390,000 shares, 390,000 shares, 400,000 shares, 310,000 shares and 310,000 shares respectively, at £1.10 per share commencing 31 March 1999.

NORSON GROUP LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED 31 MARCH 1998

17 Called up share capital - continued

Preference shares -continued

Winding up:

On a winding up the holders have priority over all other classes to receive repayment of £1.10 per share plus all other arrears of dividend.

Voting rights:

The holders have no voting rights in normal circumstances.

'A' Ordinary shares

Dividend rights:

Cumulative preferential net cash profit related dividend is payable annually depending on conditions determined in the articles of association. These rank second for payment and commence for the year ended 31 March 1998.

Winding up:

On a winding up the holders have second priority to receive repayment of £1 per share plus all other arrears of dividend.

Voting rights:

The holders are entitled to one vote per share.

18 Profit and loss account

	Group £	Company £
At 1 April 1997	194,273	11,588
Profit/(loss) for year	587,080	(24,038)
Add back of appropriation in respect of non-equity shareholders' funds	19,611	19,611
	-----	-----
At 31 March 1998	800,964	7,161
	=====	=====

19 Share premium account

	Group £	Company £
Premium on shares issued	115,000	115,000
Expenses of issues	(43,355)	(43,355)
	-----	-----
At 31 March 1998	71,645	71,645
	=====	=====

NORSON GROUP LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED 31 MARCH 1998

20 Reconciliation of movements in shareholders' funds

	1998		1997	
	Group £	Company £	Group £	Company £
Profit/(loss) for the year	940,171	329,053	262,754	80,064
Less: Dividends paid	(333,480)	(333,480)	(68,481)	(68,476)
	-----	-----	-----	-----
Net additions to / (subtraction from) shareholders' funds	606,691	(4,427)	194,273	11,588
New issued shares	356,645	356,645	1,950,000	1,950,000
Opening shareholders' funds	2,144,273	1,961,588	-	-
	-----	-----	-----	-----
Closing shareholders' funds	3,107,609	2,313,806	2,144,273	1,961,588
	=====	=====	=====	=====

21 Other commitments

At 31 March 1998 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1998 £	Plant and machinery 1998 £
Expiry date:		
Within 1 year	-	5,993
Between 2 and 5 years	46,500	42,547
Outwith 5 years	94,500	-
	=====	=====

22 Contingent liabilities

	1998 £	1997 £
Group		
Performance bonds and guarantees issued in the named course of business	740,259	1,289,199
	=====	=====

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

23 Pension costs

The pension charge of the group for the year was £144,653 (1997 - £59,160), made up of a regular cost of £129,355 (1997 - £48,934) and variations from regular cost of £15,298 (1997 - £10,226).

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 1 October 1995, and used the Projected Unit Method. The main actuarial assumptions were that (a) salaries would increase by an average of 6% p.a. and (b) the annual rate of interest would be 9% per annum. No allowance has been made in the valuation for possible discretionary increases being awarded to pensions in payment.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £1,695,000 and the actuarial value of the assets covered 89% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The estimated deficit of the scheme at 1 October 1995 was £178,000. In accordance with SSAP 24, the company chose to account for the deficit by amortising the pension deficit over the average expected remaining service lives of the current employees in the scheme after making suitable allowances for future withdrawals. This has been estimated at ten years.

Had the scheme been wound up on 1 October 1995, the debt on the company to make good the deficit would have amounted to £226,000 plus the costs of equalisation and expenses associated with winding up the scheme. The deficit should be eliminated by the payment of an additional contribution rate of 4.3% for the next six years.

An accrual of £86,966 (1997 - £74,851) is included within creditors falling due after more than one year, being the excess of the pension charge over contributions paid by the company.

24 Post balance sheet events

On 1 April 1998 Norson Services Limited acquired ownership of Norson Hydraulic Services Limited, a fellow subsidiary of Norson Group Limited. On the same day the business of Norson Hydraulic Services Limited was hived up to Norson Services Limited.

At the same time the trade and assets of the engineering division of Norson Services Limited were transferred to Norson Engineering Limited.